

THE UNIVERSITY OF CHICAGO

NEW WINE IN OLD VILLAGE:  
INTRODUCTION OF INDUSTRIAL VINEYARDS  
AND COLLECTIVE LAND OWNERSHIP IN POST-SOCIALIST CHINA

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## Preface

It was in 2004 when I began to be interested in Chinese wines. At that time, I was conducting research in Yantai, Shandong Province for my master's thesis on trade between Korean and China carried out by overseas Chinese. On a misty winter day, I was heading for an interview on a bus running along the shore. Around a corner of the road, I came across a sign in English of 'the Changyu Wine Museum' out the foggy window. Passing it by, I felt as if I saw a misplaced illusion. At that time, wine and China sounded almost like an oxymoron to me, as it still does to many of my American friends whenever I introduce my research topic to them. When I visited the museum in a few days, it seemed more mysterious and even secretive with two security guards standing at the gate. Although the guards did not stop me, just giving a cold stare at me, I was not sure whether I was allowed to enter the main building. It was a grey government building, and did not seem like a tourist attraction, not even for a foreign visitor. As I took the courage to approach the entrance, someone ran out of an annex, yelling "*guan men le!*" meaning "closed."

Since then, several questions began to arise about not only the wine museum, but more broadly about wine in China; how could a wine museum have been established in a small city whose bustling center was made of dime stores around the shabby railway station? If wine has continued to be produced in China, how could it withstand economic austerity and rejection of Western culture during the socialist past? Most of all, who could produce wine grapes in China, which, in the Western world, are assumed to be produced by experienced vintners with the accumulated knowledge of local soil and *terroir*. These questions remained unanswered for five years.

As I came back to Yantai for my pre-dissertation research in 2009, the city had undergone a complete transformation just in five years. The railway station was renovated on a grandiose scale, and the small stores were replaced by magnificent malls and department stores. The Changyu Wine Museum was also refurbished with a new brilliant façade that was more welcoming. This time, a professor at Yantai University whom I had met in Beijing introduced me to the museum's director, who guided me through the museum. It displayed the glorious history of Changyu, the country's first modern wine company, which had been established in 1892. Stepping into the basement, I was stunned to see the oldest wine cellar in Asia, storing 600 oak barrels that were taller than six feet. At the end of a short tour, I was led to the tasting room and served with a glass of Changyu's red wine that tasted mediocre at best. Despite the director's kind explanation, the museum seemed to be concealing more than revealing the reality of Chinese wines. My entry to the museum was like opening the Pandora box of China's wine industry, and also the beginning of a prolonged period of research for my dissertation.

My interest in wine started to develop back in 1998 when I participated in a student volunteer program for an organic farm in Bergerac in Southern France. After working hard every day, my host farmer and I would share one or two bottles of Cabernet Sauvignon that were supplied by a local winery. In the beginning, it tasted merely sour to me, novice wine drinker as I was, but gradually its pungent and crisp flavor began to sooth my palate while easing the pain of my fatigued muscles. Since I came back to Korea, wine consumption had rapidly widespread as the *modus vivendi* for middle-class consumers. Although I could not afford to join the growing wine community in Seoul, wine remained to me as a window to a different world and its people, and also as an object of series of questions: why do its producers and consumers tend to imbue the commodity of wine with their emotion, passion, and inspiration? How could wine growers be

distinguished from producers of other agricultural products in regard to their experience and knowledge of soil and climate? What constitutes the authority of those who determine the quality and value of wine? What creates the unique power of wine that conjures up a variety of imaginaries for its consumers?

These questions have not been fully answered through my project, but did attract me to rural villages in Shandong Province that produced wine grapes. As a matter of fact, it was the allure of wine that led diverse actors in rural China to engage with the challenging project of government involvement, land consolidation, technological innovation, and labor management. Seen as a commodity of high economic value and cultural sophistication, the production of high-quality wine has been presented as a means of catching up with the West and attaining a degree of respectable global status for China. At the same time, the magnified vision of China's wine industry put in relief the very contested field of Chinese villages where memories of collectivist farms still loom, the legacy of collective land ownership remains, and villagers have coped with the changing policies of the state's rural development.

Wine also functioned as an efficient bridge between rural China and an outside researcher. While a foreign researcher in rural China is generally deemed as the subject of suspicion, villagers nodded to me when I said I was researching wine production in their village. Although I am not a wine expert, the topic of wine effectively brought me in a conversation with local officials and winery managers as they were eager to explain the challenge that they faced in improving the quality of their wines, and heeded to my opinion as that of a researcher from an American university. As it connected me with my research field, I hope the mysterious power of wine will connect the contemporary issues facing rural China with academia and, more broadly, with readers in the West. Whereas the dynamic social transformation in Chinese urban centers

captures our attention, villages in rural China seem to have been regarded as comparatively static, uneventful, passive, and afar. Telling the story of wine, this dissertation leads us to reappraise the vicissitude of the post-socialist conditions of Chinese villages, and to pay attention to the emerging legitimacy of land use, labor efficiency, and social stratification in rural China.

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## **Abstract**

This dissertation investigates how industrial wineries make a contract with Chinese villages for land leases and labor employment, even as local government seeks to promote the wine industry as a way to expedite China's agricultural industrialization and farmland consolidation. My research findings contribute to our understanding of the ways property is embedded in social relationship and expresses the norms and values of communities (Hann 2007). It also provides a critique of recent anthropological literature that portrays a Chinese society as an individualized and fragmented one, and that presumes Chinese villagers are static, passive, and individualistic with little grounding in community values (Anagnost 2004; Zhang and Ong 2008; Yan 2010). Chinese villagers, I argue, reacted to the introduction of industrial vineyards as experienced farmers, strategic negotiators, and sometimes devoted community members although within the limitations imposed by a changing market order.

Upon the de-collectivization in the early 1980s, land use rights were distributed to villagers in an egalitarian manner under the Household Responsibility System leaving ultimate land ownership still in the hands of the village collective. Due to this unique institution of collective land ownership, wine companies had to negotiate with each village for the land lease, and they were also obliged to employ villagers as contract farmers so as to guarantee their economic subsistence. In this process, villagers have maintained an egalitarian principle as they autonomously decided matters of selecting contract farmers, arranging contract fields, and distributing rent revenue among villagers. Obviously, villagers are situated in a disadvantageous position under the contract with a wine company as the long-term land lease for more than twenty years deprives them of other economic opportunities in the region's rapidly developing

market. Nevertheless, villagers managed to negotiate with wine companies for favorable contract conditions and loosened labor control, and utilized vineyards as part of their economic strategies.

The study is based on the long-term residential research in rural China engaging with daily farming practices of villagers, and investigating the relationship between winery managers and contract farmers. My research stretched over five years from a preliminary research in 2009 to two-year dissertation research in 2012-2014, which helped to grasp the changing attitudes of research subjects according to the region's market environment. In fieldwork, I assisted farmers with diverse tasks of vine cultivation, socialized with villagers at a local restaurant, and interviewed them during house visits. I also interviewed wine experts such as local officials, vinologists, magazine editors, and wine dealers in order to understand the structural and technological issues in China's wine industry.

This case study of China's industrial vineyards reveals that the neoliberal restructuring by agribusiness capital cannot be unilateral, but has been entangled with the pre-existing configurations of post-socialist institutions, and limited and challenged by communal responses from below (Nonini 2008; Pieke 2009). My ethnographic data demonstrate that the political legitimacy of collective land ownership was not maintained just by villagers' nominal entitlement, but has long been reinforced by their autonomous practices of land distribution, auctions, and readjustments deeply based on an egalitarian principle of land use.

# **I. Introduction**

## **1. Field Site**

Shandong Province is located on the eastern edge of the North China Plain and in the lower reaches of the Yellow River (*Huang He*). It borders the Bohai Sea to the north and the Yellow Sea to the southeast, jutting out toward Korea in the form of the Shandong Peninsula. Since the beginning of the Reform Period, Shandong has benefited economically from Korean and Japanese investments and tourism due to its geographical location, and now it is one of the top manufacturing provinces in China. Shandong's industrial infrastructure is concentrated on the coastal cities of Qingdao, Yantai, and Weihai, whereas its administrative capital, Jinan, is located in the inner and western part of the province. Shandong is also one of the country's largest agricultural producers, situated on the fertile, densely-populated North China Plain and in the warm temperate monsoon climatic region. Therefore, it has long been a site for experimenting with national agricultural policies: collectivist farms until the 1970s, the household responsibility system in the 1980s, and industrial agribusiness in more recent years.

My main fieldsite, Yantai, is a prefecture-level city in Shandong Province, located on the peninsula's northeastern tip bordering the Bohai Strait to the north. It is the second largest industrial city in Shandong next to Qingdao, which is home to the well-known brand of Tsingdao Beer. Yantai was formerly known as Chefoo, one of the Chinese ports that were opened to international trade by the Treaty of Tianjin (1858). In 1861, Yantai opened its harbor to seventeen nations, including Britain, which established embassies and enjoyed extra-territorial legal rights in Yantai. Then, with the Germans' growing power over the Shandong Peninsula in the early 20th century, Yantai came to be controlled by Germans, along with Qingdao, for about

twenty years. Today, a few nineteenth-century colonial buildings can be still found on the Yantai coast. These are now either empty or used as government offices.

The history of China's modern wine production coincides with these foreign influences in Yantai. The first Chinese winery, Changyu, was founded by an overseas Chinese entrepreneur from Indonesia, Zhang Bishi, in 1892. Zhang imported wine-making equipment and more than thirty grape varieties from Europe, and hired foreign wine experts. His winery project received the essential sanction from the emperor, while imperial modernizers were proposing to build factories and import industrial skills as a way of making commerce flourish (Godley 1986:383-387). The development of Changyu Winery can be seen as part of the effort to match the West with Chinese capital and imported technology in the late nineteenth century. In 1915, Zhang traveled to America as a member of a Chinese industrial and commercial delegation, and Changyu's ambitious wines won awards at an international competition in San Francisco's Panama-Pacific Exposition.<sup>1</sup> After the foundation of People's Republic of China in 1949,



Figure 1. Entrance of the Changyu Wine Museum (Source: The Changyu Wine Museum)



Figure 2. Oak Barrels at Changyu Wine Cellar (Source: The Changyu Wine Museum)

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<sup>1</sup> <http://www.changyu.com.cn/english/history/>

however, all wineries, including Changyu, were confiscated by the state and turned into state assets. According to the record of the Changyu Wine Museum, a report of Changyu’s wine production was submitted to Chairman Mao in 1956, and the Changyu Vinology Institute was established in 1958. Since then, however, the history of Changyu Wine does not exist at the museum until its name was ‘recovered’ in 1982. Under the Communist regime, some attempts were made to upgrade the wine industry. The first five-year plan of 1953 included the establishment of a new winery outside Beijing. Later, more than ten wineries were established in Shanxi, Shaanxi, Henan, Hebei, Anhui, and Jiangsu while new grape varieties were imported from Hungary, Bulgaria, and the CCCP. In 1958, however, the Great Leap Forward campaign resulted in disastrous famine and deaths, and hence the country’s pursuit of modern wine production was deterred at the embryonic stage (Kjellegren 2004).

In the early 1980s, Deng Xiaoping’s Reform and Opening policies began a new era for China’s wine industry. The Chinese government started to promote the wine industry as a way to invite foreign investments and boost local economies. Wine is swiftly gaining popularity in China, especially young urbanites. According to wine experts, China is the world’s fastest

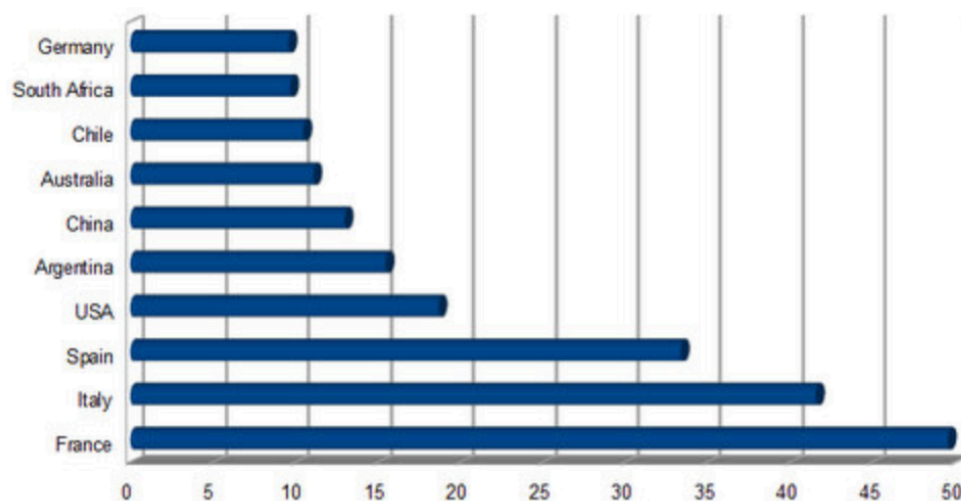


Figure 1. Top 10 Wine Producing Countries in 2011 (unit: million hectoliter)  
(Source: Organization of International Vine and Wine)

growing wine market. Total wine consumption in China almost doubled in 2009 compare to 2005 while wine sales in the Old World stagnated<sup>2</sup>. To the surprise of Western consumers, China has become the sixth-biggest wine producer in the world.

Capitalizing on the birthplace of China's wine industry, Shandong Province claimed Yantai as "the international wine city (*guoji putaojiu cheng*)." In 1983, Changyu Winery started a joint-venture with French Castel for wine production (Kjellgren 2004). By the 1990s, the wine industry also was being seen as an opportunity for the development of tourism. The Changyu Wine Museum was established in 1992 alongside International Wine Street on the coast. The local government sought to attract wineries by providing diverse benefits such as tax cuts, low-cost land leases, and technical support. At present, over 140 domestic and foreign wine corporations have settled in Yantai, and their sales revenue accounts for more than 50 percent of that of the country's wine industry.<sup>3</sup> Local government officials assert that since Shandong is at the same latitude as Bordeaux and Napa Valley, the region has the advantage of a clement climate for wine production along with coastal breezes from the Bohai Sea.

A newly-paved highway runs from Yantai toward the west. On both sides of the road, a panoramic view of lush vineyard slopes endlessly unfolds along the coast. It is also called "the Yan-Peng Sightseeing Highway" since it connects Yantai with Penglai, another port city that lies 55 miles west of Yantai's downtown. Penglai is a county-level city, and thus an administrative sub-division of Yantai. Between Yantai and Penglai, wine companies have been expanding their vineyards across vast areas of rural farmland where villagers used to plant grain and vegetables. In the middle of many vineyards, wine companies have established European-style chateau buildings, which appear in a peculiar juxtaposition with nearby shabby red-brick village houses.

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<sup>2</sup> "China's Wine Market Report" in *The International Wine and Spirit Report* (August 2011)

<sup>3</sup> *China Daily*, 2008-11-26

These industrial vineyards, over 20,000 hectares (or 300,000 *mu*)<sup>4</sup> in size, are the land where local officials like to showcase the glamor of the “Oriental Bordeaux.” Penglai itself has been a popular destination for domestic tourists, with its Penglai Pavillion and the Water Fortress. Its picturesque scenery on shoreline cliffs conjures up for visitors a famous fable in which the Eight Immortals set out, floating over the ocean from the cliffs (*ba xian guo hai*). The fairy tale is felt more vividly when you hear about the historically recorded periodic mirages seen off shore. Now the exotic landscape of chateau architecture and romantic vineyards should enrich the region’s mystic charm for tourists.

Among those wineries in Penglai, Dragon Winery stands out as the largest one in scale, and it is also publicized by local authorities as the most exemplary model in the wine industry. It is located 10 km from the center of Penglai to the southeast, and belongs to an administrative



Figure 4. Map of Shandong Province (Source: <http://www.chinatourusa.com>)

<sup>4</sup> 1 *mu* equals 0.067 hectare.

unit of Nanwang Township (*zhen*). Great Wall, the country's largest wine company, began to establish Dragon Winery in 1998, and it opened to the public in 2007, boasting a replica of a French medieval château in the middle of rural plains. Dragon was launched as a premium brand of high-quality wine aimed at consumers with refined palates. Great Wall already had its own vineyards in Penglai for the production of medium-quality wines. According to a report of *China News*<sup>5</sup>, Dragon Winery contracted with about 2,000 households in eighteen villages to produce its wine grapes on 1,200 hectares of farmland. The château's estate includes a five-star hotel, an outdoor pool, tennis courts, and an eighteen-hole golf course for tourists. As visitors arrive, a neatly-suited female employee guides them to the basement cellar with its oak barrels, and then to the balcony where they can taste a glass of wine, looking out over extensive vineyards. After an hour's guided tour, these visitors are led to the souvenir shop where the winery's signature wines are on display for sale. Their prices range from 959 to 9,900 RMB (approximately \$150~\$1,500) per bottle, which look quite arbitrary and overpriced to an outside observer. (The arbitrariness of Chinese wine prices will be further discussed below.)

Dwarfed by the château architecture, the red-brick roofs of rural villages are exposed among the densely planted vineyards. The tourists who visit the winery by car or bus would scarcely have a chance to peek in any of these villages. Among eighteen villages under the contract with Dragon Winery, I conducted research in four villages, which I call Pine Village, Chestnut Village, Walnut Village, and Spruce Village.<sup>6</sup> To the east of the château, there is a large-scale reservoir that had been built by local government for the use of the winery, and a highway from central Penglai runs on the west of the château's main gate. The château buildings

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<sup>5</sup> *China News*, 2007-11-26

<sup>6</sup> I use pseudonyms for wineries and villages lest they should face any inconvenience or disadvantage as a result of my research. The administrative units above village level are real names.



Figure 5. Dragon Winery (Source: Author)

are concentrated in Chestnut Village between the reservoir and the highway. Walnut Village and Spruce Village are located to the north of Chestnut Village, and the château's management office lies at a spot where three of the villages border one another. The château estate occupies the most farmland of these three villages. For instance, Chestnut Village used to have 1,800 *mu* land in total. Now, 1,100 *mu* has been taken up by the golf course, and 300 *mu* is under contract for grape production. Walnut Village and Spruce Village made a contract with Dragon Winery for 500 *mu* and 320 *mu* respectively, which is all of each village's farmland. To reach Pine Village, you have to cross the highway to the west. Villages on the west of the highway had relative flexibility in deciding a contract size with the winery. Pine village made a contract with the company for 400 *mu* out of its total 1,100 *mu* of farmland. Two other villages on the west also kept the size of their vineyard contract between 200 and 300 *mu*, which was no more than a quarter of each village's total farmland.

Before the arrival of Dragon Winery, villagers normally practiced crop rotation (two-crops-per-year), usually with winter wheat and alternatively corn, sorghum or peanuts in summer (wheat from October to May; corn from June to October, or peanuts from May to October). After storing their harvest for their own consumption, villagers would sell the rest of those crops at the local market for a modicum of cash income. Since noodles, buns, and dumplings are staple foods in Shandong, wheat is one of the most important crops. Corn can be dried and ground to corn flour for making corn buns or porridge. Peanuts are also important because villagers use peanut oil almost every day to fry meat, seafood, and vegetables for their meals. Compared to wheat and other crops, fruit production is limited to those areas where an irrigation system is available; such areas are recently expanding. In order to hedge price fluctuations, many villagers have diversified their orchards with a few different products, e.g., apples, peaches, pears, table grapes, downy cherries, and others. As the fruit market grows and stabilizes, more and more farmers are specializing in a single product, usually apples or grapes, and selling them to middlemen. In their



Figure 6. Dragon Winery's Château Buildings (Source: Author)

own private plots, most villagers plant a variety of vegetables for their food ingredients, for example, green onions, egg plants, beans, zucchini, mustard, potatoes, and taros. A local market is open almost every week, and farmers from neighboring villages gather to sell their own products on a small scale. At this periodic market, villagers may purchase meat, fish, clothes, and miscellaneous household items.

Since most young adults in their twenties and thirties have left the countryside to work in urban areas, Chinese villagers are rapidly aging. In my research area, villagers in their forties belong to a relatively younger group in villages. A majority of male villagers in their forties and early fifties are hired for temporary wage labor outside the village such as construction or factory work while commuting from the village. In these cases, their wives play a major role in farming, and men arrange the schedule of their wage labor so as to assist their wives during busy farming seasons. Turning around the mid-fifties, men turn to farming since they could not be employed for wage labor anymore. Therefore, villagers between the mid-fifties and early sixties mostly rely on farming for their income, and therefore, actively engage in commodity farming. After they turn the mid-sixties, villagers finally shrink down the size of farming, but continue to cultivate the soil until their body allows, either for their own subsistence, or for helping their family. Villagers in their seventies working on their small farm are not a rare scene in rural China.

Villages in my research area are different in size of farmland and population, and the way they have leased out their land to Dragon Winery also varies. Chestnut Village is a relatively large community of 150 households and 460 villagers. Since Chestnut Village was at the center of the winery's land expropriation process, it received rather generous compensation from the company. Dragon Winery offered the village collective an annual rent of 400 RMB per

*mu* for the 300-*mu* vineyard lands, with the rent increasing by 10 percent every three years. For the 1,100 *mu* that was appropriated for the golf course, the company paid an annual rent of 800 RMB per *mu*, i.e., twice the vineyard lease, on the argument that the golf course would deprive villagers of their farm work. In order to construct the château buildings, twenty-three houses had to be demolished, and about sixty villagers had to move out. For those villagers, the company built a five-story modern apartment building near the management office along the highway. The company also provided job opportunities for those who had lost their farmland, such as janitors or gardeners at the hotel, or golf course maintenance work. The intensity of labor at the château is not high, and the average monthly income for those jobs is about 3,000 RMB (US\$ 500 in 2014). The company gives 1,300 RMB pension each year to villagers over sixty years old and a one-time scholarship of 5,000 RMB to college students from the village. The average income from the farmland lease is about 1,700 RMB per person in the village, and therefore, villagers over sixty receive 3,000 RMB in total each year, which is considered to be a handsome payment for an aged Chinese villager. Most young villagers, those in their twenties and thirties, are engaged in wage labor outside the village. Villagers between their mid-forties and late-fifties either work for the hotel or the golf course, or they hold a vineyard contract. In 2014, seventeen to eighteen households maintained a vineyard contract with Dragon Winery, with the size of their contracts varying from 3 *mu* to 20 *mu*.

Walnut Village is a small village of 60 households and about 150 villagers. The village has 500 *mu* of farmland, and they leased out all this land to Dragon Winery in three contracts; 100 *mu* in 2000, 300 *mu* in 2004, and 100 *mu* in 2005. Chestnut Village had been designated as a fruit-farming area by local government even before the contract with Dragon Winery. Therefore, Chestnut villager had developed irrigation facilities and experience of fruit farming. On the other

hand, Walnut Village had been limited to subsistence farming due to its poor irrigation system. Before the vineyard contract, most Walnut villagers had cultivated staple crops such as wheat, corn, potatoes, and peanuts. According to the village head, Walnut villagers accepted the vineyard contract without hesitation because their annual yield from grain farming was no more than 200 RMB per *mu*, and the company offered 400 RMB per *mu* just for the land lease. Whereas many Chestnut villagers have found a job outside the village, more than 70 percent of Walnut villagers are holders of a vineyard contract in the village.

Spruce Village is similar to Walnut Village in terms of farmland size. Its vineyard contract procedure was also similar to that of Walnut Village. In 2000, the village made a contract for 100 *mu*, and then for the rest of its farmland in 2004. In both villages, the annual rent for the farmland lease started at 400 RMB per *mu* with a 10 percent increase every three years. By 2004, it amounted to 550-560 RMB per *mu*. The difference between the two villages lies in the way they distribute the income from the farmland lease among villagers. Whereas the income from farmland lease is equally divided per capita among villagers in Spruce Village, Walnut Village dispenses the rent according to the area of farmland each villager previously possessed. This is because each village has an autonomous capability to determine how to operate the vineyard contract, and the significance of these arrangements will be further discussed in the dissertation.

Among the four villages, my research mainly focuses on Pine Village for several reasons. First of all, Pine Village displays two different models of production contract with Dragon Winery, (1) pre-harvest sale (*dingdan*) and (2) reverse rent through inverse rent (*cheng zu fan bao*, or *chengbao*), so that I can compare these models with each other in terms of benefits to villagers. Secondly, the village managed to maintain a balance between individually allocated

land (grain ration land, or *kouliangdi*) and reserve land (*jidongdi*) even while maintaining a vineyard contract with Dragon Winery. It allowed me to observe certain aspects of land management at a village level since the de-collectivization in the 1980s, and to investigate how the village's land system responded to the external influence of industrial agribusiness. Last but not least, I developed a friendly relationship with the village head, Mr. Liu, and his elder brother who had served as the former village head in the 1980s. The Liu brothers provided a valuable resource for me to delve into both the past and present of villagers' economic lives. Mr. Liu also introduced me to the head of the Pine Village's women's association, and thanks to her help, I could have plenty of conversation with female villagers to understand their perspective.

Pine Village is a medium-sized village of 120 households and 380 villagers, and has 1,200-*mu* farmland in total. In de-collectivization in the early 1980s, the village distributed 800 *mu* to villagers (*kouliangdi*), and kept 400 *mu* for reserve land (*jidongdi*). For *kouliangdi*, each villager was allocated about 2 *mu*, which amounts to 7-8 *mu* for each household on average. The reserve land was auctioned (*jiaohang*) in a three-year cycle to villagers who needed more farmland. The arrangement of reserve land was collectively managed by the village in order to accommodate population changes such as birth, marriage, or death. The annual rent for the reserve land was not very high, at around 100 RMB per *mu*, and the rent revenue was spent for the welfare of villagers. In 2003, Pine Village made its first contract with Dragon Winery for 300 *mu* in the form of pre-harvest sale (*dingdan*). The 300-*mu* farmland was drawn from the reserve land, and it was allocated to 12 households in a village auction. The contract was mediated by the local government, and it supported the company by establishing electric facilities to improve irrigation in Pine Village. In 2007, the village made another contract with Dragon Winery for 400 *mu* that would be directly managed and supervised by the company, seeking to produce

high-quality wine grapes. These 400 *mu* of farmland were expropriated from villagers' grain ration land (*kouliangdi*), and contracted to 13 households out of 90 applicants through a lottery. The size of each contract field varied from 3-4 *mu* to 40 *mu* depending the needs of contract farmers. Mr. Liu told me that the village collective did its best to manage its revenue efficiently and negotiate with the wine company. In 2006, the village constructed a new reservoir which would facilitate irrigation for more farmland. This project cost 300,000 RMB, of which the village collective paid two-thirds and the local government subsidized the rest. Thanks to the new reservoir, the village was able to reclaim 100 *mu* of wasteland for fruit farming and auction it to villagers for an annual rent of 500 RMB per *mu*.

Dragon Winery is a premium brand of the Great Wall Wine Corporation, a branch of the state-owned conglomerate, Zhongliang. Since it was strongly sponsored by local government to enter the region on a large scale, I needed to examine comparative cases of private wineries of small and medium size. I investigated two private wineries in Liujiagou Township (*zhen*), which lies 10 km from Dragon Winery along the highway toward Yantai. Liujiagou Township is close to the seaside, and convenient for transportation, favorably situated between Penglai and Yantai. Villagers in Liujiagou Township, therefore, have more employment opportunities beyond farming, for instance, part-time work at seafood-processing factories. Prosperity Winery was established by a Malaysian-Chinese businessman in 2000, and managed 2,600 *mu* of vineyard under the contract with three villages in Liujiagou Township. The other case is Heavenly Winery whose main production of wine grapes was based in Yunnan Province. It was expanding a new production site in Shandong Province by making a 1,500-*mu* vineyard contract with River West Village and River East Village in the region in 2004. The management mode of these two companies was largely similar to that of Dragon Winery, but different from it in a few respects.

Compared to Dragon Winery, they leased farmland from villages at a lower rate, which was about 200 to 250 RMB per *mu* each year, incorporating an annual increase of 5 to 10 RMB. They also had a stronger influence than Dragon Winery in arranging the allotment of vineyard fields to contract farmers, and allocated a larger unit to each farmer, that is, 20-40 *mu* in Heavenly Winery and 20-100 *mu* in Prosperity Winery respectively. Of course, the larger each unit allotted to contract farmers is, the more efficient the labor management can become. Since Dragon Winery was promoted as a model of rural development by local government, it could be more geared to satisfying the needs of village communities than other private wineries. Except for these two private wineries, I also visited a few other private wineries in the region, which will be discussed in the following chapters.

## **2. Historical Background**

After the foundation of the PRC in 1949, the state carried out a nation-wide land reform which took away land from local landlords and rich farmers, and redistributed in small plots to those classified as “poor peasants.” However, this form of family land ownership did not last for long. In 1955, Chairman Mao decreed that all farmers should organize into large cooperatives as a way to expedite the growth of the national economy. Villagers were organized into each of these standard levels in a hierarchy of communes, production brigades, and production teams under the party cadres’ supervision. Every production team (roughly equivalent to a “natural” village) was assigned a production target, and villagers were given grain rations according to the work points each household accumulated. In 1958, under the Great Leap Forward, a massive mobilization of rural labor was experimented with, and the goal of “true communism” was pursued by requiring people to “eat out of one big pot” (*chi da guo fan*), i.e. use communal mess

halls. Agricultural production plummeted causing about 30 million to deaths between 1958 and 1962 (Smil 1999:1619). Modest reforms beginning in 1962 allowed production management to devolve from the communes to village teams, and restored family control over small private plots (Keliang and Prosterman 2007:3). Through the 1960s, however, the output in agriculture grew only very slowly, under a system in which all surplus grain was procured by the state at fixed low prices. It is conventionally said that villagers had little incentive to work hard, as the scant grain ration was equally distributed to those who worked hard and those who worked hard and those who slacked off.

Since Deng Xiaoping promoted the policy of Reform and Opening in 1978, the party endorsed experiments with further de-collectivized agriculture in small villages in Sichuan and Anhui provinces (Tilt 2008:190). From the experiment, it was found out that the agricultural productivity dramatically increased when individual farmers were given incentives for surplus product. In the 1980s, therefore, China's agricultural policies began to shift more rapidly from collective farming to private management, as farmers were drawn into the household responsibility system (HRS). While land was still formally owned by the village collective, plots of farmland were contracted to individual farmers under the HRS. Furthermore, after fulfilling the state procurement quota, farmers were entitled to retain their surplus produce for selling at market prices or for their own consumption. By 1983, the HRS had been implemented to almost all households in China's rural areas. Farmland in Shandong was contracted initially under a five-year lease. This was later extended to 15 years in 1984 in many areas. After 1985, the government largely abolished mandatory quotas for government grain procurement. From 1979 to 1984, agricultural output increased 45 percent, and more than one-third of the output growth has been attributed to these institutional reforms (Yu and Zhao 2009:638-639). During the same

period, average net income for rural residents increased 11 percent annually, beginning to narrow the economic gap between urban and rural areas (Keliang and Prosterman 2007:4).

