

# How Far Is the Ideal from Reality: Research on the Realistic Dilemmas and Solutions for Innovating Farmland Transfer Compensation Methods

—A Case Study of the Socialist New Countryside Pilot Zone in Guangdong Province

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## Abstract

With the continuous development of new types of agricultural operating entities, farmland transfer and its compensation methods have been evolving in practice, providing more institutional options for safeguarding farmers' land rights and broadening their income channels. However, constrained by multiple factors, the ideal compensation methods generally encounter implementation obstacles. Farmers remain at a disadvantage in the game of seeking optimal compensation arrangements. This dilemma stems primarily from multiple structural deficiencies, including farmers' low levels of self-organization, ambiguous positioning of government functions, and inadequate supporting mechanisms. To address this, from the perspective of supply-side structural reform, it is essential to systematically promote the optimization and innovation of farmland transfer compensation methods by consolidating farmers' self-organization and bargaining capabilities, promoting the transformation of government functions, establishing comprehensive service platforms for farmland transfer, and cultivating new types of agricultural social enterprises.

## Keywords

Farmland Transfer, Compensation Methods, Shareholding and Dividend Distribution, Supply-Side

## 1. Introduction

The modernization of agriculture and rural areas is a complex systematic project,

and the realization of moderate-scale agricultural operations also urgently requires the strong support of systematic reforms. From a practical perspective, under the legal and policy framework of the “three rights separation” of rural land, new types of business entities such as family farms still face many practical difficulties in obtaining moderately sized, contiguous, and stable-term contracted land through the transfer of land management rights (Liu, 2024). At the same time, the transfer of agricultural land in some areas shows a low-efficiency, slow, and even disorderly state, which is not only related to certain deficiencies in the institutional design but also to improper norms at the operational level. The main reason lies in the imbalance of the benefit distribution mechanism among the transfer subjects, resulting in insufficient transfer motivation on all sides (Nie & Nie, 2018). Therefore, innovating the compensation methods for the transfer of agricultural land and establishing a long-term mechanism to ensure farmers’ continuous income growth through the transfer has become an important breakthrough for promoting moderate-scale agricultural operations and achieving rural revitalization. The ideal compensation method refers to a farmland transfer mechanism that simultaneously ensures long-term value preservation for farmers, enables them to share in the benefits of agricultural industrialization, remains operationally feasible, and balances the interests of both transferring households and new agricultural business entities. This study’s orientation is not to prescribe a universally replicable model, but to examine how such an ideal can be progressively approximated through institutional adaptation and stakeholder coordination under real-world constraints.

This paper takes the Guangdong Provincial Experimental Zone for the Construction of a New Socialist Countryside (hereinafter referred to as the “Experimental Zone”) as a case study. Focusing on the various compensation mechanisms implemented during the farmland transfer process within the Experimental Zone, this study systematically examines their original design intentions, operational mechanisms, and limiting factors. Through the distillation and critical reflection on practical experiences, the paper aims to explore the optimization pathways and seek the “optimal solution” for farmland transfer compensation models. The \*optimal solution\* does not refer to a one-size-fits-all compensation model, but rather to a practical arrangement that, through continuous institutional adaptation and stakeholder interaction, comes as close as possible to the core criteria of the ideal compensation method—value preservation, benefit sharing, operational feasibility, and mutual reciprocity—under given institutional and interest constraints. It represents the best achievable equilibrium in the multi-party game.

Located in Fogang County, Qingyuan City, Guangdong Province, the Experimental Zone was established with the aim of exploring a new path for rural revitalization. This path is centered on institutional and mechanism innovation to stimulate endogenous rural momentum and resources, striving to form a sustainable, replicable, and scalable experience model (Xu, 2014). In recent years, building upon the comprehensive completion of land rights confirmation, the Experi-

mental Zone has actively guided new agricultural business entities, such as agricultural companies, farmer cooperatives, and family farms, to facilitate the contiguous transfer of land. This initiative aims to meet the objective demands of large-scale and industrialized agricultural development. Within this process, the innovation of compensation methods for farmland transfer has become a crucial link. The core proposition of this exploratory innovation is how to ensure the sustained growth of farmers' income through institutional design (Liu, 2007). It is important to acknowledge that a tension always exists between the ideal and reality; consequently, the reform and improvement of farmland transfer compensation mechanisms are destined to be a long-term process of continuous exploration and dynamic optimization.