The HRS was called '*bao chan dao hu*' in Chinese, which can be translated as 'contracting production to the household.'<sup>7</sup> In implementing the HRS, each village was given room for autonomous decisions about implementation, and the actual mode and pace of de-collectivization differed from village to village, region to region. In the initial period, production was often not contracted directly to the household, but to a small group of households, which was called "relating production to the group" (*lian chan dao zu*) (Potter and Potter 1993:167). This transitory system could relieve the risks of individual responsibility for a new production contract, and it maintained a minimal level of collaborative labor among villagers. As the land leases were prolonged, demands for reallocation increased, as farmers sought to alleviate the unequal conditions of the original lottery for land distribution. By the late 1990s, at least 80 percent of villages in China had adjusted land allocation at least once, and in some cases, they had done so five times or more (Oi 1990:618). Despite a government's policy of 1993 to freeze land adjustments for 30 years, only 20 percent of Chinese villages fixed their land contracts in accordance with the central government's directive. Most farmland contracts were signed for ten, five, or even fewer years in other villages (Kung and Liu 1997:54). In 1998, the Land Management Law was revised, and the policy for 30-year land contracts with no adjustments finally became law (Ho and Lin 2003:690). According to Rupelle et al. (2008:11), however, 40 percent of the 951 villages surveyed in 2002 had conducted at least one land reallocation since 1998. In a majority of cases, the 30 year-term began in the late 1990s, and was set to expire by the late 2020s (Keliang and Prosterman 2007:8). There is a general consensus among China's

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<sup>7</sup> In my research area, there were diverse local terms of the HRS such 'individual fulfillment (*dangan*),' 'land distribution (*tudi fenpei*),' 'transfer to below (*xiafang*),' or simply 'contract (*chengbao*).'

political leaders that the 30-year lease will be continually extended almost like a right to permanent tenancy (*yongdianquan*) (Ho 2001:418).

Originally land was distributed under five types of tenure: (1) responsibility land (*zeren tian*), (2) grain ration land (*kouliang tian*), (3) contract land (*chengbao tian*), (4) reserve land (*jidong di*), and (5) private plots (*ziliu di*). (1) Responsibility land was allocated to households based on the number of family members and under the responsibility of delivering a mandatory quota of grain to the state at a fixed price. Since the state mandatory grain quotas were abolished in 1985, responsibility land was later reclassified as either grain ration land or contract land. (2) Grain ration land is allotted on the basis of each household size on a smaller scale than responsibility land, and no obligation was tied to use of the land. (3) Contract land is leased to those households who wish to expand their land holdings, often for commercial crops. Contractors are usually decided through a bidding process (*pimai* or *jiaohang*), and they have to pay annual fees (*chengbaofei*) to the village collective. Each village autonomously decides the lease term for contract plots, and it varies from village to village. (4) Most villages also set aside reserve land (*jidongdi*) still controlled by the village committee in order to accommodate demographic changes in farming households, such as birth, marriage, or death. For instance, a share of grain ration land would be given out of reserve land to new members of the village such as newborns or brides. Likewise, when someone passes away, or a daughter leaves the village due to marriage, the village would reclaim his or her land into reserves. Contract land is often auctioned off from the pool of reserve land, and land can be readjusted when the lease term of contract land comes to an end. The setting aside of reserve land was restricted by law up to 5 percent of a village's land. In fact, however, the management of reserve land is very flexible, and tends to be at the village collective's discretion. One survey (1994-1995) indicates that reserve

land accounted for an average of 8-9 percent at a national level (ibid. 110), whereas in some cases this share was reported to reach 50 percent (Deiniger et al. 2006). In my research area, villages set aside 20-30 percent of farmland for reserve land on average. (5) Private plots, finally, are mainly the land in villagers' courtyards where they plant a variety of vegetables for their own consumption, and their size is insignificant compared to grain ration land and reserve land.

In the mid-1980s, the agricultural output growth driven by the HRS started to slow down. From 1985 to 1994, grain output growth rose only 0.9 percent a year, and during much of the 1990s, agricultural growth stagnated (Rozelle et al. 2002:68). Many observers pointed out that the insecurity of land tenure discouraged investment in farmland improvements and lowered agricultural productivity (Prosterman et al. 1996:90-96). Land tenure was seen to be unstable because it could be reallocated according to family demographic changes caused by birth, marriage, or death. Villages also could carry out periodic village-wide reallocation of farmland in order to adjust the inequality of distributed land among households (Rozelle et al. ibid.:74-79). In 1993, the government directed that all land contracts should be extended for thirty years in an attempt to stabilize land use rights for farmers. Still, land ownership remains collective, and village committees maintain ultimate authority on land allocation. Legal ambiguity about collective land ownership often leads to local elite rent-seeking in violation of villagers' interests, and tends to exacerbate tenure insecurity in rural China (Ho 2001; Guo 2001; Wang 2005). The Land Law (1986) states that the ownership of rural farmland resides with the "rural collective," but the law vaguely defines what comprises the rural collective (*jiti*) – it is not clear whether "*jiti*" refers to a natural village, an administrative village, or township government (Cai 2003). The Revised Land Administration Law (1997) endorsed free transfer, lease, and selling of use rights to farmland, but the scope of the valued land use system is still loosely defined and

leaves plenty of room for further debates and experiments among policy makers of different political orientations and at different levels of government.

In this vein, the proponents of land privatization argue that more secure land rights would raise long-term productivity through increased incentives to invest in farmland with improvements such as irrigation, drainage, and fertilization (Oi 1999:618). They recommend that rural households be permanently granted exclusive rights to use farmland, to appropriate rent income, and to transfer, inherit, and mortgage their contracted land (Dong 1995:915). According to this logic, villagers' property rights can be better protected through establishing a transparent and efficient land market under the rule of law (Zhao 2011:134). They also assert that opening up and deregulating a private land market would be the key to overcoming the current barrier to agricultural development by facilitating land concentration in the hands of entrepreneurial farmers or shareholding companies (ibid. 135). In this effort, the party's legislation officially turned villagers' contractual rights on farmland into property rights. The 2002 Rural Land Contracting Law, which was reconfirmed by the 2007 Property Law, opened the door to a market in farmland by offering protection for leasing, exchanging, and transferring land use rights under collective ownership, with a condition of maintaining the original status of land for agricultural purpose (ibid. 129). Nonetheless, the legislation of property rights has not necessarily translated into village practice as long as the village collective still continues autonomous decision-making for its own land arrangement. Liberal economists blame village-wide land adjustments for destroying the security of 30-year land use rights and thus for undermining the efficiency of agricultural production. They further expect that securing land rights in a developed land market would bring the value of more than half a trillion dollars to Chinese farmers (Keliang and Prosterman 2007:7).

The other problem often noted about China's agricultural development is very fragmented land use patterns, with an average Chinese farm operating on less than a hectare (Zhang and Donaldson 2008:28). Whereas in most post-socialist societies of Central and Eastern Europe land was restituted to former owners,<sup>8</sup> in reform China land use rights were equally distributed to each household by the village collective. The egalitarian principle of land distribution led to scattered land arrangements even for one family's fields. Critics of de-collectivization claim that the small and scattered nature of household-based farming made it difficult for producers to use modern farming equipment, and thus resulted in a loss of economies of scale. Chinese policy makers also regard inefficient use of land under the control of small farmers as impeding the path to a desired agricultural industrialization. They continue to make statements about the need to achieve the benefits of "large-scale farming" by concentrating land resources in the hands of the most effective farmers or agricultural enterprises (OECD 2005:480-481). In the mid-1990s, the central leadership made a policy shift in pursuit of agricultural modernization, and proposed a series of policies to commercialize (*shang pin hua*), specialize (*zhuan ye hua*), standardize (*biao zhun hua*), and scale up (*gui mo hua*) agriculture (Zhang and Donaldson 2008:29). In underlining what they saw as the need for industrial farming, these policies presume that the cost for acquiring new technologies and skills is too high for individual farmers, and that as a result small holders are reluctant to invest in commercial farming. Among other solutions, the central leadership identified the introduction of agribusiness companies to rural areas as a main means to achieve agricultural modernization. "Inviting business and attracting capital" (*zhao shang yin zi*) has become a policy platform propagated as

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<sup>8</sup> Farmland privatization brought about legal disputes and moral dilemmas in post-socialist states of Central and Eastern Europe (see Humphrey 1998; Hann 2003; Verdery 2004).

cure-all at local levels. Local governments often warmly support those companies, which take initiatives for investment, offering diverse benefits such as access to loans from state banks, tax exemptions, and favorable terms on land contracts. These companies are called, “dragon head enterprises” (*longtou qiye*), in that they are expected to bring advanced technologies into farming, and inspire farmers to develop an entrepreneurial spirit (*qiye jingshen*) (ibid. 5-6). Local officials also expect that the initiative of agricultural companies would accelerate the process of scaling up agriculture by consolidating fragmented farmland into industrial production sites.

On the other hand, the opponents of all these land privatization measures assert that village-based collective land ownership has advantages under the socio-economic conditions of rural China despite alleged efficiency drawbacks. With decline in social welfare services and relative lack of insurance, a majority of rural residents still rely on farmland for their subsistence. Even rural migrants in urban areas, a guaranteed share of farmland in their hometown provides a shelter from an economic recession, or a means of subsistence when a migrant worker retires or is laid off from wage labor. As Zhao (2011:136) argues, a flexible management of collective land ownership enables villagers to move back and forth to their land in response to changing conditions in the wider economy. Several surveys also suggest that Chinese farmers prefer collective land ownership, and that they are generally satisfied with periodic land reallocation (Dong 1996; Kung and Liu 1997; Zhao 2011). According to these surveys, Chinese villagers strongly agree that land should be taken back and redistributed if someone passes away or leaves the village (Kung and Liu 1997:58). They are more concerned about how to make the land meet their basic needs than they are seeking economic rights to their land as a lucrative asset in a free market (Zhao 2011:138). Furthermore, critics of land privatization are afraid that the market in land sales might drive the price of farmland far above the present value of expected agricultural

profits, and that farmers could be alienated from land due to inordinate risk-taking and information asymmetry. Such developments ultimately would aggravate the economic stratification of rural society (Dong 1996:918). And Shandong villagers perceive and experience these dangers even if they do not always anticipate them.

#### **4. Theoretical Orientation**

##### **(1) Discourse of Personal Quality (*Suzhi*) and Social Differentiation**

The debate on the quality of farmers has continued through all the modernization discourses in modern China's history. The labor productivity of Chinese peasants has been a central point in political debates over several policy regimes, with a focus on the question of how farm labor could be more efficiently mobilized, and on how reform and development might overcome the presumed limitations of "the peasants."

In the early 20<sup>th</sup> century, Chinese peasants (*nongmin*)<sup>9</sup> have been objectified in the outlook of intellectual and political elites as a distinct and "backward" cultural category that perennially needs to be educated and reformed. For them, rural China was still a "feudal society" of peasants who were crippled by "superstition." Since the establishment of the Communist government in 1949, class labels such as "peasant" or "worker" have reinforced the idea of the peasantry as a reified class status (Cohen 1993). The division between rural and urban people was solidified when the household registration (*hukou*) policy, fixing rural residents in place,

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<sup>9</sup> Although '*nongmin*' literally stands for 'farming folks,' 'peasant' used to be a widely accepted translation in the Western social sciences. Peasant may be a useful term since it represents the socially discriminated group, and also includes those residing in the countryside across diversified occupations. In this dissertation, however, I prefer to translate '*nongmin*' as 'farmers' because the term, peasant, has often been associated with 'traditional,' 'passive,' and 'static' subjects without closely attending to their socio-economic subjectivity as producers of agricultural products. Furthermore, I argue that the academic use of the term, peasant, needs to be more cautious since it runs a risk of reiterating the otherizing discourse of rural villagers by portraying them as the object of sympathy and advocacy.

was implemented during the late 1950s, as it stemmed the flow of peasants looking for work in urban areas. Between 1958 and 1978, the household registration system created a contradictory context for the moral authority of the peasant class as it had been represented by the CCP rhetoric. The majority of Maoist propaganda described peasants as the revolutionary class that was continuing to drive the nation towards communism. Even while peasants were deprived of access to economic opportunities in urban areas, their poverty was deemed to augment their revolutionary dignity (Kipnis 1995).

The end of the Cultural Revolution in the late 1970s marked a major turning point in the objectification of peasants. The rhetoric of Reform and Opening has emphasized the backwardness of peasants partly as a way to attack backward-looking Maoist elements. In the early 1980s, “liberating the productive force of the Chinese peasants through the HRS” was regarded as a necessary catalyst for China’s economic reform. Ironically, however, as the reform progressed, peasants were increasingly portrayed as detrimental to the project of national modernization, since they were considered to have a weak spirit of enterprise and low ability to create commercial interests. Beginning in the 1980s, therefore, the government has sought to build up a model of “new farmers” (*xin nongmin*) as a means of rural economic development. In the early 1980, these “new farmers” emerged as private commodity producers for the market economy in the dismantling of the rural collectives. The new farmers have been commended for their “commodity consciousness” and for having “broken away from the ideological bind of small peasant self-sufficiency” (Yan 2003).

The notion of personal quality (*suzhi*) has been central to the imagination and production of “new farmers” as the subjects of rural development. Although the term *suzhi* originally meant “innate characteristics,” it acquired a new discursive power in the 1980s as the government

began to correlate China's "failure to modernize" with the "low quality" (*suzhi di*) of its population (Anagnost 2004). The sense of the term *suzhi* has been extended and adapted from a discourse of development to address the social distinctions that define a "person of quality," especially in practices of consumption and desires for social mobility. Since the 1990s, the massive movement of rural migrants has increased urban anxiety about the potentially unstable population, and middle-class urbanites began to develop prejudices against their new neighbors, accusing them of lacking modern civility. In rural China, the low *suzhi* of Chinese peasants is often discussed by local officials as an obstacle to agricultural development. They contend that Chinese peasants are too self-sufficient and unwilling to take the risk of investment. Therefore, the government encourages peasants to transform into "new farmers" by becoming aware of market needs and venturing into production of high-value industrialized commodities.

Particularly in the wine industry, local officials and winery managers regard Chinese farmers as unable to improve the quality of wine grapes on their own, because they believe that farmers are still bound by the quantity-oriented mentality of the Maoist period. Hence, local officials argue that wine companies should find ways to inculcate entrepreneurship in vineyard farmers through learning "advanced" management skills and agricultural techniques from outside experts.

This research on China's wine industry will enrich anthropological debates on the *suzhi* discourse since the quality of wine is discussed in close relation to that of wine producers and consumers. Today, the *suzhi* discourse permeates all levels of the Chinese society from the official language of state policies to popular usage in self-cultivation techniques, commercial advertisements, and everyday social interactions. Although the term *suzhi* used to literally mean "human nature" or "innate characteristics," two major propaganda campaigns transformed its

connotation, increasing the term's popularity. (1) Since the early 1980s, birth control propaganda has claimed that the one-child policy was necessary to raise "population quality (*renkou suzhi*)" by reducing its quantity. (2) In the late 1980s, then, education policy makers coined the slogan "education for quality (*suzhi jiaoyu*)" declaring that improving the *suzhi* of the nation's people was the basic goal of education reform (Kipnis 2005: 297-298). In this developmentalist context, the quality of population is generally marked as lacking, so as to be in need of continuous improvement along the path of modernization. The notion of "lacking quality" is also extended to articulate the boundaries of China's newly emerging social strata and thus discriminate against people from less privileged backgrounds (Anagnost 2004:190).

Beginning in the 1990s, as noted above, the massive movement of rural laborers has increased urban anxiety about "outsiders" to the city, and middle-class urbanites began to see their new neighbors as having "low quality (*suzhi di*)."

In this sense, the *suzhi* discourse has been central in reproducing the hierarchical mechanism of the urban-rural divide, by which rural population is politically mobilized and socially marginalized. Some critics of *suzhi* discourse in anthropology suggest that the politics of *suzhi* is utilized as a mechanism of control and discipline for capitalist production. Yan Hairong (2003:511) argues that the perceived lack of *suzhi* of rural migrants in terms of market value facilitates exploitation, and necessitates constant readjustment, supplementation, and continual retraining. In a similar vein, Anagnost (2004: 193) regards the undervaluation of migrant labor as what allows for the extraction of surplus value enabling capital accumulation. In their Marxist perspective, the formative power of *suzhi* lies in generating a subjective desire in the consciousness of rural migrants. Their consciousness is produced in a phantom-like form by a state project that inculcates a desire for development (Yan 2003), or by the logic of neoliberal capitalism that generates an alluring desire for consumption

(Pun 2003). Under this ideological formation, *suzhi* operates as a kind of floating signifier, or the holding of a differential, and the signified of *suzhi* is deemed “empty” and “insubstantial” (Anagnost 2004: 197).

Whereas these authors seek to relate their Marxist interpretation to the emergent neoliberal order, Kipnis (2007) criticizes their definitional inconsistency in how those scholars apply the concept of ‘neoliberal’ to various aspects of their field data. In his critique of Anagnost (2004)’s neoliberal analysis of *suzhi*, Kipnis (ibid. 390) argues that *suzhi* discourse is decidedly unliberal in its assertion of morally justified hierarchies, and therefore falls outside of the liberal/neoliberal continuum. As an example, he refers to the case of rural migrants in that no matter how hard they work getting a better education, they will never overcome the obstacles set up by urban middle-class residents. While Kipnis focuses on problematizing the use of neoliberalism in the analysis of *suzhi* discourse, his critique maintains a similar perspective with those of Yan (2003) or Anagnost (2004) on *suzhi* as a means of social coercion and exclusion. Although he claims that neoliberalism is not an overarching context within which *suzhi* discourse operates, his counter-argument is anchored still in the hierarchical notion of *suzhi*.

The way in which my interviewees make a claim on *suzhi* of others and themselves in reference to the quality of wine makes me question the validity of this model of *suzhi* discourse as the production of the authoritarian state. Hsu (2007) raises a similar question as she points out that for Yan (2003) and Anagnost (2004), the *suzhi* discourse was created for oppressive purposes by inculcating the oppressed with a “neoliberal subjectivity.” The empty discourse of *suzhi* is fundamentally about false consciousness, serving the purpose of neoliberal capitalism by orienting all citizens to the global market. In this respect, Yan and Anagnost tend to portray the Chinese citizen as a passive victim, and ignore the narratives that are used by ordinary citizens to

undermine or negotiate with state power, and to resist the reductive values of neoliberal capitalism. Although Hsu makes a convincing critique of the *suzhi* analysis based on the authoritarian structure, she still fails to illuminate how *suzhi* discourse can be perceived, practiced, and appropriated by those people with limited cultural capital in marginalized positions. For example, she emphasizes the narrative of *shangren* (business people) distinguished from “amoral money grabbing” by the so-called *nouveau riche*. In this distinction, urban “citizens” are equipped with the capability to articulate their cultural repertoires such as asceticism, morality, and nationalism. While acknowledging a certain hierarchical nature of the term *suzhi* itself, whether uneducated merchants or migrant laborers, in the works of Hsu and Anagnost, they are often portrayed in derogatory terms by the middle-class intellectuals. When depicted as a demoralizing threat of *nouveau riche* or as social victims, the position of those who are said to “lack *suzhi*” can be reproduced in academic representations unless their own narratives are fully reflected.

The analytical scope of *suzhi* discourse can be expanded as we delve into embodied experiences of materiality by overcoming the epistemological distinctions of cultural/monetary, spiritual/materialist, and intellectual/vulgar. In today’s China, the term *suzhi* is not limited to official campaign language or to other dominant coercive mechanisms, but it freely circulates in everyday life, and people in diverse groups use it as expressions of self-valuation or distinction as they face the increasing anxiety of social mobility. As in Hsu (2007)’s ethnography, when the moral order of *suzhi* discourse is described as grounded only on spiritual values, for example, frugality or contribution to society, it seems to collude with the ideological scheme which excludes those who are not eligible to participate in that order. However, as Yan Yunxiang (2011) demonstrates through the problem of fake and faulty goods, in the consumerist Chinese society,

the moral landscape is increasingly experienced through consumption and production of commodities. Even for those citizens who resist consumerism, their ascetic life style itself is a choice of consumption as it is engaged with an alternative appropriation of materials for basic needs. In his analysis of social distinction among different classes, Bourdieu (1984: 77) reveals that a group's life-style can be read off from the style it adopts in consumption practices as the social relations objectified in daily objects, in their luxury or poverty, their 'distinction' or vulgarity,' impress themselves through bodily experiences. He argues, hence, that 'personality,' i.e. the quality of the person, is affirmed in the capacity to appropriate an object of quality (ibid. 281).

By re-framing *suzhi* discourse as embedded in the material world, we can extend its analytical merit beyond the ideological gadget by which educated intellectuals reify their moral virtue and marginalize others as materialist or emulating at most. The analysis of *suzhi* as mediated through experiences of material things helps illuminate the nuanced values expressed in everyday practices and talks in relation to material goods for necessity, while revealing the material foundation on which the middle-class virtue is built whether through austere life style, luxury consumption, or investment in education. Through the food consumption practices of retired low-income women in Beijing, Farquhar (2006) weaves together their agency in everyday life as a craftwork involving intimate collaboration among embodied humans and material objects like food (146). When a retired women comments on the 'low quality (*suzhi*)' of certain neighbors, her claim is grounded on her life cultivation through elaborate food preparation and wholesome eating habits by the simplest of means; this is a subtle and thoroughly embodied apprehension of class through distinction (153). Their consumption and talk of food carries a textured form of values when contextualized in the appreciation of present comfort and

memories of past hunger (154). Chu (2010: 82) also demonstrates that the distinction of urban life style can be expressed in the small details of interior decorating and outside landscaping in contrast to the grandiosity of housing pursued by rich peasants. In forming a similar distinction, the urban elites point to such minute and embodied practices as the etiquette and dining habits of peasant *nouveau riche*, expressing their distaste for their peasant neighbors hoarding party favors and leftovers at the end of banquets (83). In this way, the *suzhi* discourse can be understood not only as an ideological form of social distinction dominated by the educated middle-class, but also a social strategy of self-definition that cross-cuts the material world shared by diverse groups.

## **(2) Bringing Back Community in Critique of Neoliberal Approaches**

In the last decade, “privatization” and “individualization” have been the major keywords that anthropologists have adopted to describe some rapidly changing aspects of the Chinese society. They regard the dissolution of the Maoist collective society to have driven individuals to pursue personal interests and self-achievement in the “vacuum” that has developed in public life. Many of them have paid attention to the role of Chinese state propaganda in persuading people to accept an ideology of the moral value of the individual interested in profit-making, self-promotion, and entrepreneurialism. This is almost a complete reversal since the 1980s of the state’s policy direction, considering that the ideal promoted by the Maoist state used to be that of a selfless person dedicated to the realization of the socialist ideology, which was exemplified by the heroic figure of Lei Feng, with his commitment to “serving the people.” Neoliberalism seems to provide a very useful theoretical foundation for understanding this sudden transition. Zhang and Ong (2008) maintain that privatization is a neoliberal technology of rule that capitalizes on

the power of the appeal of individual freedom to induce citizens to be self-responsible and to optimize individual economic gains. Furthermore, they argue that this adoption of neoliberal reasoning tends to strengthen Chinese authoritarian rule, since the state selectively embraces neoliberal logics only to the extent that citizen economic activity does not challenge its power, that is, “freedom” remains in the realms of consumption, employment, and self-enterprise. Even in the case of rural life, the narrow pursuit of individual interests and material comfort is said to have replaced the interdependency on extended family or kinship networks, in a neoliberal rural policy that has challenged older village hierarchies centered on village cadres (Yan 2010).

Yunxiang Yan also emphasizes the role of the state in the process of making a new post-socialist consumer, which comes to contain the scope of individual freedom within the boundaries drawn by the party-state.

In his critique and analysis of the widespread ideology of population quality, which contributed to intensifying social stratification since a Reform era in China, Kipnis (2007) aptly points out that neoliberal claims by several anthropologists have been inconsistent in definitions of neoliberalism, and the universalization of a putative neoliberalism as a system may ignore the complex terrains of China’s political economy (he cites Yan 2003; Pun 2003; Anagnost 2004). In a similar vein, Pieke (2009) questions the term neoliberalism itself as an analytical concept for comprehending post-socialist China, since it presupposes certain institutional guarantees for the expansion of markets and the privatization of state functions such as those that exist in the West. By coining the new term of “neo-socialism,” he asserts that the Chinese state is strengthening the party’s Leninist leading role, despite some “neoliberal” economic policies, by professionalizing state apparatuses and refining governmental technologies while selectively retreating from the socioeconomic and cultural lives of people. Furthermore, Nonini (2008) doubts the prevalence

and scope of neoliberal restructuring in China, arguing that the party's market socialism is constantly tested in a dialectical movement between capitalist accumulation and socialist values. As ground for his argument, he presents the tensions and contradictions between market liberalization and socialist paternalism within the party, as it responds to the social protests and discontents of the dispossessed population (ibid. 170-172).

Whether thought of as “neoliberal” or “neo-socialist,” recent anthropological debates have centered on the role of the Chinese state in expanding the market economy while restraining political freedoms and enhancing its own authoritarian powers. These perspectives seem to be largely an academic reaction of perplexity, or even disappointment, concerning the absence of the political democracy that was expected to emerge after the growth of a Chinese middle class. As Nonini (2008:172) critically notes, these claims presuppose an order of neoliberal governmentality that is hegemonic, and which can be substantiated mainly by ethnographic descriptions of the urban elite, middle-class consumerism, or cosmopolitan desires. In this angle of analysis, Chinese individuals are portrayed as navigating networks of relationships and commodities in the constant competition for wealth and personal advantage (Zhang and Ong 2008), while at the same time, accepting the constraints imposed by the state and generally failing to pursue their rights through any kind of bottom-up movement (Yan 2010). These approaches may risk reinforcing the social prejudice that presumes Chinese research subjects to be “selfish without consideration of other individuals’ rights,” “isolated without any foundation of community,” or “directionless without any faith in social values” (Zhang and Ong 2008; Yan 2009). On the other hand, Nonini (2008:171-172) argues that market socialism is, in fact, recombined with the pre-existing configurations of socialist discourses; for instance,

protests by unemployed workers and petitions by dispossessed farmers still rely on state paternalism or sympathy for the working class and peasants in the language of the Maoist period.

In the case of China's wine industry, not many observers would hesitate to describe the collusion between the state and wine companies, within a theoretical frame of neoliberal market expansion. The introduction of large-scale agribusiness itself is designed to induce subsistence farmers into the full commodification of the rural economy. Local government mediated the land lease contract between wine companies and village collectives by engaging in a persuading work (*xuanchuan gongzuo*) directed at those villagers who opposed it. This is part of the government's effort to promote the efficiency of farmland use by easing off legal constraints on land transactions and thus expanding the rural market in land. At the same time, wine companies claim to take a role of guiding (*lingdao*) contract farmers to "improve their agricultural skills" and "develop entrepreneurial minds." Government officials and winery managers alike denigrate the "quality" (*suzhi*) of farmers, alleging that they lack the market-oriented spirit because they are still preoccupied with the old thinking (*lao sixiang*) of collective production. This seems to fit the neoliberal discourse of *suzhi*. As Yan Hairong (2003:511) suggests, the peasants' "lack of *suzhi*" facilitates their exploitation, and necessitates constant readjustment, supplementation, and continual retraining.

In order to discipline contract farmers, a wine company utilizes a contract system based on cash incentives and penalties to insure the production of wine grapes. Depending on seasonal needs, small farmers under contract to the winery have to employ laborers at their own cost, and in the process, internalize a set of calculative techniques so as to maximize their profit from the production contract. Contract farmers seem to have accepted the neoliberal logic in saying that they have to become a small entrepreneur (*laoban*) by investing in the scaled-up vineyard

farming and undertake a risk for the increased profit. In short, a rough analysis of Chinese industrial vineyards may demonstrate that the neoliberal principles of private accumulation and self-interest have been realized in the new rural economy controlled and managed by the interplay of state authorities and big corporations (Zhang and Ong 2008).

However, a closer look at the actual practices of vineyard management reveals that “neoliberal” rule by agribusiness capital can be neither unilateral nor complete, but rather has been conjugated, negotiated, and challenged by the social-economic relations of villagers based on pre-existing socialist institutions of collective land ownership and egalitarian autonomy at a village level. In the case of post-socialist societies in Europe, Hann (2007:310) holds that there has been room for rural communities to resist the neo-liberal reforms of the 1990s by relying on an existing moral economy and social relationships, and that the new rules of encouraging private property were modified and “re-socialized” from below. Hann, borrowing from Karl Polanyi’s *The Great Transformation*, conceptualizes this process as a “new double movement,” which delineates the way that the society responds resistantly to the expansion of a neoliberal market order (ibid. 288-289). Hann proposes that an anthropological perspective should inquire closely into the ways in which property is embedded in social relationships, and how its management expresses the norms and values of the community (ibid. 297).

In some other the post-socialist contexts, rural land property and agrarian transformation have been treated as a central topic, especially by anthropologists of Central and Eastern Europe (Humphrey 1999; Verdery 2003; Hann 2003, 2007; Zbierski-Salameh 2013 just to name a few). However, those topics have been rather neglected by anthropologists of rural China, who by contract have been absorbed in somewhat traditional anthropological topics such as religion, ritual, kinship, and lineage (Jing 1996; Mueggler 2001; Yang 2004; Feuchtwang 2010; Yan

2010). This feels more unusual when considering the fact that China has uniquely maintained the institution of collective land ownership right through the de-collectivization era whereas, in most cases of Central and Eastern Europe, farmland was quickly re-privatized and restituted to former owners. Even in a chapter on China in *The Postsocialist Agrarian Question: Property Relations and the Rural Condition* (Hann ed. 2003), kinship and lineage are located at the center of moral economic enclaves in response to the dismantling of the socialist collectivity, while land is only briefly mentioned as “no longer valued by villagers.” (Susanne Brandstätter 2003). In my view, many Anglophone anthropologists have long approached Chinese rural villages in search of “cultural otherness,” and have therefore paid most attention to those research topics that would represent an “authentic China” to a Western academic audience. In this perspective, Chinese villagers are portrayed as the subject of cultural curiosity when they are “heavily invested in gift-exchange (Yang 1994),” “lavishly spending on ancestral temples (Jing 1996; Feuchtwang 1999; Yang 2000),” or “burning paper money for the dead (Chu 2010; Blake 2011).” These descriptions tend to focus on the rupture with the socialist past and the restoration of an almost forgotten cultural tradition as a result of an influx of new capital and consumption aspirations. Yang (2000), for example, demonstrates that the introduction of overseas capitalism has released the forces of a ritual economy which had been almost abolished in the Maoist era, through cases of temple restoration, traditional festivals, and collective rituals in rural Wenzhou.

I am not saying that these research topics are insignificant for understanding the lives of Chinese villagers, but just that this tendency of anthropological research has missed an important point. Chinese villagers have been occupied in farming for generations, and experienced many changing state policies governing the form of agricultural production. Whether land is valuable or not for Chinese villagers as compared with other assets, most of them still rely on farmland for

some or all of their economic lives. For them, farming practice and life on the land has been a way of comprehending, embodying, and remembering the historical changes of the commune, of de-collectivization, and of today's industrial agriculture. Illuminated through their relations to the farmland rather than with ancestral temple, the lives of rural villagers in Shandong can be comprehended against the transformation of state land policies and the solidarities and fragmentations of a village community. By building on a rich literature in the political economy of rural China (Oi and Walder 1999; Ho & Eyferth 2004; Friedman, Pickowicz, & Selden 2005; Swinnen and Scott 2006), ethnographic research can further contribute to analyzing the changing property relations and market-oriented restructuring of rural economies in post-socialist China. This chapter on collective land management in industrial vineyards demonstrates that the moral economy in rural China is grounded not just on kinship or lineage history and values, but also on egalitarian principles of farmland ownership and a commitment to village autonomy. By doing so, it also expands on a critique of neoliberal individualization and privatization in today's China, and probes into collective reactions to the intrusion of agribusiness capital. This research will provide a comparative perspective for post-socialist studies of Central and Eastern Europe in grasping what changes and what perdures in the notions of morality and justice that arguably originated from socialist institutions.

#### **4. Research Method**

I visited Yantai for the first time in 2004, doing research for my master's thesis on the trade of Chinese-Korean merchants between China and Korea. During my stay in this Shandong coastal city, I came across a historic building with a sign in classical calligraphy saying "Changyu Wine Museum." Out of curiosity, I stopped in the building and found out that

Changyu Wine Company was established back in 1892, and still stood as one of the top wine brands in China. The museum recounted the brand's glorious history, from Sun Wen (the founder of the Chinese Republic)'s acclamation of its wine in 1912 to Deng Xiaoping's renewed support for the wine industry in the 1980s. Its basement housed the oldest wine cellar in China, storing more than 600 oak barrels that were over six feet tall, and a visitor would be fascinated by the oak scent that had persisted over a hundred years. In particular, I was intrigued by the mysterious presence of wine as a Western-style commodity that had been imported in the colonial period, survived socialist rule, and was revived in the era of reform and opening. Since then, each time I came back to China, I saw more wines stocked on the shelves in Chinese supermarkets, more local wine brands advertised on television, and tasted a variety of Chinese wines, ranging from a vapid Cabernet Sauvignon to a surprisingly crispy Chardonnay. Considering the rudimentary level of commodity farming in China, then, I wondered how Chinese wine companies produce grapes for their wines, which require managerial skills for the standardized quality of agricultural products on one hand, and agricultural technologies for developing the complex tastes of wine grapes on the other hand. As I further understood the socio-economic landscape of rural China, I came to ask more questions: how wine companies acquire farmland for such a large-scale vineyard, what is the role of local government in expanding industrial vineyards, and how the lives of villagers change as they are employed by wine companies.

### **(1) Entry to the Field Site (Formal versus Informal Channels)**

From June to August 2009, I had an opportunity to conduct preliminary research in Yantai on the region's burgeoning wine industry. In the beginning, I was introduced to the

research site by Dr. Sun Jing Quan at the Center for East Asian Studies of Yantai University, with whom I had become acquainted in Beijing. Dr. Sun was very helpful, extending the Shandong's generous hospitality to a guest, and at the same time, expressing his willingness to establish a relationship with a foreign scholar. Dr. Sun introduced me to Mr. Li, one of his former students who worked at a local government office in Penglai, administrative subdivision of Yantai City. We all drove together to visit a wine-producing village in the region, and there we were joined by Mr. Wang, deputy-chief of a local firm, called Sunshine Winery. By the time we arrived at a local restaurant, the entourage consisted of ten people, in a van and two sedans. After a few rounds of Chinese-style hard liquor (*baijiu*), Dr. Sun explained to Mr. Wang about my research project on China's wine industry, suggesting that my publications about the wineries would inform American readers of Chinese farmers' entrepreneurship (*chuangye jingshen*) and creative mentalities (*chuangyi yishi*). In response, Mr. Wang expressed gratitude for my efforts, and welcomed my visit to his company. As we wrapped up the lunch with "bottom's up" all around, I felt that I was smoothly settling into a field site, an actor in a typical anecdote from the classical ethnographies of China: A man of local authority introduces a foreign anthropologist to village cadres, and they welcome him with a banquet and drinks and offer to cooperate with his research.

On the following day, however, the wine company's hospitality turned into suspicion and apathy towards the foreign researcher, after I was dropped off by local government officials. When I visited Sunshine Winery's chief-manager, Mr. Qu, it seemed that I had interrupted his nap. Half-awake, he gathered up his cigarettes and a pot of green tea, offering me neither of them, which can be quite a negative sign for a guest in China. After he served a cup of tea for himself, Mr. Qu bluntly asked me, "What is the purpose of your visit?" A little embarrassed, I

replied that I wanted to research China's wine industry and had been introduced to his company by government officials. Then, he frowned with the thick wrinkles on his forehead, talking to himself, "Government? What government?" (*zhengfu? shenme zhengfu?*) Apparently, Mr. Qu saw me as an annoying burden imposed by the government with no benefits in return to his company. After the brief conversation, Mr. Qu ordered Mr. Wang to arrange a room for me at a dormitory in the factory, which processed wine grapes to be crushed, fermented, aged, and bottled. But Mr. Qu was skeptical, asking me whether I thought I could stand the meals and bathroom there. Mr. Wang guided me to a barely-furnished room, helped to set up a bed and a mosquito net, and issued me with meal coupons. In the evening, a cleaning lady washed a bowl and a pair of chopsticks for me, and the dormitory's cook made rice with fried cucumbers for my dinner. The dormitory was almost empty, since most employees went home after work, and I preferred chatting with the cook despite his strong Shandong dialect to being locked inside the mosquito net.

What was more uncomfortable than the stuffy room and unsavory canteen meals was being isolated from potential research subjects in the company's production base. The vineyard itself was about 10 km distant from the main office and dormitory, and to reach it, I had to ask the company's driver to provide a ride. When I visited the vineyard office, Mr. Wang briefly greeted me, and went back to his desk to resume a card game on the computer, pointedly avoiding eye contact with me. Instead, Mr. Gao, the company's driver, offered me a cup of tea, and answered some questions I asked about the company. When I asked Mr. Gao if I could interview some of the villagers who worked for the company, Mr. Wang abruptly interrupted our conversation and said that the villagers were too busy for interviews. I, then, suggested that I reside in the village so that I could talk to them after their work. Mr. Wang shook his head,

smoking his cigarette, and said that it would be inconvenient for a host family since they would have to take care of my meals. It became obvious that Mr. Wang had accepted me as a guest in order not to lose face with the government officials from Yantai, but he knew well that a foreign researcher like me could bring him trouble rather than benefit. By and by, it became obvious that the company's managers would persistently limit my access to the vineyard workers, and that my research could not make progress from within the company. Eventually, I decided to leave Sunshine Winery and look for another field site. For fear of discrediting Dr. Sun, I stopped in Mr. Qu's office before leaving and expressed my gratitude to his "hospitality" by giving him a small gift of *ginseng* tea that I had brought from Korea. Fortunately, he seemed much relieved by my departure, and wished me a safe trip (*yi lu ping an*), even showing the smile that he had withheld during our first meeting. Later, I found out that both Mr. Qu and Mr. Wang were retired local government cadres, and were not too much worried about complying with the requests by lower-level officials.

This short stay at Sunshine Winery made me realize that the introduction to a field site via a formal channel may put a foreign researcher in an uneasy position with his preferred research subjects. For instance, the company's managers might be afraid that the researcher could observe and reveal things that need not be known to local government or to outsiders with authority. Especially, they might wish to conceal certain unequal relations between the wine company and the villagers in terms of farmland leases and labor contracts. After I left Sunshine Winery, I remained curious about these issues, so I attempted to develop informal channels to access the work of the wine companies in the region. First of all, I volunteered to teach Korean at the department of Korean language and literature at Ludong University in Yantai, and in those classes, I developed contacts with those students whose parents were engaged in wine grape

production. On weekends, I could visit a few students' parents in three different villages, and the parents introduced me to other villagers as their child's teacher (*laoshi*). Villagers were rather curious about me, a Korean *laoshi* who could speak Mandarin, and they were less wary of me since I was regarded as a teacher for their neighbor's kid. In this way, I could become acquainted with some of the villagers who worked for a wine company, an option that had seemed almost blocked out when I had entered a village through the formal channels of government officials and company managers.

My unpleasant stay at Sunshine Winery was not in vain, however. During my short stay, I came to know Mr. Liu, the company's accountant, and he introduced me to his former colleague, Mr. Huang, who was working as a manager of a medium-sized wine company, called Heavenly Winery. Mr. Huang was younger and much friendlier than the managers at Sunshine Winery. When I visited Mr. Huang's office, he willingly took me to the company's vineyard in River West Village, and introduced me to the vineyard workers. When I met them, I checked out the possibility of my staying in their village. Most of them shook their heads, perhaps wary about a foreign outsider, but one among them, a middle-aged woman asked me if I could put up with a room that was not very clean. When I said yes, she took me right away to a local restaurant in River West Village, called "Extraordinary" (*feifan*), which had three shabby guest rooms on the second floor, intended for low-budget travelers and migrant workers. After she made sure that I had checked into a room, she even joked to me, "Now you are all set, except for a lady (*xiaojie*)." After that, she became one of my key informants, and I began to call her Aunt Chen.

Aunt Chen, in her late forties, was very outgoing compared to other village women, who tended to be shy with an outsider. She was friendly with almost every villager, and was always joking with everyone she meets in the village, whether young or old, man or woman. Working

through her social network, Aunt Chen introduced me to the village head, her relatives, and a number of other villagers who were working under the contract with Heavenly Winery. Even more important, Extraordinary Restaurant provided a very useful base for my research. Although my room was quite shabby, I could have a breakfast of porridge and fried breadsticks (*youtiao*) every morning with the owner's family, so I came to be quite friendly with them. The owner, Mr. Yu, used to be involved in a smuggling gang, and he had many friends in the region's police and business world. His wife's father had also been the village head of a neighboring village for about twenty years, and she knew other village heads and other officials in local authority. As a matter of fact, the restaurant tended to function as the center of this village's social intercourse, so it also helped to expand my relations into other villages. Mr. Yu liked to invite his friends for lunch or dinner, and often asked me to join them to drink beer or hard liquor (*baijiu*) together. In the afternoon, a few village women sometimes gathered at the restaurant and played *mahjong* with Mr. Yu and his wife. Particularly in winter, villagers had plenty of time during their long break from farming, and they would flock to the restaurant filling up four to five *mahjong* tables. I often played *mahjong* with villagers, and it was a useful way for getting to know a new villager in a casual manner. Thanks to the assistance of Mr. Yu's family and Aunt Chen, I could meet and interview many villagers including those who were contract farmers for Heavenly Winery.

## **(2) Extended Research Period**

I went back to Yantai in September 2013 to begin my dissertation research. Fortunately, the villagers of River West Village welcomed me back with banquets and drinks, and treated me with the same hospitality as they had four years before. However, some things had changed in those four years. Aunt Chen had more grey hair and wrinkles on her face. Local wine companies

had suffered severe cold-weather damage in the winter of 2011, and the affected vineyards were barely recovered. Much alarmingly, wine companies were turning to China's western regions such as Xinjiang and Ningxia in search of cheaper labor and a more suitable climate for growing wine grapes. At the same time, the companies were having difficulty keeping up with the rapidly rising labor costs in the Shandong wine region, especially as the apple market boomed and apple farms were attracting an increasing number of laborers. In response to this transition, Aunt Chen, an audacious and shrewd woman, had decided to terminate her contract with Heavenly Winery, and instead invested in her apple orchard while engaging in other wage labor.

The departure for my dissertation research had been delayed longer than I originally had planned for multiple reasons such as research funding, proposal process, and personal health. On the other hand, I eventually received extra funding from the Social Science Division at the University of Chicago in addition to a Wenner-Gren Dissertation Grant, so I could extend my research for one additional year. As a result, my research time was stretched over five years from 2009 to 2014. Since there was a long gap between my preliminary research and dissertation research, I was originally worried that I might lose my connections with people in the field site. Fortunately, however, the extended research time rather helped to enhance my relationship with research subjects, and provided me with deeper insights into the transformations of rural economy. When I came back to the village in three years, villagers regarded me as a reliable friend, not just as a passing researcher, and talked to me more frankly and became even more cooperative for my research. While I was away, I had sought to maintain contacts with a few key informants by making international calls to greet them for Chinese New Year or Moon Festival. Also, when I came back, I brought them gifts such as Korean cosmetics for women and Korean liquor for men, which expressed my gratitude for their hospitality and friendship.

Multiple visits to the village over five years also allowed me to reflect the rapid changes that had taken place under the differing conditions of the region's markets. If I had conducted only a year-long research in the village, I would have gained just a cross-section of villagers' lives at a specific time. But rural life in China is anything but static; its dynamic aspect would not be easily grasped by a short-term investigation. For instance, the daily wage for farm labor was 50-60 RMB in 2009 (less than US\$8 at the time) when I first visited Yantai, and it had almost doubled up to 100~120 RMB (circa US\$16-18) as I left in 2015. When wine companies had leased farmland from villagers in the early 2000s, the annual rent for farmland was miniscule, and many villagers agreed to the wine company's offer for land lease at bargain rental rates. By the early 2010s, though, the value of farmland had risen sharply due to the increased market demand for fruit, especially apples, so many villagers came to regret having handed over their land to wine companies on long-term leases. Meanwhile, the attitude of winery managers whom I had interviewed in 2009 had turned from hope and pride over the production of high-quality European-style wine into dissatisfaction and resignation in just five years. The managers had to compete with the unexpected challenge from the West regions on the one hand, and had to deal with their contract farmer's increasing demands to raise management fees on the other hand. The attitude of winery managers toward me has changed over time as well from suspicion to friendship, so that they could share more candid opinions about the problems of wine production with me. If I had researched the village only for a year, I would not have been able to describe the vicissitudes of villagers' lives as they affected over time by the introduction of industrial vineyards in Shandong's rural areas.

### (3) Overcoming the Barrier between Managers and Villagers

When I came back to Yantai in 2013, I attempted to establish access to a large-scale wine company, Dragon Winery, and asked Mr. Yu, the owner of Extraordinary Restaurant, if he could pull strings to make a connection with the company's manager for me. He made a few phone calls, and on the following day, we drove to the company's management office in his rattling truck. When we arrived at the office, Mr. Sun, a short and solid man in his mid-forties, came out to greet us. Mr. Yu offered a pack of expensive cigarette to Mr. Sun, and skillfully elicited cooperation for my research from Mr. Sun. Mr. Sun helped to set up a room for me at a local restaurant near the office, and introduced to me four village heads whose villages had made a contract with Dragon Winery.

In the beginning, Mr. Sun was also wary of my interaction with village heads and villagers although he was much more considerate than Heavenly Winery's managers, whom I had met in 2009, had been. My interviews with village heads were conducted at Mr. Sun's office over about a week. Overall, they went smoothly, except that, possibly due to Mr. Sun's presence, the village heads tended to give only optimistic answers to my questions about Dragon Winery. I interviewed the four village heads in a week, and invited them, along with Mr. Sun and his colleagues, for lunch. I treated them to lunch and bottles of *baijiu* to thank them for their collaboration, and more importantly, to ask the village heads to introduce me to villagers. On the other hand, Mr. Sun mistook the lunch as a farewell party for me, assuming that I had completed my research at his company. When I came back to his office on the following week, Mr. Sun seemed rather perplexed, and curtly asked me, "What more do you need (*ni hai xuyao shenme*)?" Then, he dodged eye contact with me, and told me that villagers were too busy to continue collaborating with my research. Indeed, the initial introduction to the village heads was the best



Figure 7. Author interviewing a vineyard manager at his office

that he could offer to an outside researcher, and in fact, I was wearing out my welcome by returning to his office. This would probably be a common dilemma that an anthropologist would face as an uninvited guest at the initial stage of field research. For another week, I literally killed time at Mr. Sun's office, drinking tea and chatting with his colleagues, and finally, he came to realize that I would not leave regardless of his uncooperative attitude. Either Mr. Sun's character was too kind to chase me off, or I was interrupting his peaceful nap time too often. Gradually, he began to take me along to his vineyards as he supervised contract farmers, and he arranged some house visits to village heads and other villagers.

One day Mr. Sun gave me a ride to Pine Village on his motorbike for a second interview with the village head. When I arrived, the village head, Mr. Liu, was busy harvesting apples at his private orchard along with his relatives. I volunteered to help him, and he gladly accepted my offer to help. Mr. Liu and his relatives were delighted with my assistance, and invited me to

dinner after work. At Mr. Liu's house, I met Mr. Liu's elder brother and his wife. (I refer to Mr. Liu's brother as "Old Liu" in what follows.) Old Liu used to be a factory worker (*gongren*) in the city in the 1970s. After coming back to his village in the early 1980, he served as the village head until 2002. As a factory man, he was more educated than other villagers, and had an articulate way of describing social changes in villagers' lives. Now retired from farm work, Old Liu welcomed me each time I came back to his house, and sat with me drinking tea, smoking cigarettes, and talking about village history. In fact, it was Old Liu who advised me to offer male interviewees a cigarette, since this was considered to be a manner of treating each other with respect in the local culture. Since then, I began to smoke together with my male interviewees although I was a non-smoker, which surprisingly helped to break the ice and create conversation.

Helping villagers with their farm work was also important in several respects. First of all, most villagers were genuinely busy either with farm work or wage labor, and I could not easily interrupt their lunch time, which was usually followed by a nap. Therefore, going with them to their farmland was the best way to meet and talk to villagers. Since villagers' farms were near to each other, I could walk around the different farm plots and meet several villagers in a day. Although I was not very experienced in farming, my labor was appreciated by villagers, especially during the busy seasons. Those villagers I helped often invited me for dinner or drinks, and later devoted some of their free time to a focused interview with me.

Most importantly, working with villagers led me to better understand the technical details of vineyard operation, and provided me with the essential background knowledge for discussing the critical issues that arise between a wine company and its contract farmers. For instance, while I helped villagers with weeding, pruning, and binding vines, I could gain a physical estimation of how arduous labor each type of task required, and understand how the

labor supervision could be a critical point of contention. When I was harvesting grapes, I could observe the actual tension between vineyard managers and contract farmers, centered on both product quality and quantity. As I helped villagers not only in their vineyards, but also on their apple orchards, I could compare apple farming with vineyard contracts in terms of labor intensity and economic benefits. Villagers were adopting more elaborate agricultural technologies each year in order to improve the commodity value of apples. For example, some villagers had begun to use honey bees for natural pollination instead of relying on artificial pollination. Most of apple farmers were putting an increased amount of labor into culling, bagging, and turning around apples since the apple market had begun to return substantial rewards for their labor. On the other hand, villagers were reducing the input of labor into managing their vineyards, partly because the management fee paid by a wine company could not keep up with the growing rate of farming labor cost.

#### **(4) Studying up the Wine Industry**

At the beginning of my research, I sought to keep a low profile among villagers in order not to draw unnecessary attention from a wine company's managerial level. As I had experienced at Sunshine Winery in 2009, I was afraid that I might be seen as an intruding foreign researcher, particularly by wine company managers and local government officials. In 2013, I gradually established a trustful relationship with both managers and villagers at Dragon Winery, and from there I began to contact those in a higher position in the wine industry. First of all, I asked Dr. Sun at the East Asian Center of Yantai University to introduce me to the Wine Bureau (*putaojiu ju*) of the local government in Penglai City. Fortunately, the bureaucratic barriers were not so high in the case of the Wine Bureau, unlike some other Chinese governmental agencies,

due to its original purpose of promoting local wine brands. Ms. Ji, deputy-director of the Wine Bureau, enthusiastically discussed with me the recent development of the region's wine industry, and later responded to my interview questions on a few more occasions. She also put me in contact with several winery managers in the region, including Dr. Zheng at Dragon Winery. Dr. Zheng earned his doctoral degree of vinology from Xibei University before he had taken a position as the technical supervisor at Dragon Winery. He belonged to a higher level of management than low-level cadres such as Mr. Sun, and worked at the central office near the company's château complex. I had lunch with Dr. Zheng several times, and he readily sat with me for an interview that lasted for more than an hour. Although he tended to repeat the company's viewpoint, I could often challenge him based on facts that I had learned from lower-level managers and contract farmers. At these points, he would artfully dodge the point by alleging that contract farmers misunderstood the situation or were short-sighted. The conversation with Dr. Zheng, however, helped me to see the other side of many stories, and to illuminate certain discrepancies between the company's official narrative and the actual practice of vineyard contracts.

During my research, I spent two summers in Beijing, participating in a conference at the University of Chicago Beijing Center and socializing with colleagues in the department of anthropology at Peking University. At the same time, I met with wine experts such as vinologists, wine dealers, wine magazine editors, sommeliers, and wine connoisseurs in Beijing in order to collect their opinions about Shandong's wine industry. Ms. Ji at Penglai's Wine Bureau introduced to me Dr. Wang, for example, who worked at the Agricultural Science Research Center in Beijing. Dr. Wang was conducting a GAP (Good Agricultural Practice) project in the wine industry, which was financially sponsored by the Chinese Department of

Agriculture and the World Bank. He gave me a comprehensive account of why Shandong's wine companies were having difficulty improving the quality of wine grapes based on his scientific data. One of my Chinese colleagues at Peking University suggested that I meet some of his friends who were wine dealers, and they gave me candid and poignant opinions about China's domestic wine market. I also contacted several wine magazine companies, and met a few editors specializing in wine. One of them was Ms. Sun at *Wine in China*. She was very active in the wine society in Beijing. Ms. Sun became quite interested in my research, and introduced me to her wine-tasting group, which consisted of sommeliers, wine bar owners, and businessmen. I also took part in a few wine-tasting meetings open to the public, which was usually publicized on a magazine and sponsored by a wine dealer. Conversations with Chinese wine experts provided me with an objective perspective on Shandong's wine production, especially in regard to its technological limits. Insider opinions in the wine industry also helped to reveal the oligopolistic character of the domestic wine market, and to understand how it affects the dominant wine companies' management strategies.

## **5. Dissertation Outline**

The following chapters demonstrate that in China, a new capitalist institution of industrial agribusiness is, in fact, implemented in a way that resembles the state-driven development in the past, and thus has to negotiate with villagers' demands and resistance grounded in post-socialist legitimacy. Industrial vineyards in rural China, therefore, are located at the crossroads of differing moral claims on labor efficiency, land use, and village autonomy. This study suggests that Chinese vineyards still stand in the shadow of their socialist past, and that their operation is a

complex outcome of striving to figure out what should be continued versus what should be severed from the past.

*Chapter One* describes how local officials actively intervened to persuade villagers to lease land to wine companies, and to design a production model that obliges wine companies to employ villagers as contract farmers. Wine companies claim that they take a role in leading farmers to develop an awareness of commercial agriculture, holding farmers' backward (*luohou*) minds responsible for the low quality of wine grapes. Winery managers rely on developmentalist discourses that used to be mobilized by the government, which presumed the maximization of labor efficiency as key to agricultural development. As they seek to improve the quality of wine grapes, therefore, they mainly focus on the production contract devised with cash incentives and penalties for contract farmers. My interviews with Chinese wine experts, however, reveal that a few major wine companies, including Dragon Winery, dominate the domestic market; they invest less in technological advancements and appropriate payments for contract farmers and more in advertising their brands and inflating the value of their products. In fact, the development of apple farming in the same area shows that, unlike winery managers' allegations, Chinese farmers were able to acquire agricultural technologies and take the risk of investing in commercial farming when they were given opportunities for economic benefits.

*Chapter Two* asks the question of why the "contract model" was adopted by most wine companies despite its drawbacks to a company's direct management of land use and labor. For both winery managers and villagers alike, the negative memories of collectivist farms still strongly remain, and the idea of organizing farmers into production teams would hearken back to the experience of labor inefficiency in the socialist past. On the other hand, the implementation of the Household Responsibility System in the early 1980s is positively remembered as a time

when land use rights were equally distributed among villagers, and villagers worked hard to enjoy the benefit of surplus production after fulfilling the state's grain quotas. The HRS was based on those production contracts between the local government and villagers, designating a certain responsibility of grain quotas for the latter. The operation of large-scale vineyards was a new challenge for wine companies since the fear of idling farmers was prevalent among not only winery managers, but also farmers themselves. Although wine companies claimed that their management of industrial vineyards was a new and modern model, they brought back the contract model that had been successfully implemented by the state in the early 1980s.

Whereas *Chapter One* and *Chapter Two* describe how wine companies counted on discourses from the past and reasoning borrowed from the state's development policies, *Chapter Three* and *Chapter Four* demonstrate that villagers' responses to the introduction of industrial vineyards were also hinged upon the legitimate principles of their land use that had been formed historically over the last three decades.

*Chapter Three* suggests that each village autonomously established an intricate way of allocating land use rights among villagers in an equal manner, even taking into account the different soil quality of each field. In order to guarantee the equality of land use, villagers drew lots to select their fields in the beginning, and their fields could be reallocated later if the majority of villagers requested. Each village maintained its reserve land in a differing size, which was used to accommodate villagers' periodic demographic changes. Reserve land was also leased, through a village auction, to those villagers who wanted to expand their farmland. Land use rights could be transferred between villagers, usually when some villagers found opportunities for employment in urban areas. While the ultimate land ownership belongs to the

village collective, land use rights were equally arranged and flexibly readjusted, meeting the differing socio-economic needs of villagers.

*Chapter Three* also demonstrates that a wine company admitted the village collective's autonomous decisions on how to arrange contract fields among villagers, while it made a production contract with individual farmers. The vineyard contracts were regarded as collective property by villagers, and in allocating the contract fields, therefore, they sought to maintain the egalitarian principle of land use that has been practiced since de-collectivization. Vineyard contract fields were arranged in various sizes depending on each village's needs, and allocated to villagers through a village auction. As vineyard contracts could be exchanged between villagers without a wine company's consent, villagers utilized the vineyard contracts as the collective asset from which they could benefit according to the changing conditions of their economic lives. As a result, the effect of consolidating farmland was limited, which was expected to be brought about by the introduction of industrial agribusiness, and the allocation of contract fields among villagers was not in the best interest of a wine company's labor management. In fact, villager's land arrangement had long been an organic product of their endeavors to maintain an egalitarian principle of land use, with periodic adjustments to resolve grievances and complaints and social interactions to accommodate their altering economic needs. For a wine company, it would have been not only inefficient, but also troublesome, to be directly involved in the matters of villagers' land allocation and contract arrangements. Although the land lease contract with a wine company was enforced despite the opposition of many villagers, the legitimacy of egalitarian land use was sustained, to a large extent, due to the continued practices of villagers' autonomous land arrangements over the last three decades.

While *Chapter Three* discusses the village collective's autonomy in arranging contracted fields under the contract with a wine company, *Chapter Four* illustrates how villagers negotiated with winery managers for contract terms and labor control, based on their entitlements to land use rights. As shown in *Chapter One*, winery managers sought to discipline contract farmers by relying on developmentalist discourses, and to raise the labor efficiency of contract farmers by introducing production incentives and penalties. However, winery managers faced farmers' resistance in enhancing production incentives, when farmers challenged the fairness of incentives uniformly applied to their contract fields of different soil qualities. Rather, as a wine company could not keep up with the rapidly rising labor costs, largely due to the recent apple boom in the region, it had to loosen up its standards for the quality and quantity of wine grapes, thus decreasing the labor inputs from contract farmers. In addition, winery managers even arranged the vineyard work schedules so as not to overlap with the peak of labor demands for apple farming, so that contract farmers could participate in day labor at nearby apple farms. Since winery managers were aware that contract farmers could not be laid off and replaced by cheaper migrant laborers, they compromised the strictness of labor control in order to make up for the relatively diminished rewards for farmers' labor. As some winery managers suggested, maintaining a harmonious relationship with farmers was essential to the efficient management of vineyards because the managers had no choice but to work with villagers.

Farmland in rural China is not an empty plain on which industrial vineyards could be uniformly established. It is rather a complex site where the memories of the past still linger, development projects have been experimented with, and endeavors for egalitarian land use have continued. For wine companies, the negative memories of collectivist farms led them to adopt the contract model which was similar in form to a state policy that had been hailed as successful.

Since the contract model was intertwined with the village organization, wine companies also had to allow the village collective's autonomy in allocating contracted fields among villagers. Put in a contractual relationship with the village collective, winery managers had to negotiate with the legitimacy of egalitarian land use, which had been formed through villagers' memories, practices, and social relations. Although the introduction of industrial vineyards was originally projected as an advance model of agribusiness, they are actually entangled with differing temporal moralities between the past and the present.

## II. Introduction of Industrial Vineyards and Its Discontents

### 1. Land Expropriation and Discrepant Responses

Before the establishment of industrial vineyards, wine companies used to procure grapes from small-scale farmers. On average, farmers would produce grapes in less than an acre (6 *mu*), and sell to middle men at market prices. Middle men would purchase grapes from farmers by the weight without any particular standards such as sweetness or acidity. These kinds of grapes are provided for the low-medium level of wine products. In this way, the quality of wine grapes cannot be guaranteed because farmers would plant grapes very densely in order to maximize output, and grapes of different qualities are mixed. Many wine companies still purchase grapes from small-scale farmers to produce cheap, low-quality wines for mass consumption.

There is another channel for wine companies to procure wine grapes from farmers. A wine company may make a pre-harvest sale contract with farmers on the condition that the company would purchase the entire harvest according to market prices. By doing so, the company can resolve the uncertainty of fluctuating supply by securing stable production in advance (Zhang and Donaldson 2008:35). Under this contract, farmers can feel safe about the sale of grapes, and expand their vineyards. Therefore, local people call this contract model “*da-bao*,” which can be literally translated as “big contract.” In the initial stage, a company may provide seedlings, trellises, or technical support for farmers whereas farmers are responsible for other production costs such as fertilizer, pesticide, and extra labor. Still, farmers retain control over their household land, and are not subject to the company’s management or supervision except for the initial training. One example of the “*da-bao*” model is Mr. Zong whom I met in River East Village. He leased 130 *mu* from twenty households in his village, and made an

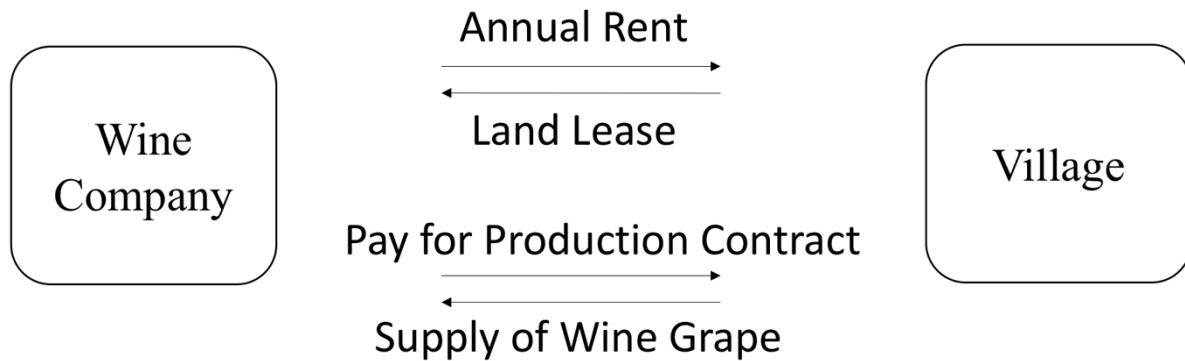
exclusive supply contract for Changyu Wine Company. He employed a male supervisor and ten female workers from his village to manage his vineyard. Compared to small-scale farmers, Mr. Zong planted grapevines less densely in order to meet the standard for grape sweetness set by Changyu. The interval between rows of vines was 1.7-1.8 meter in his vineyard whereas small-scale farmers would keep about 1.3-1.5 meter between rows. Accordingly, his output per unit area does not exceed 1,500 kg per *mu* while small-scale farmers would produce 2,500 kg per *mu* on average. Mr. Zong used to be a village secretary, and now is the owner of a factory in Penglai. He probably could venture into this large-scale vineyard contract by mobilizing his social network and economic capability. Some local people regarded the “*da-bao*” model as a transient stage to the development of agribusiness (*qiye nongye*) (ibid. 38). Nevertheless, most farmers could not afford the size of “*da-bao*” model due to the lack of socio-economic capital to arrange the land lease and take the risk of investment.

As wine companies aimed at producing premium wine brands in the late 1990s, they had to find a way to secure the supply of high-quality wine grapes. The most effective way to do so would be to establish a production base for them to directly manage by hiring supervisors and laborers. In rural China, however, most arable land is collectively owned at a village level, and village households were entitled to use rights of farmland. Therefore, Chinese wine companies were not able to purchase land, employ migrant workers, and plant grapevines as their counterparts did in New World wine regions such as California, Chile, Argentina, Australia, and others. Instead, they had to negotiate with village collectives for the terms of land lease and compensation for villagers’ economic subsistence. There was another option of leasing previously uncultivated wasteland from local government and hiring migrant laborers at a lower rate than resident villagers. By doing so, a wine company could avoid complex relations with

village collectives and villagers. In 2006, Huadong Winery started to reclaim 500 *mu* wasteland in Cunliji Township (*zhen*) and establish a vineyard under its direct management by employing migrant workers for 30 RMB a day, which was about a half of the going rate of labor cost in the region. One of its managers whom I met told me that the company was experimenting with the production model, and would expand it if it turns out successful. At the moment, he acknowledged, there were obstacles. The companies had to bear greater managerial costs for keeping managers and laborers on a regular payroll and for providing housing for migrant workers. The managers also considered it difficult to supervise laborers on a daily basis. Besides, the soil quality of wasteland was usually lower than other arable land owned by village collectives, and hence, did not fit for the production of high-quality wine grapes.

Therefore, the most suitable way for a wine company to establish a large-scale vineyard is to make a contract for land lease with villages. In return for the land lease, the company pays annual rents to the village collectives, and is also obliged to employ villagers as contract farmers in order to guarantee the economic lives of those who are divested of their rights to land use. This contract model is termed ‘*cheng zu fan bao*’ in Chinese, and can be translated as the ‘reverse rent through inverse contract’ in that a village’s land is rented out to a company in return for opportunities for the production contract of agricultural commodities (see Table 1). Local people called it the “*chengbao* model” since, they thought, it was similar to the House Responsibility System (*bao chan dao hu*) of the 1980s. In the HRS, the act of undertaking a production contract with the state was called “*chengbao*” as “*cheng*” is the verb “to undertake” and “*bao*” means “a contract.” Villagers said, “It is almost the same. The difference is that now we make a contract with a wine company instead of the state.” Local officials and wine company managers assured me that a vineyard contract had brought economic benefits to villagers by

Table 1. Diagram of the ‘*cheng zu fan bao*’ contract model



providing opportunities for wage labor plus rents from the land lease. They argued that villagers’ annual income from their grain production was not higher than the annual rent offered by a wine company. For this reason, they alleged, most villagers had agreed to the land lease from the beginning.

Just around the corner of a village, however, I encountered discordant opinions about the land lease. At a construction site of a house in River West Village, I met a construction manager who also lived in the village, and explained my research to him. Then, he sarcastically smiled and sighed, “You look, these farmers don’t have land anymore, and there is nothing they can do about it (*mei you ban fa*)!” He explained, “In seeking capital investment, the country government made this unfair contract with a wine company, but Chinese farmers are helpless and too naive to protest the loss of their land.” For their land lease, in fact, wine companies had faced the opposition of villagers in most villages that I visited, although to a varying degree. In Walnut Village, villagers’ objection to the land lease seemed to have been relative stronger. In 1998, a Chinese-Canadian businessman from the village donated 90,000 RMB to construct a reservoir, and many villagers were able to plant apple trees on about 100 *mu* farmland thanks to the new source of irrigation. Just in two years, however, the township government arranged the

land lease for Dragon Winery, and started to persuade villagers to agree to the contract. Mr. Cai, who also had planted apple trees on 7 *mu* land, was one of those who resisted to the last moment. According to his description, local officials visited him more than five times along with the village head, and pressed him, saying that most villagers except for him already had agreed, and that he was in the way of the government's project. Mr. Cai was not satisfied with the compensation of 5,000 RMB per *mu* for his apple trees, but was worried that he would be unfairly treated by the government in near future, and ultimately signed the contract reluctantly. Several village heads admitted to me that they had cooperated for the "propaganda work (*xuanchuan gongzuo*)" and "ideology work (*sixiang gongzuo*)" led by township-level officials in order to "mobilize (*dongyuan*)" villagers to agree to the land lease. Old Liu in Pine Village explained to me about his efforts to persuade villagers as the village head at that time. He held several village meetings to discuss the matter, and asked the opposing villagers to propose an alternative other than following the government's development plan. At the same time, he requested the township government to support his village for establishing the electric system for irrigation and constructing a new reservoir. Finally, a majority of villagers agreed to the land lease as they regarded the government's investment as genuine endeavor to boost the village economy. In other parts of rural China, there are reports of more coercive measures by government officials in enforcing land expropriation, for example, banging on doors at night or destroying villagers' crops (Guo 2001:431).

In other villages, old villagers over fifty years old expressed stronger opposition to the land lease. For them, land was deemed as the last resort for basic subsistence in their old age. As Mr. Gao, former head of Chestnut Village, admitted, "Land is the root of life (*ming genzi*) for farmers." Especially with the state's welfare benefits for the old withdrawn, a small piece of land

would guarantee at least a source of food until they could physically labor on their farmland. Mr. and Ms. Cong in their early sixties told me that they had strongly resisted (*fankang*) as the village collective decided to hand over their land to Dragon Winery. Mr. Cong said, “We have no rights (*quanli*), and cannot but conform (*tinghua*). We are ordinary people, and the government regards us unimportant.” They felt that they had become “landless (*mei you di le*)” even if they were still nominally entitled to land use rights. “We are old now, and cannot make money by laboring (*dagong*) anymore. We feel insecure because we have to buy things to eat, and the price of everything is increasing,” Ms. Cong grumbled, holding her grand-daughter in her arm. Some villagers, younger than fifty years old, also expressed discontent about having lost their land rights, especially in regard to their future. Ms. Lin, 47 years old, and her husband had a 20-*mu* vineyard contract for Dragon Winery, but felt anxious about her future. “The contract is renewed every year, not guaranteed forever. We have only one son, and supporting both of us would be too much burden for him,” she said. Her sister-in-law in her early fifties, also lamented, “The land lease is more than twenty years! In ten years, I would turn sixty years old, and would not be able to maintain the vineyard contract. Then, how could I eat without land?” In River West Village, villagers were dissatisfied particularly with the negotiated rate for the land lease to Heavenly Winery. In 2004, Heavenly Winery started to lease 700 *mu* from the village for the annual rent of 235 RMB per *mu*, incorporating an annual increase rate of 5 RMB. The village head admitted that it was below the ongoing rate for land lease in the region, and should have been at least 400 RMB as in case of Dragon Winery. He confided to me that there had been pressure from the township government to accept the rent rate, and that he could do nothing about it. In those villages under the contract with Dragon Winery, there were complaints about the sluggish increase of rent for the land lease. Since the early 2000, the annual rent for farmland

had increased from 400 RMB to 550 RMB per *mu*. Due to the recent boom of apple market, though, the rate for farmland lease rapidly increased up to 1,000 RMB in case that the land was adequately irrigated for fruit farming.

Mr. Liu, head of Pine Village, refuted a few points of villagers' criticism in regard to the land lease. Before the village made a contract with Dragon Winery, not many villagers wanted to bid for a plot of reserve land, and hence, the annual rent for reserve land barely reached 100 RMB per *mu*. At that time, most farmland in the village was not irrigated for fruit farming, and farmers' annual yield was valued less than 300 RMB per *mu* as they produced grain. Even fruit farming did not bring enough profits to villagers in the past since the market for fruit was too small. For instance, the township government encouraged villagers to plant persimmon trees in the 1990s. In Pine Village, about a third of villagers invested in persimmon farming, and suffered a loss in five to six years. Mr. Liu maintained that most villagers had not regretted (*shebude*) handing over their land use rights at the time of the land lease to Dragon Winery since the annual rent itself was not less than the expected yield of grain products from their farmland. Among those who complained about the land lease, several villagers candidly admitted that they had not regretted it in the past when I attempted to bring back their memories. Therefore, it would be reasonable to say that many villagers who had agreed to the land lease came to regret it later in hindsight, largely due the increased value of farmland and the extension of irrigation for fruit farming since the contract with Dragon Winery. Still, villagers in their forties and early fifties seemed to have adapted to the introduction of industrial vineyards more easily than their elder neighbors, and expressed less regret about the land lease. Mr. and Ms. Sun in their late forties maintained a 40-*mu* vineyard contract in Pine Village. They believed that scale-farming (*guimo nongye*) had brought economic profits to the village because they could not make enough money

from a small piece of land in the past. Mr. Sun claimed that those who said they had opposed the land lease were actually thinking in retrospect because the value of farmland had increased recently. He further argued that the village would not have gained the motivation (*tuidongli*) for economic development without contracting with Dragon Winery. He also criticized that old villagers were still caught in the old thinking (*lao sixiang*) of land even though the Chinese already had resolved the problem of eating and clothing (*wenbao wenti*).

In sum, most villagers under fifty years old had agreed to the land lease whereas older villagers opposed it for fear of losing farmland that was regarded as the last resort in their aged lives. As the value of land has risen due to the expansion of fruit market in the region, those who had agreed in the past came to regret it. Their frustration is aggravated by the economic progress that other neighboring villages have achieved through fruit farming, especially apples. For instance, Cedar Village used to be economically impoverished in comparison to those villages under the contract with Dragon Winery. However, the exclusion from the vineyard turned out to be a blessing as Cedar Village received government support for irrigation and transformed grain fields into apple farms. Based on its economic prosperity, Cedar Village was designated as a model village by local government, and given subsidies for building three five-story flats for villagers as part of the New Countryside Construction (*xin nongcun jianshe*). On the other hand, those villages engaged in the vineyard contract are obliged to the land lease for more than twenty years, and could not benefit from the recent boom of apple market in the region. After all, the long-term land lease tends to leave villagers in a disadvantageous position through the unpredictable economic variables and deprive them of a chance for autonomous maneuvers even if it could be regarded as beneficial by villagers in the past.

## 2. Production Contract and Issues on the Quality of Wine Grapes

According to local wine experts, the main problem of China's wine making lies in the excessive production of grapes per unit area. They assert that Chinese farmers plant grapevines too densely in order to maximize their yields without quality control, and produce wine grapes of low quality, particularly in regard to the sugar contents of grapes. During wine fermentation, yeast converts sugar in grapes to alcohol, and if the sugar content is too low, granulated sugar has to be added, hence lowering the quality of produced wine. For example, small-scale farmers would plant grapevines in rows of 1.3-1.5 meter's interval, and produce 2,500 kg per *mu*. Middlemen would purchase grapes from small-scale farmers only by weight, regardless of their grape quality. As a medium-scale farmer, Mr. Zong in River East Village who supplies for Changyu Wine Company maintains 1.7-1.8 meter between rows, and produces 1,500 kg per *mu*. Changyu provides no incentive for sweeter grapes, and requires just a minimum sweetness of 16 degrees<sup>1</sup>, which Mr. Zong may reach without sacrificing much of his yields. The industrial vineyards run by wine companies exhibit higher standards for production quantity and sweetness of grapes. Heavenly Winery in River West Village maintains 20 percent cap on excess produce over 750 kg per *mu*, allowing farmers to produce only 900 kg per *mu* at the most. It also requires 17 degrees' minimum level of sugar content for Cabernet Sauvignon. The managers of Dragon Winery emphasize that they could produce high-quality grapes by reducing production quantity compared to other wine companies in the region. They keep 2.5 meter's interval between rows of grapevines, and limit grape production over 600 kg per *mu*. Their minimum requirement for grape sweetness is 19 degrees for Cabernet Sauvignon, and the managers suggest that most of

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<sup>1</sup> Degrees Brix (symbol °Bx) is a scale that represents the amount of sugar in a liquid material, and one degrees Brix equals 1 gram of sucrose in 100 grams of solution. I refer it as "degrees" following the local term of "du."

their grapes reach 20 degrees. As a point of reference, I corresponded with American wine-makers in California via email, and found out that Dragon Winery's wine grapes match those of average Californian wineries in terms of production quantity, but fall short of them in terms of grape sweetness. According to Californian vintners, they produce 3 to 5 tons of Cabernet Sauvignon per acre, which converts to 500-800 kg per *mu*. In California, though, Cabernet Sauvignon is harvested at 24-25 degrees of sugar content for medium-range wine brands, much higher than 18-20 degrees in Dragon Winery.

According to the production contract between Dragon Winery and contract farmers, the company pays 1,000 RMB management fee per *mu* to contract farmers when they complete the production standard of 600 kg per *mu* (see Appendix 7 for the contract details)<sup>2</sup>. In addition, a contract farmer can make extra 2 RMB per kg within the 20 percent cap on the production limit. The company also provides an incentive for producing sweeter grapes, paying 4 *mao*<sup>3</sup> per kg (10 *mao* equals 1 RMB) for a degrees higher sweetness. At the same time, the company charges the penalty of 2 *mao* per kg for those who failed to meet the minimum standard for sugar content. Assuming that a farmer made a vineyard contract for 10 *mu* and produced 600 kg grapes per *mu* of 20 degrees' sweetness, he would earn 10,000 RMB basic management fee (1,000 RMB x 10 *mu*), 2,000 RMB for surplus production (2 RMB x 100 kg x 10 *mu*), and 2400 RMB incentive for grape sweetness (0.4 RMB x 600 kg x 10 *mu*) which totals 14,400 RMB (see Table 2 for examples). Heavenly Winery designed a similar contract with farmers in River West Village (see Table 3 for examples). The company pays 1,000 RMB management fee for the standard production of 750 kg per *mu*. The payment increases 1.4 RMB per kg up to 20 percent cap of

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<sup>2</sup> 1,000 RMB basic management fee per *mu* can be considered relatively high when compared to other wineries in the region. For example, the average income per *mu* of contract farmers in Heavenly Winery is no more than 721 RMB (see Table 3).

<sup>3</sup> 10 *mao* equals 1 RMB.

excessive production over 750 kg per *mu*. The incentive for grape sweetness over 17 degrees' minimum requirement is 6 *mao* per kg. In both cases, a company provides farmers with seedlings, fertilizer, pesticide, and other technical guidance with no extra charge. Depending on seasonal needs, though, contract farmers have to hire laborers at their own costs. Contract farmers also pay a down payment (60-100 RMB per *mu*) for the contract, and cannot retrieve it if the contract is terminated on their fault. The annual net profit for a contract farmer of 20 *mu* vineyard can be estimated as 15,000-20,000 RMB (\$2,355-3,140) after deducting extra labor costs, which stands above the average level of Chinese farmers.<sup>4</sup> The contract is renewed each year unless a contract farmer seriously breaches the contract.

Winery managers explain that the regulations of incentives and penalties are designed to raise farmers' awareness (*yishi*) of commercial agriculture (*shangpin nongye*). They argue that Chinese farmers are not yet free from old ways of thinking (*lao sixiang*) about agriculture, but seek to maximize their income only by increasing production quantity. In the collectivist era, as a matter of fact, China had attempted to boost food production by setting grain production goals at the local level, and in the early phase of reform, by providing incentives for surplus production without much concern of production quality of agricultural commodities. Winery managers allege that many farmers are not willing to sacrifice their product quantity despite the incentives for sweeter grapes. In order to enhance the sugar density of grapes, wine companies tend to delay the time of harvest until grapes are fully ripe and reach the highest level of sweetness. On the other hand, contract farmers complain that the incentives are not high enough to make up for the loss of product quantity which they have to bear due the delayed harvest. For this reason, the

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<sup>4</sup> In 2009, per capita income of Chinese rural residents stood at 5,153 RMB (*China Daily*, 22 Jan. 2010). The statistics reflects increased salaries of migrant workers from countryside to cities. Hence, the income level of resident farmers without access to migrant work would be lower than the national level.

timing of harvest has been a point of conflict (*maodun*) between winery managers and contract farmers. As the company delayed harvest too long, contract farmers described their state of mind as “anxious (*zhaoji*)” and “running a fever (*shanghuo*)” because each day they found more grapes turn too flabby to be harvested. Contract farmers contend, “If the company pays incentives high enough for producing sweeter grapes, of course we are willing to delay the harvest. For now, however, the incentives are too low.”

In response to these complaints, Mr. Sun, Dragon Winery’s manager, emphasized an individual farmer’s responsibility for the loss of grapes due to the delayed harvest. “If grapes are managed well with proper use of pesticide according to our guidance, the grapes can reach the minimum level of sweetness without going limp. For instance, when only one out of ten contract farmers suffers a decline in product quantity due to the delayed harvest, it is not the company’s responsibility, but an individual farmer’s responsibility for inappropriate management. The company distributes fertilizer and pesticide to contract farmers in the same manner,” he said. Mr. Sun admitted that there was a certain degree of discontent among contract farmers in the beginning because it took a while for them to acquire farming skills for wine grapes. The company administered an elimination system (*taotai-zhi*) which closed a contract with those farmers who could not meet the production standard. Under Mr. Sun’s supervision, two to three out of 370 contract farmers were discharged from the vineyard contract each year until 2007. Since then, however, only four farmers were dropped out through the last five years as the company has raised the level of contract farmers’ management skills, especially in regard to the use of fertilizer and pesticide. To my questions about the dispute over the harvest, Mr. Sun seemed to respond in a very defensive way. When the harvest season came around, he showed me around a few contract fields in order to compare the different levels of management among



Figure 8. Manager Sun investing the quality of a contract farmer's harvested grapes

the contract farmers under his supervision. He demonstrated an example of a contract farmer's grapevines that were not properly pruned, and explained to me, "These overgrown vines prevent grapes from being well-nourished, and therefore, the grapes would be able to stay solid and become limp easily as the harvest time approaches." At the contract field, a female contract farmer in her fifties was harvesting grapes, and Mr. Sun checked out the grapes in her baskets. Then, he said to me, "You see, some of these grapes are too flabby and cannot be used for wine," on the one hand, and warned the contract farmer not to harvest the flabby grapes on the other hand. Mr. Sun also took me to a well-managed vineyard where the grapevines were trimmed short and tidy. With a satisfied look on the face, he told me that the grapes would reach 19 degrees of sweetness without a problem. He assured to me that the outcome of harvest should turn out differently according to each contract farmer's management skills although the company provided the same technical support.

The discourse of farmers' backwardness is prevalent among local officials and company managers in accounting for the low quality of Chinese wine. In an interview with me, for instance, Ms. Ji, deputy-director of Penglai City's Wine Bureau (*putaojiu-ju*), claimed that China's wine-making technology was already comparable to that in Europe and North America, and that the problem of low-quality wine grapes lay in the low personal quality (*suzhi*) of ordinary villagers (*laobaixing*). She argued that ordinary farmers pursued their interests only by maximizing production quantity in a small field without taking any risk in expanding the scale of farming and improving the quality of their products. The Penglai government designated a special subsidy for those farmers who would operate more than 300 *mu* vineyard in order to encourage farmers to scale up their farming, which hardly drew farmers' interests. Ms. Ji believed that the most effective way to improve the quality of wine grapes would be the initiative efforts of wine companies to raise the awareness (*yishi*) of farmers in comprehending scale farming (*guimo nongye*) and commodity agriculture (*shangpin nongye*). The government's perspective on the relationship between wine companies and contract farmers, as a matter of fact, accorded with most winery managers' opinions. For instance, Mr. Huang, manager at Heavenly Winery, regarded the contract model of incentives and penalties as designed not for the company's best interests, but rather for its role of leading (*lingdao*) farmers to have an entrepreneurial mind. He explained that through the contract, farmers would have an opportunity of learning how to manage a large field with adequate investment while hiring laborers in busy season. He anticipated that based on that experience, contract farmers would acquire competence to independently manage their own farm for commodity agriculture in near future.

The reason why winery managers share the attitude of enlightenment toward farmers with government officials could be found in their background. Many of winery managers

formerly had worked for the government's agricultural technology extension system (*nongye tuiguang tixi*). For example, seven out of nine managers whom I interviewed at Dragon Winery had worked at a horticulture production site, called '*Yuanyichang*,' that was administered by local government until the mid-1990s. They were all in their forties or fifties, and had an experience of working as agro-technicians at least for seven to nine years. Their educational level was middle-school graduation while the other two managers were college graduates, in their thirties, who majored in agricultural science. Through the government institution, local government recruited farmers to train them as technicians who would extend agricultural technologies, especially in fruit farming. In *Yuanyichang*, recruited farmers progressed through elementary, intermediary, and advanced levels, and had to pass a qualifying exam to work as technicians. In 1996, *Yuanyichang* was privatized and laid off those technicians. Later several wine companies employed them as managers of their vineyards since they had the experience of working with local farmers, and hence, could act as efficient mediators and supervisors between a company and farmers. The managers who used to work at *Yuanyichang* emphasized themselves, "Although college graduates would excel in theoretical knowledge, we are better at instructing and guiding farmers in the field because we have the know-how of interacting (*jiechu*) with farmers." In fact, a few of them were former village cadres in the villages under a contract with Dragon Winery, and other managers were also closely related to farmers in social networks. For instance, I had a chance to attend the wedding of a contract farmer's son in Chestnut Village, and found the managers, who were former *Yuanyichang* technicians, friendly mingling with other villagers at the banquet whereas the two young managers were not even invited to the wedding. In fact, the managers were closely related to contract farmers, and socialized with them in a horizontal mode. As I interviewed the middle-aged managers in the

initial period of my research, they sought to advocate the benefits of wineries to farmers by reiterating the rhetoric of government policies. They argued that the wine company achieved standard administration (*tongyi guanli*) and scale management (*guimo jingying*), and pursued the integration of industry and agriculture (*gongnong yiti*), the combination of market sales and agricultural science (*shichang xiaoshou he nongye kexue de jiehe*), and the combined model of sales and production (*xiaoshou he shengchan jiehe moshi*). They also pointed out that a wine company was a private incorporation and held the autonomous rights in management and employment, and that the government played only a role of guidance. Their languages of political slogans, however, actually coincide well with the government's policy orientations in regard to the wine industry, which emphasize the contribution of wine company to agricultural industrialization and rural economic development.

While government officials and winery managers put a priority on the reformation of farmers' awareness (*yishi*) and spirit (*jingshen*) for uplifting the quality of Chinese wines, other wine experts whom I met in China asked more fundamental questions on the technological challenges and the distorted market structure with which China's wine industry was faced. Ms. Ji at Penglai City's Wine Bureau mentioned that a professor from the Chinese Agricultural Science Research Center in Beijing had operated laboratory vineyards in the region. He was Dr. Wang Zhongyue, and I could interview him at his office during my visit to Beijing. His project was financially supported by the Department of Agriculture and the World Bank, and mainly researching how to improve the quality of wine grapes while reducing pesticide and chemical fertilizer use in an effort to promote GAP (Good Agriculture Practice) in rural China. Dr. Wang believed that Chinese vineyards would be able to produce high-quality wine grapes, even reaching 25 degrees of sweetness as in California, if they accepted scientific methods. According

to Dr. Wang's research, the main problem in Chinese vineyards was the overuse of nitrogen fertilizer in order to expedite the growth of grapes. Due to the premature growth, however, grapes could not become strong enough to bear the prolonged time of ripening before harvest, and would be vulnerable to blight. He suggested that farmers would be able to reduce nitrogen fertilizer use by appropriately combining with potassium and calcium fertilizer. Grafting with new varieties could also be experimented to grow grapes that would be more resistant to blight and disease, and could stand the cold winter. "In the US, it is easy to introduce new agricultural techniques because large-scale vineyards have a mechanized production system. In China, however, industrial vineyards still rely on labor-intensive production, and it is very slow to extend new cultivation techniques to individual farmers," he added. As I asked his opinion on the contract model adopted by most wine companies, Dr. Wang expressed a rather critical view of it. He believed that wine companies designed the current contract model in order to minimize their investment in labor input by shifting the responsibility of supervision to each contract farmer. Furthermore, he argued that contract farmers' cultivation skills should be discrepant, and accordingly, their wine grapes in different qualities could not guarantee the coherent character of wine.

While I stayed in Beijing, I also interviewed wine magazine editors, wine dealers, sommeliers, and wine connoisseurs. Most of them were quite skeptical about the advocated quality of premium wines made by domestic wine companies. Fu Shaoxiong had studied culinary arts in France for two years, and worked for *Food & Wine (Meishi Meijiu)*, the magazine that focused on how to match Chinese cuisines with the world's diverse wines. Mr. Fu said that most premium domestic wines were overpriced, and that they were mainly consumed for the purpose of gift-giving or treating guest at a banquet because they carried an advertised brand value. Even

Mr. Fu would buy Great Wall or Changyu for a gift so that a gift-receiver would know the value of his gift for sure, although he knows that for the same price, he could buy an imported wine of better quality. Ms. Fiona Sun, editor for *Wine in China (Zhongguo Putaojiu)*, was more critical of major domestic wine companies. She explained that both Great Wall and Changyu were *de facto* state-owned companies, and wielded strong capital power in constructing luxurious château buildings and dominating distribution channels and advertisements. Ms. Fu believed that those châteaux built in European style created the image of luxury for their wine brands, and could sell their overpriced wines based on their advertised images since Chinese consumers were yet to refine their palates for complex tastes of wine. Among those wine experts whom I met, it was an open secret that Chinese wine companies blended their own wine with imported bulk wine – for example, from Chile - in order to produce premium wine brands. Mr. Tang, a wine wholesaler, even regarded domestic wines as rubbish (*laji*), and said that he would not drink them at all. I was introduced to him by my friend at Peking University. Mr. Tang earned his MBA degree in London, and had worked for Chinese Construction Bank before he ventured into the wine business. He sold a bottle of Great Wall for 238 RMB at his shop, and its retail price would be 398 RMB, which, he thought, was not better than a bottle of Bordeaux sold for 100 RMB. When I told him that I was conducting research in Dragon Winery, Mr. Tang said, sarcastically grinning, “There has been a rumor that Dragon Winery’s premium wines are actually imported from Spain, and just bottled with Dragon Winery’s labels. The government has maintained loose regulations on labeling the country of origin in the spirit industry, so that wine companies could benefit from blending with imported wines.” When I came back to Penglai, even Ms. Ji at Penglai City’s Wine Bureau ascertained the rumor. “China’s wine industry is still in the process of development, and blending with imported wine is sometimes inevitable. For instance, by

blending local Cabernet Sauvignon with imported Merlot, the wine could taste soft and mild,” she said.

Gerard Colin, a French vinologist, whom I interviewed in Penglai, agreed with Dr. Wang in regard to the overuse of nitrogen fertilizer, and suggested other problems of Chinese wineries. Mr. Colin was employed by Château Rothschild in 2006 to experiment the possibility of wine production in Shandong Province, and started a small vineyard of 450 *mu* in a hilly village of Daxindian Township in Penglai. When I visited him, he was working with his Chinese translator, and could communicate with me in English. Mr. Colin used to work for a winery in Shaanxi Province of the mid-west China region, and was quite familiar with the conditions of wine industry in Penglai. When we discussed the potential of Dragon Winery, Mr. Colin suggested that they still should reduce per unit yield from 500-600 kg per *mu* down to 200-300 kg per *mu* in order to produce high-quality wine grapes, and that to do so, wine companies would have to pay more to contract farmers. According to his estimate, Dragon Winery would have to raise its payment from 4 RMB per kg to 10 RMB per kg to make it profitable for contract farmers in



Figure 9. Mr. Colin’s Rothschild Vineyard in Penglai, Shandong Province

comparison to what their peers would earn from apple farming. “Perhaps, Chinese wine companies would find it more lucrative to blend with imported wine rather than to pay more money to contract farmers,” he said. Mr. Colin had been invited by Dragon Winery to taste their premium wines, and he thought that they were good, but at the same time, doubted that they could be blended with imported wines. Mr. Colin also raised a question about understanding the *terroir*, and matching wine grapes with soil property. He showed me a map on the wall which categorized his vineyard into nine groups of soil according to soil pH and mineral properties such as calcium, iron, magnesium, nitrogen, and so forth. It took him more than two years just to analyze the soil of his vineyard, and then, he planted a different kind of wine grapes to each field according to its soil property. He was planning to experiment with his vineyard for a few years more, and later, would discuss with his company whether to establish a large-scale vineyard there. He maintained that Chinese wine companies expanded large-scale vineyards too fast and rushed to produce expensive wines within a few years without studying the *terroir* of their land. Some of the Chinese media featured Mr. Colin’s vineyard as Château Rothschild’s attempt to produce Lafite<sup>5</sup> on China’s farmland, which was the most beloved wine by Chinese wine consumers. A village close to Mr. Colin’s vineyard already had been renovated neatly as a model village by local government in anticipation of visitors and tourists that would be brought by the brand power of Château Rothschild. As I asked his thought about the media’s expectation, he gently smiled, and replied, “In order to produce good wine, it takes more than ten years for grapevines to mature. I cannot guarantee what kind of wine we would produce on this vineyard

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<sup>5</sup> Château Lafite Rothschild is known as the most popular wine in China. Lafite, pronounced as ‘*la-fei*’ in Chinese, is likely to be fake in more than ninety percent of cases, and smuggling in empty bottles of Lafite has created another black market. The fetishized purchase of Lafite by the Chinese is believed to have unusually inflated its price in the international wine market. According to the industrial estimates, about 50,000 bottles of Lafite were imported to the Chinese market in 2011, but more than 1 million bottles of Lafite are consumed each year in China.

in the future although I hope it would be a good one. How can we brand our wine when we haven't even produced it yet?" Mr. Colin also pointed out that Chinese wineries' efforts to improve the quality of wine was weighed toward raising the sweetness of their wine grapes, without adequate consideration of the balance between sweetness, acidity, tannin, and other flavors. According to his assessment, grapes produced by Chinese wineries in Shandong were strong enough in acidity, but lacked in tannin. He believed, though, that they had potential to mature tannin in wine grapes if they would manage to nurture grapes well enough to stay steady through late harvest in autumn.

As I broached this subject to managers at Dragon Winery, they admitted that there was a problem with tannin. Dr. Zheng, in his late thirties, had been working at Dragon Winery's laboratory since he earned a doctoral degree from the department of vinology at Xibei University in 2000. When I asked about Mr. Colin's critique of Chinese wineries, Dr. Zheng explained about the course of adjustments that Dragon Winery had made for the last decade. He replied, "Yes, Mr. Colin is right. Since our understanding of the region's soil was rudimentary, we tried as many varieties of wine grapes as we could. In the process, we found out that tannin in wine grapes produced in the region was not sufficient. Some red grapes such as Syrah that require strong tannin turned out to be inappropriate in this region, and have been dropped out of our vineyard. The planted area of Cabernet Sauvignon has been cut back for the same reason. In the mid-2000s, we imported about 40 kinds of wine grapes in order to analyze their suitability. For instance, we re-selected a few from nine new kinds of Cabernet Sauvignon that would suit better the soil of our vineyard. In another effort to resolve the lack of tannin, we also started to import Petit Verdot and blend it with our Cabernet Sauvignon. This is a blending technique that we introduced from Bordeaux, France." According to Dr. Zheng, not only Dragon Winery, but also

other wineries in the region began to expand the cultivation area of white-wine grapes, especially Chardonnay, since it grew rich in acidity and fruity flavor, free from the limitation of tannin. In the past, they kept a ratio of 7:3 between red and green grapes on average, and recently aimed to reverse the ratio by increasing white-wine grapes up to 70% of the total production. He emphasized that China's wine industry was still at the stage of searching for a right track. In order to improve tannin property, his laboratory was trying to adjust cultivation practices, that is, to change irrigation patterns, use organic phosphorus and potassium fertilizer, and restrain premature growth of grapes. Dr. Zheng denied the possibility of using grapes from Xinjiang Province. He claimed that a winery should not use grapes from other regions, which, I thought, actually contradicted Dragon Winery's blending practices with French wine. Dr. Zheng also acknowledged the decreased incentive for contract farmers to improve the quality of wine grapes, mainly because the company could not keep up with the rapid increase of labor cost in the region. Based on his description, it could be inferred that although the company's red wine lacked of tannin property, they could be sold as premium wines by blending with Petit Verdot imported from Bordeaux.

When I asked contract farmers about the company's allegation of farmers' backwardness, many of them refuted it, and pointed out a problem of the current contract model. Among them, Mr. Bao, in his early forties, expressed a rather analytic opinion as he was more knowledgeable about agriculture than other farmers. Mr. Bao wore a pair of thick glasses, and loved to read Chinese classics and novels in his free time using his cellular phone. He also kept updated with recent agricultural techniques by watching television lectures or reading relevant magazines published by local government. According to Mr. Bao, suppliers of agricultural chemicals tended to recommend farmers to use the maximum quantity of fertilizer and pesticide

in order to increase their sales interests. Mr. Bao, however, carefully examined the state of his fruit and soil, and adjusted fertilizer and pesticide usage according to experts' guidance on television magazines. A similar problem could be found in Dragon Winery's contract model. The company emphasized the unilateral (*tongyixing*) management of its vineyards as a scientific method, and applied the same fertilizer and pesticide of the same amount to all contract fields at the same time. Mr. Bao argued that this management method prevented farmers from diagnosing a specific problem on their fields and exploring a most suitable solution for their crops. He assured that he would be able to raise the quality of his grapes if he autonomously decided how to apply fertilizer and pesticide because, he thought, he had a better understanding of his 40-*mu* vineyard than the company's managers. Of course, not all contract farmers were as much elaborate and attentive in agricultural technology as Mr. Bao. Mr. Zhang, in his mid-forties, was another ambitious contract farmer, maintaining a 100-*mu* vineyard contract with Heavenly Winery in River West Village. He also agreed with Mr. Bao in that he would be able to produce better grapes without the contract with a wine company. Then, I asked him why he would not rent farmland to manage his own vineyard. He replied, "For an individual farmer to rent large-scale farmland is not that simple in China. You need not only enough capital, but also local government's support to arrange the land lease in such a scale. Besides, wine companies now occupy most vineyards and determine the purchase price of wine grapes, and therefore, individual farmers would not be able to sell wine grapes at a profitable price."

In sum, the quality of wine grapes is a complex matter in China although local officials and winery managers attempt to emphasize the low personal quality (*suzhi*) and old thinking of Chinese farmers as a main reason for the low quality of wine grapes. As agricultural experts point out, there are technological challenges with which Chinese wine companies are faced, such

as inadequate soil analysis, overuse of nitrogen fertilizer, and lack of tannin property. There is also a structural problem that a few major wine companies monopolize the domestic market, sponsored by state institutions, so that they could provide their premium wines for consumers at inflated prices. Therefore, those wine companies are tempted to invest more in advertising their brand images and blending with imported wines rather than to in technological advancement or appropriate payment for contract farmers. Despite these fundamental problems in China's wine industry, local officials and winery managers seem to search for a solution in maximizing the physical labor input of individual farmers. Although they blame Chinese farmers for the old way of thinking, ironically, their management strategies still rely on the old tactics of raising farmers' awareness (*yishi*) and promoting entrepreneurial spirits (*jingshen*), which have been used since the socialist past. In the path of modernization, Chinese farmers have been objectified in the outlook of political elite as a backward category that needs to be educated and reformed (Cohen 1993:154-155). The corporeal labor of Chinese farmers has been a central subject of political policies through several institutions of the collectivist production, household responsibility system, and today's industrialized agriculture, with a focus on how farm labor could be more efficiently mobilized. Beyond the industrial vineyards, however, as I found out in the region's rural economy, farmers responded to the market in a prompter and more ambitious way than Chinese policy makers had assumed.

### **3. Apple Boom and Elaboration of Agricultural Skills**

Since the first visit to my research site in 2009, the apple market in the region rapidly expanded to supply for urban consumption and export to Japan and Korea. While the market price for high-quality apples rose up, farmers also began to invest in adopting elaborate

agricultural techniques and employing extra labor. Many farmers planted apples on a small field of family grain land (*kouliangdi*), usually between 1 *mu* to 5 *mu*. Some ambitious farmers would rent land for apple farming from their neighbors, or the village's reserve land (*jidongdi*) varying from 5 *mu* to 20 *mu*. According to the estimate of local informants, the region's labor cost had risen steadily throughout the 2000s, and the increased demand for labor in apple farming expedited the increase rate. (The daily rate of 10 hours' agricultural labor increased as follows: 12RMB in 2000; 20 RMB in 2003; 40 RMB in 2006; 60 RMB in 2009; 100 RMB in 2013).

In Pine Village, for instance, some villagers had turned their vineyards into apple fields since Dragon Winery's purchase price for grapes became less profitable in comparison to the rising price for apples. They could make a decision on this transfer of land use because they held their land use rights while maintaining a production contract with Dragon Winery since 2003. Among them, Ms. Liu, head of the village's women's association in her early forties, had rented 13 *mu* from the village's reserve land under the supply contract of grapes for Dragon Winery, which consisted of 8 *mu*'s Chardonnay and 5 *mu*'s Riesling. As the purchase price for Chardonnay dropped down to 1.7 RMB per *jin*<sup>6</sup> in 2007, Ms. Liu decided to replace her Chardonnay grapes with apples. She left her Riesling because it was stronger to blight and easier to manage than Chardonnay. In 2009, she planted apple seedlings between Chardonnay vines, which she kept while apple seedlings grew up. In 2013, she finally eliminated Chardonnay vines. As her apple trees were still immature, Ms. Liu expected to sell her apples to the market by 2016. For apple farming, farmers had to invest at least seven years of nurturing apple seedlings. During the spring of 2013, Ms. Liu went up to her apple field almost every day. One day she was working to structure apple tree branches, and her cousin brother, Mr. Liu, was helping her. Mr.

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<sup>6</sup> 1 *jin* equals 0.5 kg

Liu was one of the most experienced apple farmers in the village, and sometimes came to give advice to the novice. They were fixing branches by stringing them to stones on the ground, so that the branches would radiate straight outward and retain ample space between them. In this way, the trees would grow into the shape that apples would be exposed to maximum sunlight. In late April, Ms. Liu started to pollinate apple flowers. It was said that wild bees had dramatically declined in the region by excessive use of pesticide and a lack of natural habitat. Ms. Liu, therefore, had to hand-pollinate her apple trees as other farmers did, carrying a pot of pollen and a paintbrush with which she would pollinate each flower. This year she also purchased boxes of honey bees and placed them between the trees since she was told that natural pollination by animal pollinators would make apples more strong and delicious. Last month she bought 800 bee larvae for 240 RMB from a local dealer, and nurtured them for a month. As an alternative, other farmers planted flowers along their apple trees so as to attract wild bees. Ms. Liu often went around her neighboring farms to chat with other farmers. They all had apple farms in a different size, and would discuss ways of growing apples that would sell at a higher price for over an hour. They usually exchanged information that they heard from more experienced farmers, or agricultural experts on a local television program. Some of them were grounded on scientific theories, and others were just hearsay. For example, Ms. Liu's neighbor intercropped taros with apples since a local trader advised that taros had a function of preventing apples from blight. Some farmers planted mustard believing that the odor of mustard leaves would help to keep out harmful insects from apples. Ms. Liu explained, "Some experts' advice work for my apples, and other experts' advice won't work. Some hearsay work for my apples, and other hearsay won't work. I just collect useful information, and experiment with it on my apple trees." Ms. Liu and



Figure 10. Ms. Liu trying to structure her apple tree's branches in early Spring

her neighbors were avid students who eagerly discussed the agricultural methods of apple farming on the experiment lab of their farmland.

Ms. Liu was hopeful and anxious at once about the future of her apple farm. The apple market was booming in the region, but she was worried that as more and more farmers planted apples, an oversupply of apples might bring down the price in near future. She purchased each apple seedling for 4 RMB, and each apple required additional 1 RMB's investment considering other costs of fertilizer, pesticide, and labor cost, which excluded the cost of her own labor. The ongoing rate of farming labor was 80 to 100 RMB per day (eight hours), and it would go up to 150 RMB for skilled labor such as pollination and bagging apples. The cultivation technique of bagging apples became necessary to make apples a high-value commodity since it protected apples from insect infestation and pesticide sprays. It also helps apples to form the flawless vivid crimson color, which is preferred by urban consumers, by preventing sunburn or spots caused by excessive sunlight. Apples are bagged during summer when apples are small, and bags are

removed in September a few weeks before harvest. Then, farmers eliminate leaves surrounding apples, and rotate apples regularly so that apples receive sunlight on the whole surface. Also, reflective films are laid down on the ground to provide even sunlight to the bottom of apples. As most farmers use red paper bags, the scenery of apple trees full of red paper bags along with sparkling reflective films signals the affluent season of harvest, and is also a visual proof of the arduous and meticulous work of bagging each apple. For Ms. Liu, apple farming of 8 *mu* land is a huge risk-taking (*mao fengxian*) considering more than seven years' investment of her labor and money. Whereas farmers were generally perceived as “self-sufficient” by local officials and winery managers in industrial vineyards, an increasing number of farmers were willing to expand their apple farms by renting more farmland as Ms. Liu did.

Farmers are not only ambitious producers of apples, but also strategic traders in the local market. When farmers harvested their apples, buyers gathered at a few focal points in the



Figure 11. Farmers anxiously watching an inspector classifying their apples

township (*xian*). There was no office for buyers, but they set up their stations on the side of a street. At the central point of township, tractors full of red apples waited in long lines, and the street bustled with buyers, inspectors, farmers, and onlookers. Buyers would usually purchase apples to stock in their cold storages and sell to the market when the price rises in winter or spring. In order to classify apples, buyers hired inspectors, and inspectors classified apples according to the size and quality of apples. The round templates were used to measure the diameter of apples. Since inspectors are skilled, they can usually estimate the size of apples with their eyes. Although some apples were large enough, the irregular color due to sunburn or spots cut down the apple's price by more than half. The purchase price differed from a buyer to a buyer, and the standard of classification was also different according to a buyer's supervision of inspectors. For instance, a buyer posted a price list for his purchase as follows: 1<sup>st</sup> and 2<sup>nd</sup> grade apples; 4 RMB per *jin* (0.5 kg) larger than 8.5 cm / 3.6 RMB between 8.5 and 8 cm / 3 RMB between 8 and 7.5 cm / 2 RMB between 7.5 and 7.0 cm / 1 RMB smaller than 7 cm, 3<sup>rd</sup> grade apples; 1.8 RMB per *jin* larger than 8.5 cm / 1 RMB smaller than 8.0 cm. The price changed each day during the harvest season which lasted about for two weeks, depending on the correlation of demand and supply. This was the moment that farmers' year-long hard labor was priced on the spot, and therefore, they anxiously compared each buyer's purchase price every day. Farmers also examined how strictly a buyer's inspectors classify apples because classification of the third grade apples could affect their annual income. Ms. Chen from River West Village produced apples from her 3-*mu* field, and was checking the purchase price by communicating with her neighbors in different purchase stations over a cellular phone. She went around three purchase stations, but could not make a decision until it got dark. On the following day, the purchase price slightly dropped, and Ms. Chen became more anxious. Once she

determined a buyer to whom she would sell her apples, her husband swiftly drove a tractor full of apples to the buyer's station. While her tractor waited in a line, Ms. Chen examined how inspectors classified apples. Since inspectors were usually locals, she could make a joke and laugh with inspectors, and sometimes criticized them for being too strict so as to put pressure on them to be lenient in classifying her apples. When an inspector finally began to classify her apples, Ms. Chen closely watched the inspector's hands, sometimes asking the inspector to re-examine those apples classified as the 3<sup>rd</sup> grade. Then, the buyer stopped by, and argued with Ms. Chen in order to defend the inspector's classification. There were haggling over classification of apples in many cases, which scarcely grew aggressive. After all, it was part of the open market process that dynamically determined the price between buyers and producers of agricultural commodities.

Among apple farmers in the region, Mr. Li could be regarded as an example of individual creativity and entrepreneurship in accumulating agricultural technologies. Mr. Li, in his early fifties, lived in Liu Gorge Village located on the east of Dragon Winery. In 2011, his apples had won the best award at the competition held by the government of Shandong Province, and he came to be called "Apple King (*pingguowang*)."

I came across him on a local bus as he was conversing with a local newspaper editor. I overheard their conversation, and asked him to arrange an appointment for interview. When I visited his village, he came to pick me up with his black sedan, which he received as the prize for the apple competition. According to Mr. Li, the first apple competition was held in 2011, and tens of thousands farmers submitted their apples for evaluation. The major criteria of evaluation were the coherence in the size, color, shape, and sweetness of apples. Mr. Li's apples excelled because 80 percent of them were larger than 8 cm, and 90 percent of them were classified as the first grade. He had eagerly watched television

programs broadcasted on local channels for agricultural science, and diligently attended agricultural experts' lectures organized by local government. Mr. Li told me that he even rode a motorbike to Zhibo City, 700 km away from his village, in order to hear a special lecture. "I applied experts' opinions by modifying them according to the particular conditions of soil and climate in my apple field. Since some of those experts are employed by traders to promote sales of fertilizer and pesticide, I have to determine whether their opinions are reasonable and suitable to my case," he explained. Although he was renowned as "Apple King," he still maintained his 4 *mu* apple field without expanding it. As I asked him why he would not expand his apple field, he worried that the region's supply of apples could become superfluous soon because too many farmers were planting apples. Instead Mr. Li ventured in selling his apple seedlings and giving advice to farmers. Last year he sold about 50,000 seedlings (each for 12~18 RMB), and gave free technical guidance to about 160 farmers. Until 2007, Mr. Li actually used to work as a manager for Great Wall Winery, and supervised contract farmers. He thought that there was no room for farmers' development in the industrial vineyard because wine companies monopolized the market and arbitrated the purchase price of grapes. He also pointed out that the wine company's bureaucratic system sometimes hindered adequate use of fertilizer and pesticide. For



Figure 12. Mr. Li displaying his competition award



Figure 13. Photo of Mr. Li's Award Ceremony

example, pesticide should be sprayed not too late, and also not too early because insects may build up resistance to the pesticide. In spring, nitrogen and calcium fertilizer should be applied right before flowers bloom. Otherwise, it would be too late, and flowers could be uneven and weak. Mr. Li underlined the problem that the company administered fertilizer and pesticide use in a unilateral way, and therefore, could not adjust to the differing conditions of its extensive contract fields.

As I observed in the recent boom of apple farming in the region, Chinese farmers creatively accumulate agricultural technologies and ambitiously take the risk of investing in commodity farming when they find the potential for economic profits. There are various channels for agricultural technological extension such as government support, television lecture, and agricultural chemicals dealers, but the horizontal circulation of information among farmers was the most frequent and practical way of advancing farming techniques and know-how. Whereas apple farmers actively participate in the market competition, those villagers under the contract with a wine company are bound to the long-term land lease, usually for more than twenty years, and cannot but regret their contract, or work as laborers for their neighbors' apple farms in extra time.

### III. Multi-layered Memories of the Past

Since the late 1990s, the Chinese government has promoted wine industry as a way to expedite industrial agriculture and boost rural economy. Assisted by local governments, wine companies are expanding their vineyards by renting vast farmland from villages and employing villagers. Chinese policy makers believe that industrial wineries will exhibit a model of scale agriculture (*guimo nongye*) that would consolidate fragmented farmland and turn subsistence farmers into commodity producers. Along their vineyards, wine companies construct European-style châteaux with a hotel and a banquet hall in order to attract urban tourists. In China, the wine industry is a state project that signifies a break-up with the old thinking (*lao sixiang*) of farming, and envisions the future of new countryside (*xinnongcun*). As in other development projects in China, it also reflects a sense of lateness (Zhang 2006) and a desire to join ranks with the world (Kjellgren 2004).

In the Chinese vineyards, however, the distinctions between the old/past and the new/future are not clear-cut as the memories of different state campaigns are sedimented in the very farmland where wine grapes are planted. Rather, memories of the past are entangled with the present, and intertwined with the way they decide what is rational, efficient, and moral. The shame on the failure of collective production through the late 1970s still looms around rural areas, whereas the vigor of HRS (House Responsibility System) in the 1980s acts as a powerful pivot even in practicing industrial agriculture at present. In this chapter, I examine a model of “contract farming” adopted by a majority of Chinese wine companies, and argue that the historical memories and experiences affect how contract farming has been determined and accepted as a most reasonable solution for industrial agriculture in China.

This chapter aims to build on a recent critique of memories, or nostalgia more particularly, in post-socialist studies. In Chinese studies, anthropologists also seem to have been overwhelmed by nostalgia as a cultural phenomenon which romanticizes the past of socialism erasing out its traumatic memories. Hence, they tend to focus on the nostalgic remembering of the past as a way to express anxiety, strive for continuity, and seek collective identity in the transitional era of market economy (Yang 2003; Zhang 2006; Davis 2007; Farquhar & Zhang 2012). In this approach, the past is seen as something for the Chinese to preserve, yearn for, and romanticize as it is associated with tradition, human emotion, and communality which they want in the present life. Many of their narratives are anchored in the experience of the urban and educated middle-class (for example, the *zhiqing* generation who were sent down to rural villages during the Cultural Revolution). As Lankauskas (2014: 39-40) aptly points out, anthropologists could be seduced by the charm of nostalgia, and therefore, overlook negative (non-nostalgia) memories of socialism. Although an earlier generation of anthropologist tended to take heed to the painful memories of famine, violence, and death, their analyses are centered on ritual and religious practices which seek to heal and mediate those memories (Watson 1999; Mueggler 2001; Feuchtwang 2010). Whether negative or nostalgic, memories are often teased out by anthropologists in corroborating cultural continuity and persistent identity. As Berliner (2005: 201-202) criticizes Jun Jing's *The Temple of Memories*, the concept of memory has been an expansive label that reproduces the society throughout time despite dramatic changes.

My ethnographic data reveal that memories of socialist era are not necessarily nostalgic, but often overlapped with criticism and aversion, especially in regard to farmland and agricultural production. For Chinese villagers, farmland has been the central landscape on which they have experienced the vicissitude of state policies in land ownership and agriculture.

Although villagers' economic lives hinge on farming, their memories as farmers have not been given due attention whereas anthropological works on rural China mainly have engaged in topics generally categorized as "culture," such as family, lineage, ritual, or religion. By delving into the neglected theme of land and agriculture, my research demonstrates that villagers' memories of the past are multi-layered with negative and positive recollections of farming experience. The intersecting memories of institutional changes in rural China expose more rupture and rejection rather than continuity and romanticization. Furthermore, this paper argues that the differing memories of failure and success do not remain as mere reminiscence, but continue to live and maintain a strong impact on how people judge, decide, and accept a certain institutional change.

### **1. Model of 'Contract Farming (*Chengbao*)'**

The contract between Dragon Winery and villages is a common model practiced by most wine companies in Shandong Province where I conducted research. This institutional system is called "*cheng zu fan bao* (承租反包)" in Chinese, and is interpreted as "reverse rent through inverse contract" by economists. In this dissertation, I call it "contract farming (or *chengbao* model)" which follows a local term, and at the same time, reflects well its historical connotation. In the early 1980s, farmland was de-collectivized and equally contracted to individual households according to the number of family members under the HRS (Household Responsibility System: *jiating chengbao zeren zhi*). The HRS stipulated that after villagers fulfill the state procurement quota, they are entitled to retain their surplus produce. Although mandatory quotas for grain production were abolished by 1985, the concept of *chengbao* is still referred to as "land lease with a certain responsibility of payback."

Since the village still maintains land ownership, a wine company makes a contract of land lease with the village collective, not with individual villagers (see Appendix 6 for the land lease details). For instance, Dragon Winery made a contract with each village for twenty-five years, and began to pay an annual rent of 400 RMB per *mu* to the village collective. (The rent increases 30 RMB every three year, which makes 560 RMB by 2014.) The details of a contract may be different for each village, but similar in general. In return for the land lease, the company employs villagers as contract farmers to produce grapes, so that villagers retain an income source without their own land. Local officials and the company's managers argue that this model is a win-win (*shuangying*) situation for both the company and villagers as villagers make more cash than they produced grain before, and the company may secure a stable source of labor.

In Chinese vineyards, villagers are employed not based on simple wage labor, but on a contract of product quota. Contract farmers are assigned a portion of land, and required to produce a designated quantity of grapes. The company pays a basic management fee with an incentive depending on the quantity and quality of grapes, or a penalty in case the requirement is not met. The company provides seedlings, fertilizer, and pesticide, and decides an annual schedule of grape production. Although the managers give instructions on the details, contract farmers freely manage their daily time, and feel free (*ziyou*) compared to other wage labor (*dagong*). The size of each contract unit differs from 5 or 10 *mu* to 100 *mu*. Whether in small or large scale, contract farmers are responsible for their unit of production, and have to employ other workers on their own if necessary, usually in busy seasons of pruning and harvest. Hence, those with larger units can be said to be low-level managers themselves.

The contract model is adopted by not only wineries, but also other agribusiness companies, and recently expanding in rural China. For example, coffee brands including Nestlé

are producing coffee beans in Yunnan Province in a similar pattern. Winery managers explained to me that it fits the country's situation (*guoqing*) because most farmland are collectively owned (*jiti suoyou*) by villages. Since villagers' economic lives depend on farmland, land contracts can be politically legitimized by guaranteeing them job opportunities. Hence, the company has a moral obligation to employ them as contract farmers. Zhang and Donaldson (2010: 475-476) describe contract farmers as "semi-proletarian farm workers with Chinese characteristics." They argue that in a contract model, villagers are entitled to their jobs thanks to collective land ownership, and companies are restricted in their ability to discipline labor, suppress wage, and extract surplus.

The contract model consists of two levels. One is a land contract between a village collective and a company ('inverse contract'), and the other is a production contract between the company and villagers ('reverse rent'). China's unique land ownership may account for the former, but does not explain why they are employed based on a production contract, not as wage workers. By illuminating memories of *chengbao*, I will demonstrate how the contract model has taken such a shape, and discuss what it means to Chinese villagers.

## **2. Scale Agriculture (*Guimo Nongye*) Haunted by Memories of Collectivist Farming**

The main problem in the course of China's agricultural industrialization is inefficient land use of small farmers. The process of de-collectivization led to a very fragmented land use patterns with an average Chinese farmer operating on less than a hectare. Moreover, land ownership has remained ambiguous granting villagers only use rights, and they had not been allowed to transact their land until very recently. The insecure land ownership makes it harder to consolidate farmland, and impedes mechanization and restrains long-term investment for land

improvement and irrigation, which are prior conditions for commodity agriculture. Therefore, scaling up (*guimohua*) is one of the most urgent tasks in China's agricultural development, and policy makers expect that wine companies could take a role of dragon head enterprises (*longtou qiye*) in accelerating the progress of agricultural industrialization.

However, the idea of scale agriculture has brought an undesired dilemma since the memory of collective farming from the socialist era still lingers for both company managers and villagers. In fact, vineyard operation is a new challenge for wine companies since a large-scale management of farmland has been scarce in rural China, except for the collectivist farm till the early 1980s. When I asked winery managers why companies chose the contract model, they replied that vineyards were “too large” to manage directly. Without the contract, they would have to organize villagers into production teams and employ full-time managers to supervise them during the work hours.

For winery managers, the production teams that consist of villagers would conjure up the memory of labor inefficiency in the collectivist era. Manager Sun at Dragon Winery explained, “Before *chengbao* (HRS), villagers had worked together for the village collective (*dadui*). It was called, ‘eating from the same big pot (*chi da guo fan*).’ At that time, whether you worked more or less, what you got was the same. Therefore, most villagers just pretended to work hard, and idled during work time.” Based on this historical experience, winery managers are worried that direct management would lower the labor motivation of villagers. Managers at another winery emphasized the importance of labor motivation in a similar vein: “China has gone through the model of collectivist production (*dashengchan moshi*), and farmers' motivation was not high enough even to feed and clothe themselves (*chi bu bao, chuan bu nuan*). Since our agricultural

production still relies on manpower, it is important to maximize farmers' motivation (*jijixing*) and make sure they don't idle in secret (*toulan*)."

Villagers also agree that the contract model is more efficient as they share the gloomy memory of collectivist production. Ms. Chen, one of contract farmers for Heavenly Winery, still remembered working in a production team in the early 1980s. Although there were supervisors at that time, villagers worked slowly and often took rest as supervisors disappeared. In her village, a Korean flower importer made a contract with the village for about 200 *mu* in the early 1990s, and the company hired a local manager to supervise villagers. The result was, she said, almost the same as a production team in the collectivist era. Villagers would idle away and chat together while the manager turned a blind eye to them. Villagers believe that the Korean company did not understand how to control Chinese farmers, and terminated the contract with the village due to financial deficit in less than ten years. In comparison, Dragon Winery's contract system makes Ms. Chen feel that her vineyard is her own, and motivates her to work harder and more quickly. She was very proud of the tidy vines after she finished a trimming work on her 20-*mu* vineyard, saying that the harder she works, the more money she can make.

In Pine Village, for instance, vineyard contracts have been segmented into a differing size of 3 *mu* to 13 *mu* (see Table 2). The average area of 24 contracted fields in Pine Village is only 6.89 *mu*. A contract farmer could manage more than a contracted field by taking one from those who do not want to maintain their contract, but even in this case, his or her contract rarely exceeds 30 *mu*. I verified that many villagers who were older than sixty years old wanted keep their contract area under 10 *mu* in Pine Village and other villages. In comparison, the average area of Heavenly Winery's contract vineyards is much larger than that of Dragon Winery. The

	Area ( <i>mu</i> )	Cold Damage ( <i>mu</i> )	Standard Quantity (kg)	Produced Quantity (kg)	Exceeded Quantity (kg)	Sweetness (Brix) min. 17	Sweetness Incentive (RMB)	Damage Reimburse (RMB)	Total Income (RMB)
1	11.68	3.00	5208	6860	1652	16.7		2850	17400
2	5.94	0	3564	4720	1156	16.5			9982
3	4.02	2.00	1212	1900	688	17.2	29.09	1900	5618
4	12.78	5.00	4668	9300	4632	16.7		4750	20155
5	6.59	3.59	1800	2669	869	17.2	43.20	3410	8771
6	6.34	4.00	1404	660	-744	16.5		3800	4922
7	9.27	7.07	1200	1380	180	17.2	27.60	6716	9728
8	6.65	1.65	3000	4280	1280	17.3	108	1567	10385
9	5.72	0.72	3000	3850	850	17.1	36	684	9000
10	13.95	3.95	6000	7840	1840	16.7		3752	20452
11	7.9	1.90	3600	3840	240	18.5	576	1805	10193
12	3.78	3.78		1120					4711
13	13.53	13.53		3420					16273
14	4.24	4.24		980					5008
15	5.25	5.25		1160					6147
16	11.71	11.71		2280					13404
17	6.10	6.10		2500					7960
18	6.43	6.43		0					6108
19	2.79	2.79		960					3610
20	3.07	3.07		775					3691
21	7.32	7.32		1050					8004
22	3.28	3.28		780					3896
23	3.92	3.92		730					4454
24	3.12	3.12		1025					3989

Table 2. Dragon Winery's settlement of accounts for contract farmers in Pine Village (2012)

	Area ( <i>mu</i> )	Product Quantity (kg)	Income Per <i>mu</i> (RMB)	Total Income (RMB)		Area ( <i>mu</i> )	Product Quantity (kg)	Income Per <i>mu</i> (RMB)	Total Income (RMB)
1	24.38	18,517	854	20,832	15	24.38	11,195	660	12,762
2	26.60	21,900	873	23,238	16	26.60	13,859	736	15,799
3	40.55	32,380	866	35,124	17	40.55	20,137	889	27,979
4	20.90	14,980	817	17,077	18	20.90	14,422	915	18,154
5	66.72	43,660	745	49,772	19	66.72	17,662	902	23,324
6	28.67	19,200	763	21,888	20	28.67	11,940	692	13,611
7	39.56	33,455	880	34,826	21	39.56	8,280	860	13,125
8	47.20	11,000	265	12,540	22	47.20	14,020	907	18,159
9	20.81	9,460	518	10,784	23	20.81	14,120	431	16,096
10	28.93	18,780	740	21,409	24	28.93	15,940	480	18,171
11	19.40	12,423	730	13,163	25	19.40	35,460	765	40,424
12	39.40	26,937	779	30,708	26	39.40	20,200	537	23,028
13	21.25	15,390	825	17,544	27	21.25	9,562	652	11,952
14	19.20	10,117	600	12,762	28	26.56	11,160	525	13,949

Table 3. Heavenly Winery's settlement of accounts for contract farmers in River West Village (2012)

average of 28 vineyard contracts in River West Village reaches 31.7 *mu* (See Table 3). Heavenly Winery, which is a joint-stock company based in Hong Kong, relies less on the government support compared to Dragon Winery, and could demand villagers to consolidate their contracted fields for the sake of the company's management efficiency. Even in this case, the size of vineyards contracts is varying from 19 *mu* to 66 *mu*, accommodating villagers' economic needs, and most villagers prefer to maintain the size of their contract between 20 *mu* to 30 *mu*.

The burden of labor control became manifest as I looked for those farmers who manage a large farmland on their own. In a nearby village, Village Secretary Zong leased 140 *mu* from his own village, and established a private vineyard which is yet an unusual case in the region. When I visited Mr. Zong, he was monitoring ten workers tending the two rows of grapevines. In peak seasons, he employs more temporary workers, but ten workers are the maximum size that he can supervise. Mr. Zong supplies grapes for Changyu, and emphasizes the merit of his vineyard saying, "I supervise workers very closely unlike other contract farmers, so that they cannot pretend to work (*toulan*).” He could not imagine a larger vineyard than the current size because it would be too difficult to manage workers. Local government encourages farmers to expand their farm by providing subsidy for those with more than 100 *mu*. However, the concern of idling workers is quite prevalent among Chinese farmers, and they are afraid of employing too many workers on their own.

Most winery contract farmers whom I met wanted to maintain the size of their contract less than 50 *mu*. When I asked why they did not expand their contract for more income, their common answer was that it would be hard to manage workers. They were worried about not only the recently increased wage for workers, but also the problem of workers' loafing without strict supervision. Mr. Zhang, in his early fifties, is one of the rare farmers who ventured to expand his

vineyard contract. He maintains a 100-*mu* contract with Heavenly Winery in River East Village. What distinguishes him from other contract farmers, he believes, is his management capability to employ and oversees laborers. Mr. Zhang explained his know-how to me, “Many people don’t have the personal quality (*suzhi*) to control laborers. On the other hand, I have been employing the same seven to eight people for the last eight years, and built long-term relationship with them by giving bonuses and small gifts. Since I have established trust (*xinren*) in them, they work really hard for me as if it were their own farm.”

While Chinese policy makers have promoted large-scale agriculture, wine companies are faced with the historical dilemma of labor management in rural areas. Winery managers are not experienced in controlling laborers in such a large scale any more than Chinese farmers themselves. Since the failure of state collective farms in the 1970s, industrial vineyards are almost the first experiment of scaling-up agriculture in the region. For both managers and villagers, the imagery of villagers working together on a vineyard would invoke the memory of inefficient collective farming in the socialist era. For this reason, as the size of farming increases, the concern of labor supervision becomes amplified. In this context, the contract model has been regarded as an optimal solution by breaking down large-scale production into shares of responsibility among villagers.

### **3. The Legitimacy of *Chengbao* Model**

The origin of the contract model dates back to the early 1980s, when farmland was de-collectivized under the Household Responsibility System, also known as HRS. For villagers, the HRS was a contract with the state, and they called it “*chengbao* model.” This institutional reform is officially regarded as the most productive period in China’s agricultural history by releasing

farmers' motivation for surplus production. Besides its economic efficiency, villagers remember the *chengbao* model as the ideal realization of villagers' autonomy and equality, especially in terms of land use. In each village, the HRS was elaborately designed to guarantee equality among villagers. Land was equally distributed to each household according to the number of family members. Since there was difference in soil quality, land allocation was decided by drawing lots. If there was a request from a majority of villagers, land could be re-allocated in a certain period. Through the approval of the village collective, villagers were allowed to rent their land to each other depending on individual needs.

Villagers also recollect the *chengbao* model as the time when social relationship among villagers was the closest and most affectionate. After the long and dismal experiment of collectivist farm, it was the first time that they were able to till their own land and possess surplus products. They worked hard, and cooperated with each other for reciprocal efficiency. When the HRS was implemented in the early 1980s, there was a transitory period when villagers autonomously organized a group of three to four households in order to help each other with planting seeds, weeding, or harvesting. The collaboration among neighbors could mediate the pressure of individual responsibility for a new production contract with the state. The head of Walnut Village explained, "Not only land was distributed, but also cows, donkeys, and other agricultural equipment were also allotted through a lottery. At that time, villagers were very friendly with each other, and could borrow a cow or a donkey without paying money."

Old Liu remembers the de-collectivization era in the 1980s as the period when reciprocity and human feeling (*renqing*) reached a high point among villagers. In 1979, the government dissolved the agricultural Commune, and established the household responsibility system (HRS; *bao chan dao hu*). As was already explained in Chapter One, under the HRS,

farmland was equally contracted to individual farmers, and they were entitled to retain their surplus grain after fulfilling the state procurement quota. When the HRS policy was extended to Pine Village in 1980, Old Liu told me, villagers decided to organize production groups, usually with relatives and neighbors, to take on a production contract for meeting the mandatory grain quota. The size of farmland for each group differed from 20 to 50 *mu*, with 3 to 5 households on average farming these larger plots. This form of agricultural production was transitory, lasting for three years in Village Pine. In 1983, land use rights were completely distributed to individual households. When the government directed village cadres to adopt a production responsibility system, they were allowed to choose the form that suited their local conditions (Potter and Potter 1990:174). Therefore, some villages decided to de-collective quickly, whereas others like Pine Village de-collectivized more gradually. Villagers apparently felt insecure about an abrupt change into complete individual responsibility for making a living while meeting the production contract with the state, and they initially responded to it in a collective way by organizing small groups. Although the group-based production contract disappeared soon, villagers still maintained a tradition of reciprocal labor cooperation (*huxiang bangzhu*). Since villagers already had been accustomed to working as a production team throughout the Commune era, cooperative labor arrangements between kin or neighbors were a natural mode of organization. For instance, Old Liu formed a group with three other neighboring households, and they helped each other with labor-intensive work such as weeding and planting seedlings. They also hosted each other for family events or seasonal holidays, and shared some delicacies, cigarettes, or drinks on occasion. Old Liu believes that based on this labor reciprocity, human relationships (*renqing guanxi*) were at their richest between villagers at that time.

According to Old Liu, human relations among villagers have become shallow (*danbo*) since the late 1990s, when villagers began to pay wages for each other's labor. He argued that the government by that time sought to expand the market economy with a slogan such as "Time is money (*shijian jiu shi jinqian*).” He recalled that people felt quite awkward (*bu hao yisi*) in the beginning when they paid for other villagers' labor, but before long, they became accustomed (*xiguan*) to this sort of capitalist transaction. For example, in the 1980s, if someone had a tractor, he would make it available to help those villagers within his *guanxi* network as a form of labor reciprocity. Now farmers have to pay someone to rent machinery to work on their farmland. Old Liu lamented, "If someone paid for my help in the past, I would curse him, feeling that he disrespected (*qiao bu qi*) me. Now it is a serious breakdown (*maobing*) that people measure everything with money.”

As an older generation of villagers, like Old Liu, regrets the weakening of human ties, social relations among villagers do indeed seem to have been monetized and fragmented to a certain degree. However, this does not mean that villagers behave totally in a calculating and self-centered way without relating to other villagers as community members who share common moral values. Even when a villager hires laborers for farm work, he/she does not look for people on the open market. Rather it is usual to employ the same fellow villagers he/she hired the previous year. Under these circumstances, you have to maintain favorable relations with the laborers you hire in order to encourage them to work hard, for instance, by offering them nice food for their lunch break, or giving them small gifts in the New Year holidays. I even heard the tales that some village laborers chose to damage agricultural products when their employer gave them a poor-quality lunch. Employing people outside the village is not considered to be optimal

since you not only have to provide their transportation, but also you cannot rely on the honesty of their labor, which is less likely to be guaranteed by routine exchanges of food and gifts.

Against this historical background, the point of reference for villagers' euphoric memories may not be the communality of socialist era as many studies of post-socialist nostalgia suggest. Rather, the *chengbao* model is remembered as the most gratifying moment which granted villagers' land use rights, and engaged them in vibrant social reciprocity based on individual property. Also, it was the period when villagers experienced the increased efficiency of agricultural labor and felt most motivated to work harder and produce more. Therefore, the contract model must have seemed a most effective and acceptable one for both winery managers and villagers. When the wine company implemented the contract model, it had to allow ample room for the villagers' autonomous decision. In fact, the contract model should be accompanied with a certain level of autonomy for villagers since it was designed to maximize their motivation. As they did in the 1980s, villagers drew lots to guarantee the fair allocation of vineyard contracts. Villagers may hand over their contract to other villagers, and the company does not intervene in this exchange. Some villagers said, "The winery contract is almost the same as the *chengbao* model in the 1980s. The difference is just that now we make a contract with a wine company instead of the state, and we get cash instead of grain."

#### **4. Conclusion**

Through the case of China's industrial vineyards, I demonstrated that the negative memory of collectivist farm and the optimistic memory of contract model are overlapped on rural farmland, and that the multi-layered memories of farming experiences affect how managers and villagers decide and accept a certain production model as legitimate and rational. As a matter

of fact, the contract model may contradict with the company's goal for premium wine production because the quality of wine grapes among contract farmers cannot be consistent, and the villagers' autonomous decision of land allocation is not always optimal for management efficiency. For villagers, the contract model may impose risks in case of damages by weather or blight, or price fluctuations in the market. Despite all these demerits, the accumulated memories of land use and farming still besiege Chinese villages, and rein even the capitalist project of wine industry back into the familiar path of contract model.

## IV. Industrial Agriculture and Collective Land Ownership

### 1. Egalitarian Distribution of Land

Since the dis-collectivization era of the early 1980s, the legitimacy of an egalitarian distribution of land has been carefully maintained by the village collective and by villagers themselves. In my research area, farmland was allocated on a per capita basis and according to expected yield, not in terms of area alone, although the practice of distribution varied from region to region. In the beginning, land was contracted for three years, and later, by the mid-1980s, the lease was extended to fifteen years to ensure security of tenure. Then, in 1993, the policy was changed again, so that land could be re-contracted for another 30 years when the original 15-year lease expired (Ho and Lin 2003: 689-690). In the allocation process, land was classified into three grades according to productivity based on soil fertility and irrigation conditions, and less was distributed for high grade, and more for low grade. (Until the 1980s, land grade was also the criteria for mandatory grain quota since a higher quota was assigned for a better-grade plot.) In Pine Village, for example, 0.6-0.7 *mu*, 1.2-1.3 *mu*, and 2 *mu* were allocated per person for the first, second, and third grade fields respectively. The size of the plots that could be distributed per capita differed in each village because some villages had more land than others for historical reasons, and also because the size of the village population (ibid. 175). Most villagers I met agreed that drawing lots was the fairest way since the allocation was decided not by humans, but by “fate (*mingyun*).” Each household was allotted a combined package of first, second, and third grade fields. For instance, Old Liu’s family of five (his parents, wife, daughter, and himself) had received a total of 5.8 *mu* land that consisted of five

different fields; two lots of first grade (1.3 *mu*), two lots of second grade (2.5 *mu*), and a lot of third grade (2 *mu*).

In comparison, Spruce Village adopted a slightly different mode of land distribution. They divided the total area of farmland in each grade by the number of villagers, which resulted in standard plot sizes of 0.7 *mu*, 0.3 *mu*, and 0.7 *mu* for first, second, and third grade respectively. Then, each villager received a total allocation of land amounting to the sum of each quotient of the three grades, that is, 1.7 (0.7+0.3+0.7) *mu*. A family of four would thus be allotted a total of 6.8 *mu* consisting of 2.8 (0.7x4) *mu* of the first grade, 1.2 (0.3x4) *mu* of the second grade, and 2.8 (0.7x4) *mu* of the third grade. In his interview with emigrants from diverse parts of rural China, Unger (2002:107) also ascertains that the apportionment of farmland plots was accomplished in an entirely honest way through the lottery. As a result of de-collectivization, each household came to receive several small scattered plots of different grades (ibid). As a matter of fact, Chinese villages seem to have put full emphasis on the equal distribution of land, almost disregarding the labor inefficiency owing to the discontinuous land arrangement for each household.

The results of the land distribution lotteries, as a matter of fact, were unequal, since the yield from each divided field was not actually equal. For some families, moreover, fractions of the allocated land were widely scattered or too far from their house, which would hinder efficient farm labor. In order to resolve this problem, villagers were allowed to exchange their land allocations with each other, as they sought to make their fields as contiguous as possible. Depending on the decision of village collectives, there could also be periodic village-wide land redistributions as a way to alleviate the unequal conditions of land allocation in the original lottery (Rozelle et al. 2002:74-79). By the late 1990s, at least 80% of the villages in China had

adjusted land allocation at least once, and some had done so five times or more (Oi 1999: 618). Villagers autonomously decided at village meetings when they would reallocate their land. Spruce Village had only one reallocation of land, when a majority of villagers asked for it in the early 1990s. In Walnut Village, on the other hand, there was no reallocation of land at all. The village head explained to me, “Land reallocation is too much trouble (*tai mafan*)! If there were a big difference in the soil quality among fields, land would need to be reallocated. However, the quality of fields in our village is quite even, and villagers have not requested it yet.”

There is a smaller level of land reallocation, which responds to each family’s demographic changes such as births, marriages, and deaths. In order to cope with such adjustments, villages in my research area usually retained 20-30% of the village land as “reserve land (*jidong di*)” or “flexible land” (Rupelle et al. 2009:10-11). Reserve land did not lie idle, but would be auctioned to those villagers who submitted a bid (*jiaohang*) for a short term, instead of the 15 years (or, later, 30 years) guaranteed for individually distributed fields, so that it could be used as a pool of land for more or less frequent adjustments. In the course of each lease term, a field returned to the village collective because of family size changes (e.g. if there is a death or if a daughter leaves due to marriage) would be integrated into the reserve land, and a share for a new village member could be distributed out of the reserve pool (e.g. a new-born baby or a bride from outside). If a decrease and an increase of a family member coincided within one lease term, there would be no need to adjust land for the household (e. g. if a grandfather passed away, and a son was married in the same few years). Spruce Village maintained about 300 *mu* as reserve land, which was no less than a quarter of its total land, and auctioned it to village tenants for three to five years. Reserve land was divided into 5-20 *mu* fields in size, and each field was leased to the highest bidder for an annual rent. In the 1980s, the rent for reserve land was no

more than 40-50 RMB per *mu*, since the lease term was considered to be too short, and arable land was not of high value at the time. Rental rates increased to about 100 RMB per *mu* in the early 2000s, when villages made a contract with Dragon Winery in the region. By the time of my research (2013-2014), the rent for reserve land was around 200-500 RMB per *mu* depending on its soil quality. (Of course, the going rate of land leases would differ from village to village according to its relative market value.)

Another form of small-scale adjustment using the village's reserve land can be done by transaction directly between villagers holding short-term contracts when someone does not need his or her contracted reserve land any more. Legally, villagers did not have the right to dispose of the land they contracted, and could not lease or transfer it to other villagers. However, as more villagers have found opportunities for employment in urban areas outside the village, transfer of land rights has become a common practice. In the beginning, out-migrants usually just handed over allocated land to close relatives or neighbors without monetary return. Since the early 1990s, people began to collect the rent from land transfers to neighbors, writing up a paper contract in the presence of a witness. Although by law such land transfers needed approval from the village collective, land use rights have been deemed as villagers' quasi-property, and villagers have made private contracts for land transfers quite freely. Still, many villagers believe that they cannot receive money when they transfer a share of reserve land because, they say, it ultimately belongs to the village collective (*dadui*). In other words, reserve land should not involve monetary transactions, and remain as a flexible pool of land for egalitarian collectively-determined adjustment. When someone takes over another villager's contracted reserve land, he/she becomes the new lessee of the land, and pays the annual rent to the village collective.

The ethnographic data of collective land management in rural China demonstrate that villagers have autonomously decided, at the village level and among themselves, how collective farmland should be distributed, and have designed a rather elaborate system of land allocation. Though these systems have been historically modified by changing state policies, they have also been continuously adapted to their local conditions. Since the implementation of de-collectivization, villagers have pursued the principle of egalitarianism in land distribution for the purpose of minimizing any discriminating factors such as land area, location, soil quality, demographic changes, and alternative employment opportunities. Kung and Liu (1997) illuminated the egalitarian spirit of the peasant ideology concerning equal land entitlements in a survey of rural Liaoning in the mid-1990s. Most villagers in their survey supported the current collective land ownership, and disagreed with the idea that a household should be allowed to keep land as permanent property (ibid. 58). Even for those who work outside the village, their entitlement to land may provide a safety net if they lose their off-farm jobs and need to retreat back to their village. In fact, collective land ownership offers the flexibility for villagers to move back and forth to and from their land in response to changing conditions in the wider economy (Zhang 2011: 136). In the following, I argue that the pursuit of egalitarian control over collective land has continued through the introduction of agribusiness, and, at the same time, created room for collective autonomy and negotiation even in the face of an expanding market economy and industrial model in China's vineyards.

## **2. Demand for Equal Share of Vineyard Contract**

According to the government's proposal, one of the main rationales for industrial agribusiness was its capacity to consolidate fragmented farmlands, which could facilitate the

mechanization and commercialization of agriculture. Ironically, however, Dragon Winery, claimed as a model for the wine industry, has maintained the original village practices of managing land property. Most importantly, the company allowed villagers to autonomously decide the land allocation and adjustments for winery contract farming, instead of imposing a land arrangement that their directors saw as most efficient for the best outcome of grape production. Also, the way of managing land contracts and the rent revenue from the company differed from village to village. In 2000, Pine Village made a contract with Dragon Winery for all its arable land, which was no less than 300 *mu*. Initially, contract land for the vineyard was distributed according to the number of people in each household, and villagers drew lots to decide which field would be allocated to their family. Then, those who did not want to use the land for grapes were allowed to transfer it to other villagers, as for example when they were occupied in off-farm work outside the village, or were too aged to fulfill the contract. The village collective did not intervene in transfers among villagers while they handed over their land to close relatives or neighbors for no charge. As a result, the size of each contract field now varies from 5 to 30 *mu*.

In comparison, Walnut Village made a contract with the company for its 500 *mu* of land over three times - 100 *mu* was contracted in 2000, 300 *mu* in 2004, and 100 *mu* in 2005. In each contract, those who wanted to take a contract plot participated in a lottery to decide which field would be assigned to which household. The contract farmers were also allowed to transfer their land to other villagers, with the result that the size of contract fields ranges from 5 *mu* to 40 *mu*. For villagers, the assignment of vineyard contract fields was made in a way similar to the village's earlier system of autonomous land reallocation, that is, (a) there was an initial

distribution through a lottery, and then (b) gradual adjustments through land transfers among villagers according to their various economic needs.

As noted, a lottery itself does not guarantee equal results for every villager. When the competition for a vineyard contract is intense, some villagers may ask their neighbors who don't need a contract to draw a lot for them. In this way, they may maximize their chances of getting a good plot, or even be able to take over a neighbor's contract field in addition to their own if they need it. Villagers called this practice, "going through the back door (*zou houmen*)," and they explained that the village collective would turn a blind eye to it, since it has become a common tactic among villagers. Hence, those villagers who were more invested in good social relations with their neighbors could have a better chance of taking on contracted fields in their own best interest. In Pine Village, for instance, about 90 households participated in a lottery in 2007 to select only thirteen contract farmers for the contract with Dragon Winery. Although Old Liu's wife was unlucky in the lottery, she asked seven of her friends who did not need the contract to draw a lot for her, and two of them got lucky. Of the two contract fields, one was too far from her house, so she handed it over to her neighbor. Mr. Zhang in Walnut Village also asked a few friends of his to draw a lot for him, since he had wanted to take two contract fields from the beginning. Both Old Liu's wife and Mr. Zhang said that they offered no monetary reward to their friends, but just treated them to lunch and drinks. Most villagers I met agreed that individual villagers could not sell or buy (*maimai*) contract fields allocated in this way because the land was essentially collective property (*jiti suoyou*).

Villages also determined how the rent revenue from the wine company should be shared among villagers and utilized as a collective asset for the sake of villagers. This was also decided in a different way in each village. In some villages, the rent is equally divided on a per capita

basis among all registered villagers, while in other villages it is distributed according to the area of each household's previously allocated land leases. In Pine Village and Walnut Village, the village collective annually disburses 500 RMB (about \$78 in 2014) to each villager, and an extra 400 RMB (about \$62) to those over 60 years old as a sort of pension (*yang-lao-fei*). When a household has a new member such as a baby or a daughter-in-law, the village adds 500 RMB to that household's dividend. On the occasion of the Lunar New Year (*chun jie*) or Moon Festival (*zhongqiu jie*), the collective also sends gifts to each household such as rice, flour, oil, or other staples that are within its budget.

On the other hand, Spruce Village has a different way of distributing the rent revenue, since about a half of the villagers still maintain their contracted land. Therefore, the collective divides the rent only among those villagers whose land was taken away for the contract with Dragon Winery. This village makes use of only the rent from its reserve land as a collective fund, providing holiday gifts and pensions for the aged (100 RMB per year for those between 60 to 70 years old, and 200 RMB for those over 70 years old). A dividend of 500 RMB per year, rather than a land plot, is given to a new member of each household, since the village's reserve land (300 *mu*) is all locked up under contract to Dragon Winery. The collective ownership of land has been maintained, then, albeit in monetized form, as the village takes the mediating role of collecting the rent from the company and redistributing it to villagers. This equal dividend from rent for all villagers, whether young or old, signifies these farmers' strong attachment to the egalitarian idea of entitlement to collective land, as it has been a just and unalienable right for members of the village long since the socialist era. Nevertheless, some aged villagers lamented the current situation that the village now does not have any land available for new babies. Since they already have experienced how volatile the monetary value of land and agricultural products

can be, arable land seems to be deemed more secure and reliable than rights to cash payments as an individual's life-long asset.

Villagers' claims for equality extend not only to the distribution of rent revenue, but also to the company's payment for vineyard production. As mentioned above, villagers drew lots to allocate contract fields for wine grape production in a similar way as they had in the de-collectivization of farmland in the early 1980s. The underlying logic is the same. Since the divided fields have discrepancies in soil quality and expected yield, a lottery is the fairest way to determine control over a contract field for each interested household. In the case of industrial vineyards, though, a periodic reallocation of land is not possible since contract farmers make long-term investments in their grapevines, unlike annual crops such as wheat or corn. This has left room for grievances and disputes to develop. Farmers' concern for inequality in soil quality was heightened especially when the wine company sought to increase the incentives and penalties for meeting a standard of sweetness of the wine grapes. In 2007, Dragon Winery began to offer an incentive of 0.25 RMB per *jin* (0.5 kg) for each degree of sweetness higher than its standard (18 degrees). Conversely, it charged the contract farmers a penalty of 0.1 RMB per *jin* for each degree lower than the sweetness standard. The company was not satisfied with the results of this plan, however. In order to improve the overall quality of wine grapes, they argued that this incentive system had to be enhanced in the following years, but they faced resistance from many contract farmers, particularly those to whom a field of low quality soil had been allocated. They complained to their managers that the incentive for increasing the sweetness of the grapes was unfair to them because it was much easier to improve the sweetness of grapes in fields with a higher soil quality. These farmers also had to bear losses in the product quantity due to the low productivity of their field, so they argued that the incentive system would aggravate

the already existing inequality among contract farmers. The winery managers could not completely ignore the farmers' complaints; their argument had a reasonable grounding in the village's egalitarian principles governing farmland use.

Of course, there are different levels of farming and management skill that can also affect the quality of wine grapes. When I accompanied Manager Sun in his inspection of harvest at Dragon Winery, he explained, "If the vines are too long on the trellises, they cannot provide adequate nutrition for grapes. So, timely pruning makes a major difference in harvest quality." Nevertheless, Manager Sun admitted, "To improve sweetness is not a simple matter. Some farmers complain that the soil quality (*dizhi*) of their land is too low, and for them, the incentives for sweetness can feel like an unfair method. We have no way (*mei you ban fa*) other than mediating between the company and the farmers. We try to persuade (*shuofu*) the farmers, and make up for their loss by providing extra fertilizer for their contract fields." In the end, the company lowered the incentive from 0.25 to 0.1 RMB per *jin* in 2012; the discontent about inequality among contract farmers was one of the main reasons for that decision.

Other wine companies also had to cope with farmers' complaints arising from the difference in soil quality of their contract fields. Heavenly Winery tried to implement the incentive system for grape sweetness in 2007, but decided to discontinue it two years later due to resistance from contract farmers as well. The case of Prosperity Winery especially highlights the companies' conundrum in dealing with farmers' demands for an egalitarian payoff from their contracts. As other wine companies did, Prosperity Winery set a standard for the quantity and quality of wine grapes, and the standard would vary each year depending on the weather conditions and overall yield. Because farmers with low-quality fields protested this standard as unfair to them, though, the company devised a measurement, called the "average calculation."

The bottom line of the average calculation was that the standard for production quantity would be set not by the company's decision, but by the statistical average of all contract farmers' production. Further, the managers allowed those who produced below the average quantity to purchase grapes from other farmers who produced over the average that had been determined. The under-producing farmers needed to pay the same rate as the company's incentive (1 RMB per *jin*), which over-producing farmer would have gotten from the company. If a low-producing farmer failed to acquire grapes to meet this average standard, he or she would have to pay a penalty (five RMB per *jin*) to the company for lack of production. In a strict sense, these transactions between contract farmers were against the company's regulations, since the effect would be to weaken the penalty system. Nonetheless, the managers told me that they would turn a blind eye (*zheng ge yan, bi ge yan*) to these farmers' practices in order to make up for the loss they had to bear due to the low productivity of some of their contracted fields. Managers at Prosperity Winery asserted that the average calculation would appease and motivate those contract farmers saddled with low-quality fields. They believed that the average calculation was part of the company efforts to lessen the discontent of contract farmers and establish more harmonious relationships with them. Especially, the managers were well aware of the villagers' collective land ownership values and arrangements, and they admitted that it affected the way they had to deal with contract farmers. Mr. Zhang, in his mid-fifties, said, "As managers, we should oversee the work of contract farmers, and hold them responsible for any the negligence in their work. At the same time, we have to guarantee that they are rewarded appropriately for their labor, at least as much as they would have been able to earn somewhere else as day laborers. The farmland ultimately belongs to the villagers, so the company cannot simple lay off them and replace them with cheaper laborers from outside the village."

Contrary to the managers' expectations, the average calculation system began to diminish the productivity of contract farmers with high-quality fields rather than encourage those with low-quality fields. As a result, the overall production at Prosperity Winery actually decreased year by year. The average calculation thus came to be regarded as a failed policy. One of the managers at Prosperity Winery admitted to me that it was not an effective management method. He said, "With the average calculation, contract farmers pay attention to how much other farmers could produce, and would make an effort only to the end of meeting the average standard but no more." Later, I had an opportunity to discuss Prosperity Winery's average calculation with Manager Sun at Dragon Winery. He alleged that the management and supervision at Prosperity Winery were not thorough enough, and there were many loopholes of which contract farmers could take avail, for instance, appropriating fertilizer and pesticide not for wine grapes for their own purposes. As a result, there were increasing differences in production performance among contract farmers, and the Prosperity Winery managers came up with the average calculation in the hope of resolving the issue of inequality with "objective" methods and a market logic. Whether it succeeded or not as a management method, the average calculation was a response to the shared moral ground on which farmers stood in their demands for equal shares in their collective land, and managers tried to compensate the unequal distribution of contract fields accordingly. Villagers explained to me that the average calculation, in a sense, was quite similar to the way the village collective had dealt with shortages in fulfilling mandatory grain quotas imposed by the state in the early 1980s. At that time, the village collective arranged those who could not meet the grain quota to purchase surplus grain from other villagers below the market price. Now continuing in a similar vein, the average calculation

can be seen as a social convention designed to mitigate the anxiety of inequality and competition resulting from market expansion.

In short, the case of Chinese industrial vineyards illuminates the continuing ethics of egalitarianism hinged on the villagers' collective ownership of farmland. Since the de-collectivization, Chinese villagers have elaborated on preserving an individual's rightful share of the village's collective land, and the claims for equal benefits from their land have been accommodated in the autonomous decisions and continuous adjustments, although not in a way that satisfied all the villagers. Even after the farmland was expropriated by a wine company, the village collective has maintained its autonomy in allocating contract fields and distributing rent revenue from a wine company in the way that would benefit villagers most equally. Furthermore, when the company implemented an incentive system for their production, contract farmers resisted the unequal rewards due to different soil qualities by resorting to their own measurement of equal land use that villagers have long practiced since the socialist era.

### **3. Vineyard Contract as Individual Economic Strategy**

From the beginning, Dragon Winery was established as a model of industrial agribusiness, and geared to producing high-quality wine that can satisfy the palates of high-end consumers. In order to do succeed, the company needs to foster contract farmers who are committed to developing their agricultural skills and improving the quality of the wine grapes they grow. Also, the company has to design a plan to arrange contract fields and allocate contract farms to farmers in ways that would be most efficient for both labor control and crop management. As has been discussed in this chapter, however, the village collective autonomously apportioned contract fields among the villagers, just as they had done since the de-collectivization, and the company

had no choice but to compromise and negotiate with villagers, who made claims on the company grounded on their collective ownership of farmland. Thus far, I have elaborated on the villagers' egalitarian claims in the context of a vertical relation to a wine company. Now I will delineate how vineyard contracts are utilized and conjugated among villagers according to the changing conditions of their economic lives in a more horizontal perspective. The way that villagers have adapted to the introduction of vineyard contracts corroborates my argument that the intended scheme of predictability and control imagined by industrial agribusiness was restricted and frustrated in the course of negotiations between winery managers and contract farmers.

Before villages began to make contracts with wine companies, their farmland had been regarded and used as a collective pool from which villagers should equally benefit, depending on the economic needs of each household. On the one hand, individually allocated land (*kouliangdi*) was used to accommodate the demographic changes in a family such as birth, marriage, and death. The term *kouliangdi* itself can be translated as "land for an individual's food," which signifies any individual's equal share of village farmland. On the other hand, the village collective managed a certain amount of reserve land (*jidongdi*), which was auctioned to those villagers who wanted to venture into commodity agriculture. The reserve land was reallocated in every three to five years so that this collective resource might benefit villagers more equally. Although villagers' use rights of farmland were extended to thirty years in the mid-1990s, those who have contracted for reserve land but do not need it anymore were expected to hand over their use rights to other villagers. It is noteworthy that villagers deny the possibility of receiving monetary rewards for conceding their reserve land to other villagers, despite the fact that they would collect rent if they were to rent out their *kouliangdi*. They say that reserve land is only

temporarily contracted to villagers and is still a part of collective property (*jiti suoyou*), while *kouliangdi* has been distributed (*fenpei*) to individuals for their life time.

There are various reasons for transfers of land use rights to take place among villagers. One of main reasons is an individual's changing physical capacity for wage labor and for farming. For instance, when a man in his forties finds an opportunity of wage labor outside the village, he is likely to rent out his farmland to other villagers. In some cases, his wife may maintain their land, and engage in some form of commodity farming while her husband is engaged in wage labor. When such a man reaches his mid-fifties, he might be considered uncompetitive in the day-labor market, so he would likely retreat from wage labor and consider leasing more farmland so as to invest in commodity farming. When they reach their seventies, villagers tend to hand over their farmland to younger relatives or neighbors, only keeping a small field for vegetables and other crops for their own consumption. When a villager passes away, his or her land returns to the village collective, and stands at the ready to be distributed to a new-born baby or an incoming daughter-in-law in another village family. In this way, farmland is transferred among villagers in a flexible and elastic manner, which satisfies the shifting needs of villagers in the different stages of their lives. As Zhao puts (2011:136), it is collective land ownership that enables villagers to move back and forth to their land in response to changing conditions in their lives and the wider economy.

As a particular strategy of villagers' economic lives, the vineyard contract functions best between the phase of seeking wage labor outside the village and the eventual retreat from commodity farming in old age. Most young people in their twenties or thirties leave the village to work in the city, and villagers in their forties can still be considered belonging to the young group of residents. While many men in their forties do reside in the villages where I worked,

they tend to commute to the city to work as day laborers at construction sites or in factories. Therefore, the majority of vineyard contract farmers consists of villagers over fifty years old, and these men usually manage their vineyard with their wife. There are also some female contract farmers, mostly in their forties and early fifties, whose husbands are presently engaged in other wage labor. Indeed, wives play a major role in the vineyard contract in 50-60% of the 200 contract farmers under Manager Sun's supervision. Since the schedule of daily wage labor can be quite flexible, husbands are able to take days off to help with the vineyard work in busy periods such as pruning, applying pesticide, and harvesting. In short, the vineyard contract is considered as one of several possible income sources, one that requires relatively low-levels of labor intensity. That is to say, a vineyard seems to require the labor input of a full-time couple in their fifties and sixties, or a full-time wife and a part-time husband in their forties and early fifties.

The case of Mr. Cai in Walnut Village demonstrates how villagers utilize a vineyard contract with a wine company as an intermediary stage between wage labor and complete retirement from farming. Mr. Cai used to manage 20 *mu* with his wife under contract with Dragon Winery, for 10 *mu* being planted for Riesling and 10 *mu* for Cabernet Sauvignon grapes. He had maintained the vineyard contract while commuting to the city by motorbike to work as a mason. During that time, his wife took most responsibility for the care of the vineyard, and he helped her on his days off. On average, he was able to work as a mason at that time at the rate of 140 RMB per day. When he turned fifty-five years old, Mr. Cai felt that the construction work of 10 hours a day was beyond his physical strength. In 2014, therefore, he decided to retire from his work as a mason, and instead expanded his vineyard contract with Dragon Winery. By asking around among his neighbors, he found two villagers who were willing to hand over their

vineyard contracts. One was a farmer in the same village who was now over seventy years old, and who wanted to give up his contract due to his declining strength. The other was a farmer in his fifties in Pine Village, who had rented a 10-*mu* apple farm and became too busy to maintain the vineyard contract. From each of these contract farmers, Mr. Cai took over 10 *mu* of vineyard under contract, which meant that he came to have 40 *mu* in total under his management. For the transfer of contract, he did not have to pay anything significant to the original contract farmers. He only repaid to them the down payment of 50 RMB per *mu* that they had previously paid to the company. Mr. Cai explained, “Contract farmers renew their contract each year, so they cannot claim any property rights under the contract. Since the farmland is contracted to a wine company, they are not entitled to make profits when they hand over their contracts.”

After he retired from working as a mason, Mr. Cai came under financial pressure due to the money he owed in connection with his son’s recent marriage. Although an apple or peach farm would be more lucrative in this region, Mr. Cai did not have any option except the vineyard contract, since most of his village’s farmland was contracted for more than twenty years by Dragon Winery. As a mason, he was earning up to 20,000 RMB a year when the economy was in good shape, which supplemented the income from his 20 *mu* vineyard contract. Now, of course, although his annual income was dwindling, the additional vineyard contract would make up for more than a half of what he had made in construction work. For the 40 *mu* vineyard, in order to save money, he did not hire extra labor, managing to tend the expanded vineyard with his wife. Compared to construction work, he said, tending the vineyard under contract allowed him enough rest, as he works at the vineyard between 6 to 10 am, takes a lunch break, and works again from 3 pm till sunset. If he feels tired at times, he can call it a day early to hang out with friends, and make it up later by working longer on the following day.

The differing sizes of contract vineyard are, in fact, the outcome of careful economic calculations on the part of each household. I asked Mr. Cai whether he was willing to expand the vineyard contract beyond its current size of 40 *mu*. He shook his head, saying that 40 *mu* was the maximum he could manage without hiring extra labor on a regular basis. With 40 *mu* in vines, he hires laborers only for a few days a year, during the harvest. Since the vineyard management fee had stagnated in the past few years, he believes that it would not be profitable to expand the vineyard by employing laborers at the increased rates typical in the region. It is mainly for this reason that more than 90% of villagers in Walnut Village maintain vineyard contracts of less than 50 *mu*. Most of contract farmers undertake 10 to 20 *mu* on average. There are a few villagers who have invested in a vineyard contract of over 50 *mu*. Mr. Cai thought that he could not afford to manage such a large-scale contract since he did not have the financial capability (*nengli*) to employ laborers on a regular basis. In order to do so, the contract farmer would take the risk of paying high labor costs, and Mr. Cai pointed out, he also needs a thriving social network (*guanxi*) to find reliable laborers and motivate them to work diligently.

Mr. Gao in Pine Village was one of the few large-scale contract farmers. When he was in his forties, he worked at a seafood-processing factory, and later contracted 100 *mu* vineyard with Dragon Winery. His income from the vineyard is not really proportional to the size of his contract, he argued, since the cost of labor employment is steeply increasing. For instance, a couple may manage a 20-*mu* vineyard and earn 20,000 RMB annual management fee, but they would have to deduct about 20% for labor costs (thus, net profit=16,000 RMB). Since Mr. Gao regularly employs four to five laborers, his labor costs account for 60% of his annual management fee (100,000 RMB), leaving him only about 40,000 RMB (US\$7,000 in 2014) net profit. Mr. Gao explained that in order to manage a large-scale vineyard contract, he also needed

social skills helping him to hire laborers and induce them to work hard for him. Since the cost of day labor was still increasing year by year, he felt anxious about his dwindling profit, especially considered how much of his own work was required to maintain a vineyard contract of such a large scale.

The case of Ms. Chen in River West Village reflects a gendered family strategy for capitalizing on the vineyard contract system. Ms. Chen, a vigorous and capable woman in her late forties, was one of the key informants for my research. Since her husband, a small but strong man, worked at construction sites in and outside the village, she usually worked the vineyard on her own. Ms. Chen was an independent and outgoing woman, and friendly with most men and women in the village. When I was being introduced to contract farmers by Manager Huang, she was the first person who volunteered to introduce me to other villagers. She even helped to set up my stay in a rented room above the local restaurant, a situation that came to function as a focal point for extending my relationship with other villagers. In return for her assistance, I offered to help her with the vineyard work, and she asked me to weed the field and prune the vines one day. Ms. Chen was a hard-working and experienced farmer, and she could work as effectively as male farmers. When we returned to her house for lunch, her husband also came back on his motorbike from a nearby construction site and helped to cook dumplings. When Ms. Chen needed her husband's help at the vineyard, he was often able to take a few hours off in the afternoon from his construction work. Applying pesticide, for instance, requires team work on the part of at least two people. While Ms. Chen sprayed pesticide along the rows of vines, her husband had to drive his tractor carrying a big plastic container of pesticide, following her and continuously adjusting the hose to reach her. They hurried to finish up this kind of work very quickly because her husband had to go back to his construction work within a few hours.

In addition to the vineyard contract, Ms. Chen produced apples in her family plot of 1.5 *mu*; she could earn about 20,000 RMB a year from this small orchard. In the late afternoon, she would move from the vineyard to her family plot to tend the apple trees. She learned technical knowledge about blight, pests, and the proper use of pesticides and fertilizer from the vineyard managers, and could apply this knowledge to her apple farming. She even hinted that some farmers with similar combinations of land rights siphoned off left-over pesticides and fertilizer to use in their private plots. When I half-jokingly asked Ms. Chen whether she had pocketed any pesticides or fertilizer as well, she just smiled back without a word.

Between the apple trees, Ms. Chen also cultivated vegetables such as eggplants, green onions, potatoes, taro, zucchini, and garlic for her family's consumption. After working hard till dusk, she would often pick a few vegetables to fry in peanut oil for dinner. When I visited Ms. Chen again three years later, she had handed over her vineyard contract to one of her neighbors; she had decided that the vineyard's management fee did not pay well enough, considering the increased rate of labor in the region. Instead, she had found wage work at a sea cucumber-processing factory near the village, and was working ten hours a day at the rate of 130 RMB per day. Ms. Chen and her husband were constructing a new house for their jobless son's upcoming marriage, and they felt they had to maximize their cash income. Ms. Chen was making more money than she had with the vineyard contract, but she looked older and tired with more gray hair.

#### **4. Conclusion**

In the de-collectivization of the early 1980s, the egalitarian principle of land distribution took priority over any other variables such as agricultural efficiency in Chinese villages. Since

then, a villager's equal share of land use rights has been considered as an innate and undeniable right, and well preserved in a different way that the village collective responded to ecological environment and demographic changes. Even when wine companies established their industrial vineyards in the 2000s, they had to negotiate with each village, and in most cases, allowed the village's autonomous decisions for selecting contract farmers, arranging contract fields, and distributing rent revenue among villagers. Although villager's own arrangement of contract fields was not at the best interest of industrial agriculture, the company could not ignore the political legitimacy that had long been formed by villagers' property relations based on the collective ownership of their farmland. Even while villagers worked as contract farmers for a wine company, they complained about unequal conditions among contract farmers by relying on their egalitarian conception of soil quality. The company had to compromise with villagers' requests and modify some of its contract terms and management policies. Owing to the village's autonomous arrangement of contract fields, villagers could utilize a vineyard contract as part of collective asset from which they could benefit according to the changing needs of their economic lives. Although the company could take away land use rights from villagers, it could not take away their communal notions and practices of land use deeply embedded in collective land ownership.

## **V. Weakened Control by Negotiation between Wine Company and Villagers**

Contract farming has been considered as a transitional stage between subsistence and industrial agriculture in which small farmers are brought into commodity production through the deployment of “industrial inputs.” While the scale of commercial farming is low at a level of family-managed market farming, agribusiness companies can expand the scope and increase efficiency by extending modern technologies and raising producers’ income by providing guaranteed market access. Transition to large-scale agribusiness has often been seen as a natural form of development that modernizes land use, increases the rationality of market behavior, and even improves farmers themselves. Many researchers, however, are critical of these assumptions. Maintaining a negative view of contract farming, they point out that agribusiness companies eventually establish unequal relations with farmers while gaining total control over farmers’ labor and land (Little and Watts 1994; Raynolds 2000). In some developing countries, multinational companies are blamed for promoting export-oriented agriculture at the expense of subsistence agriculture (Little and Watts 1994; Singh 2002). Furthermore, contract farming has been shown by these researchers to exacerbate inequality between small and big farmers, which leads to an exploitative vertical integration of the rural economy. Agribusiness companies usually favor larger farmers in order to minimize their management costs, thus gradually increasing land dispossession and social inequality (Zhang 2012:45). In this chapter, I will demonstrate that neither the naïve valorization of agribusiness strategies nor the critical denunciation of corporate agriculture can quite capture the complexity of the wine industry in Shandong Province.

In China, contract farming has been adopted as a major policy for agricultural industrialization, and local governments have supported the so-called “dragon-head (*longtou*)” companies, which they believe can lead small farmers into larger-scale and more efficient commodity producers. As I discussed above, most arable land is collectively owned and allocated to each household, and therefore, contract farming can be the most feasible way for agribusiness companies to acquire control over farmland for large-scale agricultural production. Since the mid-1990s, contract farming has rapidly grown in rural China (Niu 2002). In 2001, about 20 percent of Shandong’s total arable land was devoted to contract farming, and 15 million households participated in contract farming (Zhou, Chen, and Jiang 2002). Local governments played an active role in recruiting agribusiness companies to their counties, and they intervened to persuade village collectives to agree to land contracts with those companies. Due to the state support, agribusiness companies could gain easy access to farmland, and secure a stable source of labor by employing villagers as contract farmers.

As note, a company makes a land-lease contract with a village, but the village still maintains land ownership, and the company is obliged to employ villagers. While the government promotes a model of contract farming, it needs to be not only economically efficient, but also politically legitimate, and therefore, should guarantee job opportunities for villagers when they hand over their land to the company. In other words, the company cannot lay off villagers freely and replace them with migrant workers from outside the village. Zhang and Donaldson (2008) describe this contract model as “semi-proletarian farm workers with Chinese characteristics” in that they are employed as laborers but still entitled to land use rights. In this sense, they argue that the unique institution of collective land ownership keeps a company from

denying village residents jobs on the company's production base, and had prevented an enclosure movement that could alienate villagers completely from their land in rural China (ibid. 15).

Another characteristic of China's land ownership, described in more detail in Chapter Three, is that a strong tradition of equal land distribution has continued since the era of de-collectivization. As a result, the level of differentiation among agricultural producers is comparatively low. This has restricted a company's ability to selectively contract with large farmers in any effort to reduce management costs. In order to obtain adequate amounts of arable land, a company has no choice but to contract with as many farmers as possible. Zhang (2012: 19-21) asserts that owing to the various egalitarian models of land allocation, contract farming in China has been limited in its ability to increase disparities between small and large farmers. He further argues that contract farming, as it has been implemented in Yunnan and Shandong Province, can even help those excluded from other commercial activities to offset their disadvantages because contract farming is usually open to all households (ibid. 25).

In this chapter, I will investigate how contract farming has affected the socio-economic lives of some rural villages that made a contract with a wine company. To assess whether contract farming is beneficial to villagers under Chinese conditions is not a simple matter. It is obvious that contract farming can raise incomes when it is compared to grain-based subsistence farming. Under the new contracts, villagers are able to earn cash without having to leave the village. However, their increased income under the winery contract should be considered in comparison with alternative commercial opportunities, such as independent commodity agriculture or non-agricultural employment. Likewise, job opportunities as contract farmers bring certain advantages to villagers, but such contracts do little to guarantee their negotiating positions vis-à-vis agribusiness companies. Villagers may be tightly controlled by a company

through the contract, or they may act collectively to protect their rights against a company. In order to understand how contract farming changes the social status of villagers, their employment needs to be analyzed along with the ways they interact and deal with company managers, and how they base such negotiations on their entitlement to land use rights. Therefore, my research attempts to locate the introduction of contract farming within the whole structure of the local economy, and examine how it is practiced in the daily lives of villagers.

The effect of an economic institution in practice must be comprehended not only against the socio-economic background of contemporary village life, but also in light of the historical transformation of local economy. Especially in modern rural China, different state policies have been implemented in regard to land ownership and agricultural production, and new experiments are always being tested. My research constructs some historical contexts from the memories of collectivist production, especially discussed in Chapter Two, and examines some recent experiences of land allocation and contract farming. Since the conditions of local economy changed rapidly, my somewhat longitudinal research also helped to reveal diverse aspects of the relationship between a company and farmers. Including my preliminary research in 2009, my visits to the research site spanned over five years until 2014, and in this process, I could discover the changing attitudes of both company managers and contract farmers due, for example, to new market opportunities and rising labor costs. The period of five years allowed ample room, for both a researcher, and for an informant, to perceive the nature of contract farming somewhat more objectively. For instance, recalling a conversation we had had five years before, a winery manager admitted that things had changed since then, and disclosed a more candid opinion about his relations with contract farmers. When I looked into the same place at different times, the

changing attitudes of people provided me with much more than a simple sum of fragments, and enabled a multi-dimensional understanding of the reality in industrial vineyards.

My research data suggest that in order to consider whether contract farming is beneficial to villagers, it is important to understand how the contract is actually practiced and negotiated in daily lives between a company and villagers. There is a hidden dimension behind formal estimates of labor input and income increase, which cannot be covered by research based on short-term surveys. For instance, although contract farmers seem to take in relatively more cash than other villagers who did not have a chance for a vineyard contract, we have to consider how their labor input under the contract compares with other labor opportunities. On the other hand, when contract farmers complain about their low income, we also have to think about who wanted to take the contract in the first place, and why they continue to maintain the contract despite their dissatisfaction and in the face of other possibilities. In a similar vein, the degree of labor input by contract farmers can only be known through observing how strictly their labor is supervised by company managers, and investigating how farmers arrange their labor schedule during the day or in different seasons. Often, even minor changes in the standards for production could result from alterations in the implementation of contract relations between a company and farmers.

By tracing the shifting features of winery contracts, I demonstrate that the company's control over contract farmers gradually has loosened, and that the interests of the company and farmers have come to be ever more closely interlocked with each other through the long-term contracting of land. In this approach, I seek to transcend simplistic descriptions of an agribusiness company as exploitative capital and farmers as passive victims. Needless to say, I will not overlook the asymmetries of power between them. Chinese villagers are disempowered subjects as much as their counterparts in other developing countries are, and they are, of course,

situated in a weaker position in decision-making about their contract terms. But the dichotomous approach to contract relations would provide only a one-sided picture of rural China, and keep us from grasping the complicated reality involved in collective land ownership and long-term contracts in post-socialist China. In this chapter, I illuminate the changing relations between a wine company and contract farmers, and argue that farmers' negotiating power increases as the region's labor cost has risen, and that furthermore, contract farming came to be utilized as a collective economic asset in maintaining an equilibrium of economic opportunities among villagers.

### **1. Lower Standard for Product Quality**

Dragon Winery was established as a premium brand by the Great Wall Wine Company, and its vineyards were designed to produce high-quality wine grapes. When I visited the winery first in 2009, its managers proudly explained that they strictly limited the quantity of grapes produce per unit area in order to guarantee the quality of their wine grapes. Small-scale farmers in this region would produce 1,500-2,500 kg per *mu*, and neighboring wineries generally ask their contract farmers to reduce their production down to 700-800 kg. Small-scale farmers maintain about a 1.5-meter interval between furrows, and when they sell their produce to traders, they are required to meet no standard requirement for sweetness. In industrial local vineyards, by contract, the interval between furrows increases up to about 2.5 meter, and there is a standard that must be met for sweetness, usually 17-18 degrees in the case of Cabernet Sauvignon. Dragon Winery's practice used to consistent with the region's industrial standard producing 700-1500 kg per *mu*, but in 2007, it started to restrict production in their contracted vineyards to 400-500 kg per *mu*, and they sought to maintain at least 20 degrees' sweetness for their Cabernet

Sauvignon. Mr. Sun, one of the managers, showed me his account book indicating that in 2009, 33,460 kg was produced in a village of 64 *mu*, which breaks down to 522 kg per *mu*. He also displayed a stack of purchase slips to prove that most wine grapes in his vineyard reached the production goal of 20 degrees' sweetness.

When I tried to compare Dragon Winery with the industrial standards of North America or Europe, Mr. Sun became quite defensive and seemed rather irritated claiming that I did not understand the specific conditions of China (*guoqing*). When I pointed out that American vineyards produce only 200-300kg per *mu* for premium wines, he retorted, "Americans use machines for their production, whereas we provide intensive labor for the same production area. Therefore, our contract farmers care for the grapes more elaborately, and are able to meet the same level of quality with more production quantity." He also presumed that American farm workers would more likely to slack off because their salaries are fixed.<sup>1</sup> In China, on the other hand, farmers' income is related to the production quantity and quality, so that their labor efficiency would be higher. At the end of our conversation, Mr. Sun admitted that China's wine industry was in its initial stages, and that they were still exploring the best approaches to optimal production. He emphasized their earnest efforts to improve the quality of wines they produced.

However, when I came back to Dragon Winery in the spring of 2012, I encountered an obvious change of tone in the voices of both winery managers and contract farmers. Mr. Sun, the head manager, greeted me with a pleasant smile, but when I asked about the winery's recent conditions, he frowned, saying, "Things are not very good. Farmers are almost ready to giving

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<sup>1</sup> Later I actually found out that Mr. Sun's assumption about American vineyard workers was contrary to the case from my correspondence with a few American vintners. In California vineyards, for example, crews are hired to work in a group under a manager who would supervise them every day. They work within 40 hours in a work week, and are given due time for rest, but they cannot easily "slack off." His assumption about the correlation between fixed salaries and labor inefficiency reflects the prevalent concern of labor control in rural China.

up (*paoqi*) their vineyards.” In 2011, a severely cold winter damaged lots of grapevines, and recently, the price for wine grapes has dropped due to the increased supply of cheap grapes from the West, especially Xinjiang Province where a successful new European-style wine industry has been developed. Since then, many farmers have sought to turn their farms from grapes to apples, which sell at higher price in Shandong Province and the northeastern region. To make matters worse, after Xi Jinping came to power, a series of anti-corruption campaigns began to restrain consumption of luxury goods, including premium wines. In some parts of its vineyards, the company did not re-plant wine grapes, instead allowing contract farmers to grow staple products such as wheat, corn, or peanuts for their own use and private sale. The profitability of wine grapes in the region did not seem to be as promising as before, and the company was hesitant to invest in re-planting and cultivating wine grapes for the next four to five years.

The most drastic change in 2012 was the managers’ attitude about the minimum sweetness required for wine grapes. Mr. Sun admitted that there had been a conflict (*maodun*) between the company and farmers in regard to the timing of harvest. Though the company intended to wait as long as possible, so grapes would be riper and sweeter, farmers were apprehensive about the possible loss of grapes resulting from the delay of the harvest. The company had requested 19 degrees as the minimum sweetness of grapes when I visited in 2009, and its managers were proud that their contract farmers exceeded the standard by producing grapes over 20 degrees. However, they had lowered the minimum sweetness standard from 19 to 17 degrees in 2012. “Especially, when we had much rain during the monsoon season, grapes became more vulnerable to blight, and the conflict about the harvest time between the company and farmers escalated. In order to resolve the dispute, the company decided to harvest earlier than before, and so we had to relax the requested standard for sweetness,” Mr. Sun explained.

The cash incentives being paid for sweeter grapes were diminished, and the target amount for production quantity eased off. The company used to offer 2.5 *mao* per *jin* for each degree higher of sweetness, but this amount had now gone down to 1 *mao* per *jin*. Besides the lower minimum sweetness required, the decreased incentive payments have left farmers even less interested in improving the sweetness of their grapes. The penalty for not satisfying 17 degrees is still 1 *mao* per *jin* for each degree lower of sweetness, but this penalty rarely affects contract farmers, since the lowered standard is not so difficult to meet compared to the previous one. Even at the rate of 2.5 *mao* per *jin* incentives, farmers could earn only 1,000 RMB per 10 *mu* in incentives, and they asserted that this was not enough to compensate the loss of a certain percentage of their grapes when the harvest was delayed in an effort to meet higher sweetness targets. Therefore, with the more recent incentive rate of 1 *mao* per *jin*, the motivation for farmers to bring up sweetness levels has become far weaker.

On the other hand, the additional payment for surplus over the production quota has doubled. For instance, the company used to pay 1 RMB per kg for surplus production, to 20% over the production limit. With a 600kg production quota, then, farmers could earn 120 RMB per *mu* for a surplus of 120 kg. Now the company pays 2 RMB per kg of surplus up to 20% of the quota, and it also pays 1 RMB for additional surplus over 20% up to 30% of the quota. With the same production limits, then, farmers now can earn 240 RMB for 20% surplus and 60 RMB for extra 10% surplus, which totals 300 RMB per *mu*. The lower limits for surplus production were originally designed to keep farmers from over-producing, and induce them to focus on the improvement of grape quality instead. The increased payment for surplus production since 2012 means that the company has alleviated their limitations on production quantity, allowing farmers to earn more money in addition to the basic management fee (1,000 RMB per *mu*).

Contract farmers seem to welcome the new standards for surplus production. Some farmers told me that they sometimes used to abandon surplus grapes after they met the production limit because harvesting them for 2 RMB per kg would not be worth their labor. Now the payment for 10% more of surplus production helps to compensate the loss that farmers feel in comparison to the region's rising labor cost, although they are not yet fully satisfied with the terms and implementation of their contracts with the winery.

There is other evidence that the company's control over contract farmers has weakened. Until the late 2000s, farmers were forbidden to use herbicide and had to get rid of weeds manually with a plow. Originally, Dragon Winery had aimed at the introduction of organic farming (*youji nongye*) for the production of its wine grapes, and they claimed not to use chemical fertilizer, herbicides, or pesticides. Now the company has given up on these claims, and allows farmers to use herbicides for weeding the vineyards, which lessens farmers' labor investment.



Figure 14. Contract farmers tending their vineyards in preparation for a new season

The guidelines for method of tying up grape vines to the wire trellises have also become less strict than before. Farmers previously were expected to tie up the vines of each tree separately, but now they are allowed to tie up the vines of several trees in a row together using a long band. The tying up of vines is important for the ripening of grapes, and it is part of the art of grape farming itself. How you arrange the branches on tied vines determines the amount of sunlight and ventilation for the grapes, and excessive tightness of tying may constrain the growth of grapes. Hence, for the highest quality of wine grapes, practices of trellising demand delicate care from farmers. The relaxed guidelines for the work of trellising require less input of farmers' labor, then, but it also indicates the company's weaker commitment to the quality of grapes.

To sum up, the company has cut back on incentive payments for grape sweetness, doubled their additional payments for surplus production, and reduced their demands for strict care of the grapevines by contract farmers. The lowered standard for grape quality and increased quantities is a result of compromises that have been worked out between the company and contract farmers. The previous standard for grape sweetness (19 degrees) used to be a source of frequent conflict between winery managers and contract farmers, since the incentive payments for sweetness were not high enough to make up for the sacrifice of production quantity that farmers had to bear in order to achieve it. The company wanted sweeter grapes, but was not ready to pay them over and above the management fee they were already paying. When harvest was delayed for more than 10 days, in the interest of increased sweetness, many contract farmers individually visited the management office to ask urgently for an immediate harvest. Although farmers' protests were not well organized as a group, winery managers could not completely ignore the farmers' complaints, and sometimes suggested to their supervisors expediting the harvest.

In the contract model, farmers are not merely laborers who can be replaced by others from a “reserve army of the unemployed,” but they are, rather, entitled to the vineyard’s work under the contract. Therefore, winery managers understand well that farmers will not be motivated to work hard and carefully if their dissatisfaction with the contract becomes too intense. While farmers complained that they would have to follow what the company decides about contract terms, winery managers were also afraid that farmers might not collaborate well for grape production if they become too much upset.

## **2. Flexibility of Labor Time**

In the summer, a contract farmer usually wakes up at five or six a.m. to get to his farmland for vineyard work, coming home by 10 a.m. for lunch. After taking a nap, he goes back to his farmland at three or four p.m., dodging the scorching heat, and works till it gets dark. In most cases, a contract farmer works together with his wife, and he may also hire laborers depending on seasonal needs such as pruning and harvest. Sometimes contract farmers may take a day off to take care of their own vegetable gardens, or to participate in other part-time work. Although their work schedule is not strictly regulated by managers, most contract farmers work diligently, since their care of grapes affects their income at the time of harvest. After the harvest in September, farmers may take a long break until they need to begin the work of fertilization and grafting vines in the following spring. During the winter, they may gather at a community hall or a restaurant to play *mahjong* or cards, chat, or drink with their neighbors. In comparison to other jobs, farmers agree that the vineyard work gives them more freedom (*ziyou*) in managing their time.

There are several occasions on which the managers demand that contract farmers comply with a synchronized work schedule under their supervision: fertilization, pesticide application, water distribution, and the harvest. When the company distributes fertilizer and pesticides, which are applied at the time they are issued, the managers require farmers to work at a scheduled time, so that they may closely examine whether farmers use fertilizer and pesticide according to their guidelines. This regulation is because a timely use of fertilizer and pesticide in appropriate quantities is critical for the reliable growth of wine grapes. Another reason for this strict supervision is to prevent farmers from siphoning off fertilizer or pesticide for their own purposes. In fact, some villagers confided to me that there were not a few cases in which farmers had stealthily (*toutou*) taken fertilizer or pesticides to use on their own orchards, or to sell to other farmers. The harvest also needs to be coordinated and supervised by managers. Managers determine the time of harvest for each unit of contract vineyard according with close attention to the actual ripening of the grapes. They also try to observe whether shriveled grapes get mixed in well-ripened ones, and ask farmers to discard those if they are found. Since farmers' management fee is calculated based on the quantity of grapes, farmers naturally try to increase the weight of their produce as much as possible, even at the expense of quality. The strict supervision of the harvest by supervisors also prevents farmers from selling grapes on the side to other middlemen.

While managers' supervision is concentrated on those critical events, labor control for other tasks such as pruning, grafting, thinning, weeding, and the harvest has become relatively loose. The company's less strict supervision most of the time has allowed more spare time for contract farmers, and some of them have begun to utilize their free time to earn extra money, working at construction sites or in small factories outside their home villages. Mr. Cai, for

example, was able to work as a mason for house building on the outskirts of Yantai, during which time he would leave most of the vineyard work to his wife. He sometimes comes home and fills in with the vineyard work, especially if there is not an available job at a construction site. When there are scheduled and supervised tasks such as fertilization, pesticide application, and the harvest, he may take days off from his second job to come back to the village. In his outside jobs, he can earn 140 RMB for 10 hours' labor a day. Assuming that he is able work at such jobs for about 100 days a year, Mr. Cai earns about 14,000 RMB in this way to supplement his vineyard management fee. The number of days he can work at a second job in the city varies, depending on the vineyard's work requirements. In 2014, he was able to work in the city for almost 200 days since the vineyard managers' demands were not very high. Of course, the quality of his labor at the vineyard cannot but drop as he spends more of his days for doing construction work. Mr. Cai confided to me, "When my work in the city is too busy, I cannot come home and my wife work has to work alone. In that case, there could be too many weeds for my wife to handle. As long as we cope with the scheduled tasks, though, the managers do not intervene."

The additional income from working construction is actually indispensable for Mr. Cai's family livelihood, as the vineyard's management fee under the contract has not kept up with the soaring wage rates in the region. Income for vineyard contract farmers has almost stagnated while the daily wage for manual labor has tripled in only five years. When I visited the region for the first time in 2009, a daily wage was 40-50 RMB, but by 2014, it has reached 120-140 RMB. Mr. Cai earns an annual management fee of 4-50,000 RMB for his 20 *mu* vineyard, depending on harvest conditions. His strenuous construction work adds 20,000 RMB to this if he can manage to do work his second job for more than 150 days a year. Two years ago, Mr.

Cai's son got married, and according to the local custom, the groom's family was expected to buy the young couple a house in the city, which cost 300,000 RMB. In addition, the interior decoration of the house cost 70,000 RMB, and Mr. Cai also paid 50,000 RMB for wedding the banquet. For his son's marriage alone, then, Mr. Cai spent most of his savings and has gone into debt. The extra income from his second job is not enough to clear his debt, but for now, this is the best way he has to increase his income. In Mr. Cai's village, more than two-thirds of the contract farmers under 55 years old are engaged in some kind of part-time job outside the village. If they had not made a contract with Dragon Winery, they could have grown apples instead of wine grapes, which would guarantee more than 10,000 RMB's annual income from a 1-*mu* apple orchard. Their part-time job, it could be argued, hardly compensates the loss they are taking due to the vineyard contract, because it deprives them of the opportunity to venture into apple farming. Moreover, the vineyard's management fee would not be able to compete with the local rate of labor wages any more, if the managers were to require contract farmers to tend wine grapes a hundred percent of the time, as before. One village head said, "When the company does not pay adequate management fee, farmers cannot but cut back their labor input in vineyard work, and are not able to work meticulously as before." Therefore, the managers have no choice but to turn a blind eye to contract farmers' neglect of their vineyard work, allowing them to maintain a second job."

The managers also arrange the vineyard work schedules, so they will not overlap with the peak of labor demands for apple farming, thus allowing contract farmers to participate in day labor at nearby apple farms. According to seasonal needs, apple farms hire laborers for the tasks of pollination (April-May), bagging (June-July), unbagging (August-September), and harvest (September-October). Bagging, for instance, is an arduous agricultural technique in which each

apple is covered with a paper bag in early summer and then uncovered again shortly before harvest. The bags protect apples from sunburn, so they will retain a vividly red color and have higher value as a commodity. (Farmers told me, though, that apples with sunburn taste better since they are nourished by more sunlight.) These tasks require timely and meticulous work, and needs an intensive input of manual labor for a short period of time. The exact schedules vary due to the environmental factors such as temperature, precipitation, and blight damage, but they usually coincide with the vineyard's labor demands in summer and autumn. The vineyard contract is not a labor contract, but a production contract, however. Although contract farmers are obliged to follow the managers' instructions about the practices of grape production, the contract terms are rather ambiguous about some details. For example, there are no specific stipulations on how many days contract farmers must devote to scheduled labor supervised by the managers, or how those dates should be determined. With less competitive management fees in place, then, labor schedules have been negotiated between the managers and contract farmers. Whereas the managers once took pride in their tight (*zhoudao*) control of contract farmers, now they emphasize the company's liberality that allows contract farmers to make extra cash elsewhere to supplement their income from the vineyard contract.

When I raised a question about the stagnated rates of the vineyard management fees, Manager Sun retorted, "Our company takes care of its contract farmers. Recently, in order to increase their income, we dodged (*duo*) the busiest days for the apple farms in arranging our labor schedules, so that farmers could engage in part-time work (*dagong*) at nearby apple orchards. For example, when apple farms need laborers for bagging or pruning, we can delay the schedule of pesticide distribution for a few days, so that farmers can earn a few hundred RMB. We are not obliged to do this, but it is a benefit (*fuli*) for the farmers." I asked whether

such adjustments would affect the quality of wine grapes, and he replied, a little frustrated, “There is no other way (*mei you banfa*). If there is not enough profit for farmers, they will not work. Though the wine industry is facing challenges, the company still has to find ways to increase the farmers’ income and resolve the conflicts (*maodun*) we have with farmers.”

### 3. Re-arrangement of Contracted Fields

Manager Sun explained to me another way of giving benefits to contract farmers. In 2011, after a severely cold winter had damaged lots of wine grapes in the region<sup>2</sup>, the company did not replant some parts of its vineyard, allowing contract farmers to plant grain or vegetables in those fields for their own profit. Manager Sun insisted that this was also a generous consideration for the farmers since the company was still paying the rent to the village collective for that land, and yet farmers could use the land free of charge. In Pine Village, for example, 28 *mu* was left for farmers’ own use out of the 500-*mu* vineyard that was under the direct contract with the company; five contract farmers split that land to grow wheat, peanuts, corn or sorghum.

The contract farmers gave me a slightly different interpretation of the land re-arrangement. While the price of wine grapes is stagnating, the company is not motivated to invest in replanting wine grapes since it takes three to four years for replanted trees to produce mature grapes. By just abandoning the damaged vineyard, the company does not have to pay the management fee, while the rent to the village collective is relatively painless since it was originally set at a low price. The company began to pay 400 RMB per *mu* to the village for the annual rent in 1999, an amount that has been raised 30 RMB every three years, which makes 550 RMB per *mu* for the annual rent. The going rate in the region, however, is around 1,000 RMB

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<sup>2</sup> Dragon Winery reimbursed 950 RMB per *mu* to its contract farmers for the vineyard affected by cold damage (see Table 2).

per *mu* for irrigated farmland that can cultivate fruit trees. The head of a women's association in Pine Village complained to me that the company's temporary land arrangement was undermining the overall productivity of the village's farmland. Since the company might retract farmer's temporary use of the abandoned vineyard at any time, farmers cannot invest in planting valuable commodity products such as apples, peaches, pears, and other kinds of fruit, crops which would require at least a few years' cultivation from expensive seedlings. Therefore, they can only engage in the usual crop rotation adopted in this region: winter wheat (October – May) and peanuts, corn, or sorghum (May – October). These crops require little input of labor and capital, and they can be replaced by other crops easily. For instance, wheat farming just needs irrigation about three times in the spring and occasional weeding. In comparison to fruit farming, which can reach an annual income of 10,000 RMB per *mu*, this annual crop rotation merely provides staple food for farmers' households and a little extra cash of no more than 500 RMB per *mu*.

Although industrial agriculture was introduced in order to improve the efficiency of land use, the long-term land lease over twenty years has locked land use rights in the hands of an agribusiness company, and has deterred flexible land use in response to market demands. Farmers reminded me that Dragon Winery still maintains its use rights for the farmland that it does not need anymore, and does not hand the land back to the village in case the company might need it in the future. Since the land lease is a mutual contract between Dragon Winery and village collectives, a village cannot terminate it on its own without the company's consent. The managers at Dragon Winery could not say when they can begin to plant new grape seedlings in the disused vineyard, or how long this temporary land arrangement would continue.

There is a worse case of inefficient land use by a wine company in the region. Prosperity Winery established its industrial vineyard by leasing 2,600 *mu* from three adjacent villages in

2000. This setup was not designed for premium wine, but aimed instead at an average level of quality in the domestic wine market. Although the company set a standard of 18 to 19 degrees for the sweetness of its wine grapes, the products by its contract farmers tended to vary between 13 and 18 degrees. Unlike Dragon Winery, Prosperity Winery was not backstopped by investment from a state-owned company, but was rather a Malaysian Chinese-owned company. Unfortunately, the company could not recover from its losses due to the damage in the cold winter of 2011, and it completely discontinued the operation of its vineyard and wine bottling facility in the following year. The managers and contract farmers who worked for Prosperity Winery suggested several reasons why the company went out of business to me. The managers mainly pointed out that the company was not financially stable, and did not pay the management fees to contract farmers on schedule, which resulted in disgruntled farmers and low labor productivity. Some of the contract farmers asserted that Prosperity's management model was not effective since the managers were stuck on "old thinking" about agricultural production in designing contract terms geared to maintaining equality among contract farmers. Whatever the reason for the company's failure, the real problem arose after it shut down the 2,600 *mu* vineyard. Prosperity Winery and the three villages have been involved in the complicated legal dispute about land use rights of the abandoned vineyard since the company still owes money to the villages. The villagers say that the company is neglecting its responsibility in resolving the issue, while maintaining its use rights on the farmland over the past few years. At the same time, it has denied villagers access to its vineyard, and banned them from planting any crops on that farmland. The company even erected several signs that say,

“Don’t till the land, or you will be responsible for the consequences (自私耕种土地后果自负).”

The prevailing production model of industrial agriculture (*qiyexing nongye*) is being implemented in China within the institutional conditions of collective land ownership, and in order to guarantee the stability of corporations’ investment, local governments negotiate a long-term land lease, often over twenty years between an agribusiness company and village committees. On the one hand, the contract provides for villagers with a certain level of negotiating power vis-à-vis the company since they preserve their collective land ownership. On the other hand, however, their farmland is locked up in the long-term contract, and villagers may have to bear serious opportunity costs arising from unforeseen market changes.

This opportunity cost problem can be comprehended by comparing the above-discussed case with another contract, which Pine Village made with Dragon Winery. Pine Village made a special contract for 200 *mu*, separate from the direct contract with the company for 500 *mu*. For



Figure 15. An Abandoned Vineyard

this 200 *mu* plot, the village did not make a land lease contract, but just signed a production contract that promised to provide wine grapes for Dragon Winery. In return, the company provided all the basic materials for grape production, such as seedlings, wire trellises, concrete posts, and basic technical support. Contract farmers still had to pay for other production expenses, such as fertilizer and pesticide on their own. At harvest, the company purchases their wine grapes at the market rate. In the region, this contract model is called, “*da-bao*,” which is literally translated as “big contract;” it can be understood as a pre-harvest advance sales contract. This kind of production model is mainly intended for low- and medium-levels of wine grape production; the production quantity can reach 1,500-2,000 kg per *mu*, which is double that for a premium brand. The company leaves all the work in the hands of farmers under this pre-harvest sales contract, and the only obligation for the farmers is to sell their grapes exclusively to Dragon Winery, not to other middlemen. In this way, the company saves most of the management costs of producing its low- and medium-level wine grapes. Local wine experts I met explained that this “*da-bao*” model has limited utility in improving the quality of agricultural commodity, since the companies do not supervise the labor of contract farmers. Originally, the 200 *mu* of farmland covered under Dragon Winery’s “*da-bao*” contract used to belong to the village collective, and it was allocated to twelve villagers through a village auction. About twenty villagers participated in the auction, and twelve of them leased the land until 2030 for the initial annual rent of 130 RMB. (The rent increases by 20 RMB in every three years.) Although this land lease was made on the condition of providing wine grapes, contract farmers hold their land use rights entirely. Any of these twelve farmers could make an autonomous decision to make a different use of their farmland. As the company’s purchase

price has not paid enough for their labor input in recent years, they have begun to reduce grape production and plant apples instead.

Ms. Liu, head of a women's association in Pine Village, is one of the twelve farmers who made this production contract with Dragon Winery in 2003. She leased 14 *mu* from the village collective, and have been producing white-wine grapes such as Chardonnay and Riesling for Dragon Winery. Recently, the company's purchase price for Chardonnay dropped down to 1.7 RMB per *jin* (0.5kg), which is unacceptable for the farmers, considering the current price for table grapes (consumed as fruit), which is 4 RMB per *jin*. As a result, Ms. Liu decided to discontinue producing Chardonnay on her 8 *mu* of farmland, and planted apple seedlings between the vine stocks last year. Since it takes three to four years for apple seedlings to produce mature apples, she will keep the Chardonnay vines in production for the time being. Also, she would continue her production of Riesling on 6 *mu* because she thinks it is hardier against blight than Chardonnay and needs less care. As her contract with Dragon Winery is just a production contract, she still holds her land use rights and is fully able to cancel part of the production contract. When I asked why she would not replace all the grapevines with apple trees, Ms. Liu gave me a very wise answer. Right now she will invest in apples since the price is currently high, but, she was afraid, as more and more farmers produce apples, the price for apples might fall in the near future. By maintaining her 6 *mu* vineyard, she spreads the risk of price fluctuation by hedging the possibility that the boom for apples might come to an end, and that the price for grapes might bounce back. Fruit farming is a risky investment for farmers, in that the opportunity cost of their labor input for a few years is high. Therefore, many farmers divide their farmland into different kinds of agricultural products, whether on a small or a large scale, just as stock investors spread their risk through a diversified portfolio. By so doing, they can adjust the scale

of each product planting in a flexible way to cope with ever-changing market conditions. On the other hand, the industrial agribusiness model locks in a vast tract of land only to cultivate a certain commodity crop for more than twenty years, hindering an autonomous and flexible re-arrangement of farmland to maximize its productivity.

#### **4. Conclusion**

Unlike the case in other developing countries, contract farming in China is limited in agribusiness companies' gaining control over farmers' labor and land. In industrial vineyards, a wine company is obliged to employ villagers as contract farmers, and is not free to lay off them to replace with migrant laborers from outside the village. Therefore, the company has to negotiate with villagers for contract terms, and maintain a harmonious relationship with them so that farmers may retain proper labor motivation. As the wine company could not keep up with rapidly increasing labor costs in the region, it loosened the standard of production quality and demanded less strict care for grapevines in order to mitigate contract farmers' discontent. Furthermore, the company adjusted its labor schedules in favor of contract farmers, so that they could do part-time labor at neighboring apple farms or construction sites to gain extra cash income. Needless to say, villagers are placed at a disadvantageous position in the contract with a wine company since the long-term land lease deprived them of other economic opportunities according to the region's market changes. Thanks to their collective land entitlement, nevertheless, villagers have managed to negotiate with the company for favorable contract terms, and utilized a vineyard contract as part of their economic strategies.

## VI. Conclusion

In the chapters above, I have tried to show the differing developmental temporalities that unfold, compromise, and conflict with each other in the newly established vineyards in Shandong Province. While local government and wine companies envision the future goals of producing globally recognized wine through brand marketing and château tourism, the actual practice of establishing industrial vineyards follows the old patterns of state-led development, peasant mobilization, and market monopolization. Although wine companies advocate their vineyard management as a new production model, it restores many aspects of the state's contract model (House Responsibility System) that was administered in the 1980s. For both winery managers and villagers, this vineyard production model is regarded as rational and legitimate because they share the negative memory of collectivist production through the 1970s, and the contract model is based on their positive experience of autonomy and efficiency in the 1980s.

Ironically, the introduction of industrial vineyards exposes the remaining socialist legacy and its post-socialist ramifications in rural villages. Local government acts as a forceful mediator for vineyard land contracts, and wine companies 'act like a state' in disseminating the government's developmental ideologies and assuming the role of guidance (*lingdao*) for the improvement of villagers' awareness (*yishi*). By restituting the House Responsibility System, wine companies negotiate with village collectives and, to some extent, preserve villagers' egalitarian tradition of land use and their autonomous principle of vineyard contract allocation. Hence, the efficiency of scale agriculture, which was originally intended by the introduction of agribusiness, is considerably restricted, and the control of wine companies is compromised by the demands and resistance of contract farmers. Although villagers' property rights have been

infringed owing to the long-term land contract for over twenty years, contract farming appears to be limited in expediting social stratification and land dispossession in rural China, when compared to the cases of other developing countries. Those villages under the contract with a wine company can be said to have uncovered the resilient potential of collective land ownership in responding to the outside influences, and their perception of land use for a village collective seems to have been reinforced than before.

The case of industrial vineyards in Shandong Province demonstrates that the effects of ‘neoliberal’ restructuring are entangled, as a matter of fact, with the pre-existing conditions of post-socialist terrains, particularly in regard to state-society relations, property ownership, labor control, and memory and experience. The process of integrating the market in today’s China, therefore, should be understood as a complex process of inducing a new rationality by alternatively subsuming and retaining different aspects of the socialist past. At the same time, it is an outcome of recombining post-socialist institutions in a way to meet the demands of the market or contain the market influence if necessary. Some might regard the current state of rural China merely as a transitional stage toward the capitalist market, and expect that the neoliberal order will ultimately prevail dominating the socialist remnants of village autonomy and collective land ownership. Since the 1980s, however, the tradition of collective land ownership has been embedded in villagers’ socio-economic relations, and its inalienable legitimacy has been reinforced through the accumulated memories and practices of villagers’ land use. The significance of collective land use at a village level is not often discerned by outside observers since the term of land re-allocation can be as long as one’s life cycle. Nevertheless, it has provided a socio-economic haven when villagers retire from wage labor outside the village or return for temporary subsistence after being laid off, especially during times of economic crisis.

The endurance of collective land ownership, in other words, helps to keep villagers from being totally alienated from their land, and prevent the potential social unrest that could be erupted by further land dispossession.

In this regard, my conclusion builds upon a critique of China's recent policy orientation toward land privatization and the development of the land market in rural areas. Proponents of land privatization argue that villagers' property rights can be better protected through establishing a transparent land market under the rule of law. They assume that the overall efficiency of land use would improve as farmland becomes concentrated in the hands of entrepreneurial farmers or shareholding companies through transactions of land property. As shown in my research, however, an individual villager tends to be situated in an asymmetrical position vis-à-vis the agency of agribusiness capital in regard to decision-making, market information, and risk management. I am afraid that introducing a free land market and dismantling the collective land ownership would expedite villagers' alienation from farmland and aggravate the socio-economic stratification of rural society. A flexible management of collective land ownership at a village level would work as a pivotal buffer on which villagers may rely against the encroachment of capitalist expansion from the outside.

In this dissertation, I have pointed out the problems and challenges that China's wine industry needs to resolve and overcome. The contradictory ambition to produce the globally competitive wine is often frustrated by reliance on the old practice of rural development, lack of investment in technological advancement, and low economic motivation for contract farmers. After its dazzling economic growth, the country is facing the critical task of transitioning from an economy of quantity to that of quality, as it realizes that products made in China are not longer able to compete in the global market merely by relying on cheap labor input. This urgency of

joining other global powers reflects the anxiety of ‘lateness’ or ‘lagging behind,’ which is prevalent in China’s developmental discourses. In a critique of Chinese wine companies, a French vinologist, who was developing a vineyard for Château Rothschild in Shandong Province, said to me, “Cultivating wine grapes is like rearing a child. It will take at least ten years for us just to verify the suitability of *terroir* for our wine products here.”

While I illustrated the responses and resistance of contract farmers against the labor control of vineyard managers, I do not intend to exaggerate the villagers’ negotiating power based on their collective land ownership. Chinese villagers are situated in a disempowered position no less than their counterparts in other developing countries. As I observed, contract farmers’ resistant strategies have been rarely organized as a collective action, but rather fragmented as individual practices of complaints and sabotage. Nevertheless, I wanted to underline the everyday negotiations between vineyard managers and contract farmers, and highlight the critical role of collective land ownership in preserving villagers’ autonomous management of the contract with a wine company. By doing so, I sought to reveal that Chinese rural subjects are neither passive nor helpless, but actively manage to strategize their ‘weapons of the weak’ under limited conditions.

I also admit that my portrayal of Chinese villages tends to emphasize the egalitarian and homogeneous aspect of villagers. In villages where I conducted research, in fact, some villagers ventured in farming minks, sea cucumbers, abalone, or fish. Most of them were village cadre or those with a good connection (*guanxi*) to secure resources for their enterprise such as use rights to ponds or seaside, and they were financially successful. In allocating vineyard contracts, village cadre or their relatives also enjoyed the benefit of obtaining favorable contract fields. In comparison to other villages in the region, however, the land contract with a wine company had

the effect of integrating village farmland into a single product of wine grapes, and placed most villagers under the similar condition of annual income. On the other hand, due to the apple boom in the region, the economic stratification in other neighboring villages has increased to a greater extent than in villages under the contract with a wine company; those who had enough power to expand their apple farm with irrigation could grow wealthy, while villagers who were tied to crop farming remained poor.

Whereas many Chinese wine experts whom I met in Beijing were suspicious about the state-led project of wine production in Shandong Province, and even regarded it as anachronistic, they were rather hopeful for the potential of small-scale private wineries in western provinces such as Ningxia and Xinjiang. For instance, a red wine, called ‘Jia-bei-lan,’ from a small winery in Ningxia surprised the international wine audience by winning one of the Decanter World Wine Awards in 2011. In order to discover the potential of Chinese wines, one of China’s influential wine magazines, *Wine Review (putaojiu pinglun)*, held a blind tasting for ninety-seven Chinese wines in June 2012. Wines from Ningxia dominated the top five of its red wine awards, but not a major brand, neither Great Wall nor Changyu, won any award at the competition. Interestingly, the recent success of some private wineries in Ningxia has not been treated by the national media as fulfilling the country’s ambition to produce globally recognized wine. As a matter of fact, private winery owners argue that the state regards them as a competitor that threatens the market domination by major wine companies. They are afraid that state regulations on the wine industry can be manipulated by the government to restrain the expansion of private wineries and protect the monopoly of state-owned wine companies. The discordance between state-led development and private enterprises in China’s wine industry opens up a new field of

academic interrogation since the state's developmental visions often become the object of suspicion, and in some cases, stifle the burgeoning potential of the private sector.

In today's China, the quality of commodity or people is a hotly debated theme in defining the turn from the productivist era to the consumerist society with 'soft power' and global competitiveness. The desire for high-quality commodities is conflated with the anxiety of quality among consumers due to widespread suspicions on fake products in the immature market system. At the same time, Chinese policy makers seek to expand market demand by further projecting the visions of affluence and prosperity and magnifying the imagery of cosmopolitan luxury. Now in television soap operas, wine glasses on the dining table at an upscale restaurant have become a frequent *mise-en-scène*, signifying the desirable cultural sophistication of the upper-middle class in China. In this regard, further ethnographic research on Chinese wine consumers would illuminate the emerging social distinctions through the ways of appropriating commodities and the embodied experiences of materiality in everyday life.

## Appendices

### Appendix 1

Map of Shandong Province

(<http://www.chinatourusa.com/china-map/shandong-s-map.shtml>)



## Appendix 2

### Location of Shandong Province

(<http://mapsof.net/china/china-shandong-location-map>)



### Appendix 3

#### Map of Yantai City

(<http://www.weather-forecast.com/locations/Yantai>)



## Appendix 4

### Map of Penglai

(<http://www.weather-forecast.com/locations/Penglai>)



## Appendix 5

### Map of China's Wine Production Regions

(<http://www.all-winery.com/wine-knowledge/china-wine-region>)



## Appendix 6

### **Land Contract between Dragon Winery and Village Collective**

Land Leaser ('Leaser'; land owner unit): X Village Collective

Land Contractor ('Contractor'; original land contractor): Villager A in Village X

Land Lessee ('Lessee'; land lessee): Dragon Wine Company

In order to meet the need of developing the rural socialist market economy, expedite the industrialization of agriculture, and promote the healthy development of rural cooperative economy, three parts of leaser, contractor, and lessee agree to establish a joint cooperative by leasing the land which is contracted to Contractor by Leaser to Lessee through a good negotiation based on the country's legal regulations such as <Rural Land Contract Law> on the principles of equal negotiation, voluntary act, and proper compensation. Lessee is responsible for investment to arrange transportation, irrigation, plantation facilities, and seedlings for grape production and tourism development.

Clause 1: The location, range, size, and price of leased land:

Location:

Range:

Size:

Price:

Clause 2: Land lease period: from (day) (month) (year) to (day) (month) (year)

Clause 3: Lessee provides a dividend and interest to Contractor each year according to the value of share that Contractor holds. The value of Contractor's share increases at the annual rate of 2.88%.

Clause 4: As for the objects that Contractor constructed on the leased land, Lessee compensates to Contractor at the appreciated price by an intermediary agency through the negotiation between Leaser and Contractor.

Clause 5: Contractor hands over trees, fruit, and seedling planted on the land to Lessee at the appreciated price by an intermediary agency through the negotiation between Contractor and Lessee. Contractor should not remove trees on the land, so that Lessee may utilize them.

Clause 6: Three parties of this contract are responsible as follows:

Leaser's responsibility:

1. Holds the ownership of land
2. Agrees that Contractor's land contract right is transferred to Lessee.
3. Supervises the transfer of Contractors' land contract right according to law.
4. Is responsible for the entry of villagers to Lessee's cooperative organization, and guarantees each party's satisfactory economic profit and social benefit.

Contractor's responsibility:

1. Transfers his or her land contract right to Lessee in a way of share-holding.
2. Has a right of being employed by Lessee, and of earning a dividend and interest according the value of Contractor's share.
3. Has a priority of managing Lessee's vineyard according to the value of Contractor's share, and respects the production methods and land arrangements regulated by Lessee.
4. Is employed by Lessee voluntarily, and free to resign. Although Contractor resigns, however, the land cannot be returned, but only transferred to others.

Lessee's responsibility

1. Holds a right of land usage as Leaser becomes a shareholder in a way of land ownership right.
2. Is responsible for investing in land management, construction, and development, for arranging facilities of transportation, irrigation, and seedling plantation, and for establishing a standardized grape production base.
3. Is responsible for purchasing and providing production materials such as pesticide and fertilizers, and for providing services for grape production such as irrigation, machines, transportation, technologies, and information.
4. Is responsible for purchasing the grapes that employers produce.
5. Is responsible for providing a dividend and interest for Contractor's share.
6. Is responsible for managing the entry of Leaser and Contractor to a joint cooperative, and for providing benefits for employees.

Clause 7: Sale of Products

1. The grapes that an employee produces is guaranteed to be purchased for 2 RMB per *jin* (in the condition that the sweetness of grapes reached over 18 degrees). In case that the price of grapes falls due to the increase of production quantity, the company is committed to purchase grapes at the guaranteed (in the condition that the sweetness of grapes reached over 18 degrees). In case that the market price for grapes increases, the company is committed to purchase grapes at the market price and guarantees the

- stable improvement of employees' income (in the condition that the sweetness of grapes reached over 18 degrees).
2. Lessee's grape production base maintains the principle of "unified management and standardized production," adopts the compartmentalized management, unifies the technological standards, unifies the purchase and provision of production materials such as pesticide and fertilizers, unifies production management and technology services, and unifies the guaranteed-price purchase of grapes. In the way of each household's accounting its sale, the company signs a grape production contract with an employee, keeps the book of economic transactions with an employee, and settles accounts for an employee's income at the end of each year.

#### Clause 8: Disposal of Land at the Expiration of Contract

When the contract of land use right expires or the contract terminates earlier than the expiration date, grapevines and plantation facilities will be preserved and transferred to Contractor with no reimbursement.

#### Clause 9: Additional Rules

1. The revision, modification and termination of this contract will be effective only when the three parties of Leaser, Contractor, and Lessee signs the agreement.
2. In case that the contract cannot be maintained or a joint venture suffers a financial loss for consecutive years, the contract may be terminated and the land will be returned to Contractor.
3. As for the conflict which occurs from this contract, each party should resolve it through a good negotiation. In case that the conflict cannot be resolved by negotiation, an intermediary institute will have to intervene and resolve it.
4. Each of the four copies of this contract will be held by Leaser, Contractor, Lessee, and a notary public.
5. This contract will be effective from (day) (month) (year) to (day) (month) (year) after notarization.

(translation by the author)

**Dragon Grape Production Cooperative  
Grape Production Contract (Example)**

Company: Dragon Grape Production Cooperative

Contractor: Mr. A

Based on the relevant regulations of <Dragon Grape Production Cooperative's Supervision Policy in 2010>, both parties of Company and Contractor sign a grape production contract in 2010 through an adequate negotiation, and are committed to observe the contract.

1. The Object of Contract

Company agrees to contract (20) *mu* land of (Cabernet Sauvignon) variety to Contractor (Mr. A): The minimum production quantity is (500) kg per *mu*, and the minimum sweetness for grapes is (18) degrees. The latest harvest is scheduled by (30 September 2010).

2. The Period of Contract

This contract is effective for a year, from 1 March 2010 to 28 February 2011.

3. Company's Responsibility and Rights

- (1) Company is responsible for providing production materials such as water, fertilizers, and pesticides, and for supervising Contractor to use such production materials according to the regulated guidance.
- (2) Company provides Contractor with technical guidance for preventing disease and blight, managing soil, fertilizers, and water, and maintaining trellises.
- (3) Company is responsible for arranging and inspecting Contractor's tasks at each phase of grape production and overseeing Contractor's management progress and quality, and has a right to impose a proper penalty to those who do not satisfy the production standards.
- (4) Company has a right to determine the time of harvest within the agreed period according to the demand of production, and is responsible for settling accounts of Contractor's grapes.

4. Contractor's Responsibility and Rights

- (1) Contractor undertakes a contract for Company's vineyard, and has to pay a security deposit of 50 RMB per *mu*.
- (2) Contractor should complete production tasks in accordance with Company's regulations and guidance in a way of maintaining production quantity, quality and timeliness, and

observe Company's guidance of management, technology, and harvest. In case that Contract does not observe Company's guidance, a penalty will be imposed according to the cooperative's management regulations.

- (3) Contractor should manage Company's vineyards in a sincere manner according to Company's requests, and guarantee the sound growth of grapes.
- (4) As for the pesticide and fertilizers provided by Company, Contractor should use them according to the regulations, should not appropriate them for private interest, and should return the remainder to Company. If the act of pilfering or misappropriating is found, Company would impose a penalty of three times the original value of pesticide or fertilizers. If the infringement is serious, the case should be reported a legal institute and the contract would be terminated without a refund of the deposit.
- (5) Contractor should sell all the grapes that he or she produced to Company in a way of maintaining production quantity, quality, and timeliness, and should not arbitrarily dispose of the produced grapes. If the case of arbitrary disposal is found (including a sale to the third party, pilfer, mutual exchange, etc.), Company would impose a penalty of three time the value of the disposed grapes (at the rate that Company purchases grapes in the year). If the infringement is serious, the case should be reported a legal institute and the contract would be terminated without a refund of the deposit.
- (6) Contractor is responsible for maintaining and repairing irrigation canals, roads, borders, and levees, removing weeds along the farmland, keeping waste from the farmland, and preserving the orderly arrangement of grapevines and the appropriate ecological environment in the surrounding area.
- (7) Contractor is strictly forbidden to plant agricultural products arbitrarily other than grapes. If such a case is found, Company imposes a strict penalty to Contractor.
- (8) As Company does not collect stems and trunks removed from grapevines, Contractor may use them for fuel, but should not sell arbitrarily to the third party. If such a case is found, Company imposes a strict penalty to Contractor.
- (9) Contractor is responsible for protecting Company's vineyard, equipment, facilities, and grapes. If Contractor's negligence causes the damage of Company's property, Contractor should repair or recompense in due course. If Contractor intentionally neglects in repair or maintenance of the vineyard, affecting the production of grapes, Company has a right to impose a penalty to Contractor and terminate the contract.

## 5. The Method of Accounting Grapes

### (1) The Method of Accounting Grapes

- a. Basic notation: standard sweetness (18) degrees, production quantity per *mu* (500) kg = (1,000) RMB per *mu*.
- b. Up to 30% of the standard production quantity, Company purchases grapes at the rate of 3 RMB/kg. As for excessive production over 30% cap, Company purchases grapes at the rate of 1 RMB/kg. For 1% shortage of the standard production quantity,

Company reduces 1.1% of the basic notation. If production falls lower than 10% of the standard production quantity, it would be considered as a failure of crops. In this case, Company would seize Contractor's deposit of 50 RMB per mu, and has a right to terminate the contract.

- c. As for grapes under 30% cap of the standard production quantity, Company administers an incentive and penalty based on the sweetness of grapes: for each degree higher than the standard sweetness, an incentive of 0.25 RMB/kg is given: for each degree short of the standard sweetness, a penalty of 0.25 RMB/kg is imposed: for excessive production over 30 % cap, no incentive is given. In case that grape sweetness falls more than 2 degrees below the standard, a penalty of 0.25 RMB/kg is imposed for grapes up to the standard production quantity: grapes over the standard production quantity are purchased at the rate of 1 RMB/kg.
- d. In case that an inspection affirms a cold damage, Company compensates 500 RMB per *mu* to Contractor.

## (2) The Method of Accounting

The price of grapes = basic notation + (excessive production up to 30% cap – standard production quantity) x 3 + excessive production over 30% cap x 1 + excessive production up to 30% cap x 0.25 RMB/kg incentive (or -0.25 RMB/kg penalty) – production shortage ratio x basic notation x 1.1 (In case that grape sweetness falls more than 2 degrees below the standard, adjustment is made according to “d.”)

- (3) As Company imposes a penalty for other reasons, it is reflected in the settlement of accounts.
- (4) The settlement of accounts for grape price is due by 20 January 2011(± 10 days).
- (5) As for the quality of purchased grapes, their color should be evenly clear, and their rind should be clean: damaged grape < 1%; foreign matter < 0.5%; If failing to meet such standards, Contractor should reprocess grapes, or a penalty is imposed.

## 6. Additional Regulations

- (1) Both parties of Company and Contractor are not in a relationship of an employer and an employee. Hence, Contractor should heed to safety during production labor, and is solely responsible for safety.
- (2) During the contract period, if Contractor diminishes production to a great extent due to his or her management, Company may discontinue the contract with Contractor in the following year without a refund of the deposit (50 RMB per *mu*). In case of natural disasters or inevitable situations, Contractor may submit a petition, and Company would handle the case by taking into account the scale of natural damages and the propriety of Contractor's responding maneuver.

- (3) As for the delayed harvest (past the latest harvest time), Company will consider it according to the practical conditions.
- (4) During the contract period, Contractor should not arbitrarily transfer the contract to others. Contractor is responsible for the result of such an act.
- (5) Each copy of this contract will be held by both Company and Contractor. An additional copy of it will be kept at Dragon Grape Production Cooperative.

(translation by the author)

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