## **2. Methodology**

This study adopts a qualitative case study approach. The Guangdong Provincial Experimental Zone for the Construction of a New Socialist Countryside was selected as the research case based on the following criteria: first, its pioneering role in institutional innovation for rural revitalization, which makes it a theoretically representative case; second, its long-term experimentation with various farmland transfer compensation mechanisms, providing rich empirical material for comparative analysis; and third, the presence of multiple compensation models coexisting within the same regional context, allowing for controlled observation of their respective operational dynamics. Data were collected through semi-structured interviews with local government officials, representatives of new agricultural business entities, and farming households involved in land transfers, supplemented by the review of policy documents, land transfer contracts, and archival materials related to the Experimental Zone. The research period spans from the establishment of the Experimental Zone to the present, with a particular focus on developments since the completion of land rights confirmation. Data analysis was conducted using thematic analysis, which involved coding, categorizing, and interpreting the qualitative data to identify patterns, mechanisms, and constraints associated with different compensation models. This methodological design enables the findings to be grounded in empirical evidence from the Guangdong case while providing a basis for broader theoretical reflections.

## **3. Analysis**

### **3.1. Exploring the Path of Innovation in Farmland Transfer Compensation Methods**

The effective transfer of rural land management rights is crucial for optimizing the allocation of land resources, enhancing agricultural production efficiency, and ensuring the sustained growth of farmers' income (Li & Shen, 2023). It serves as a critical lever for achieving rural revitalization. Within this process, establishing a scientific and reasonable pricing mechanism for land transfer plays a pivotal role

in perfecting the land transfer market and balancing the interests of multiple stakeholders (Liu, 2025a). Farmland transfer involves multiple interests, with the focal point of contention often lying between new agricultural business entities and farming households. In recent years, the Experimental Zone has fully leveraged the decisive role of the market while simultaneously enhancing the guiding role of the government. It has actively promoted innovation in farmland transfer compensation methods, effectively resolving the endogenous dilemma of interest gaming between new agricultural business entities and farmers. Practical experience has demonstrated that the innovation of farmland transfer compensation methods is not a simple technical adjustment. Rather, it is the outcome of long-term interaction and gaming among the government, the market, and farmers, conducted under the leadership of primary-level Party organizations. Through dynamic and innovative practices, a new path for development has been gradually explored.

### **3.1.1. Innovation in the Compensation Object: From “Cash Compensation” to “In-Kind Compensation”**

For an extended period, compensation for farmland transfer has predominantly taken the form of cash payments. While this method is straightforward and easy to implement, its drawbacks have become increasingly apparent, especially given the typically long transfer durations (often spanning twenty to fifty years). Lacking a dynamic adjustment mechanism, fixed cash compensation is highly susceptible to erosion by inflation, which diminishes the medium- to long-term income of farming households and can lead to new forms of distributive inequity (Huang et al., 2011). A pertinent example is the “Pastoral Idyll” project introduced in the Experimental Zone’s locality during the 1990s, which involved the transfer of thousands of mu of hilly land at a price of 10 yuan per mu for a duration of 50 years. To this day, bound by the original contract, farmers are compelled to accept this rental rate, which has severely deviated from current market value, for nearly another two decades—the resulting detriment to their interests is self-evident.

Drawing lessons from past experiences, farming households in the Experimental Zone have creatively proposed an “in-kind compensation” model during the recent wave of farmland transfers. This model designates a fixed quantity of rice per mu of land (for instance, the Experimental Zone’s “Guiding Opinions on Farmland Transfer” stipulates a reference compensation of 800 jin of rice per mu for first-class farmland) as the compensation object. The equivalent cash value is then calculated and paid annually based on the prevailing market price of rice for that year. This shift from “fixed currency” to a “commodity-based standard” embodies a core value: establishing an inflation-resistant mechanism. By linking compensation returns to the price of a staple commodity, it effectively safeguards the purchasing power of land transfer income for farming households, thereby achieving a value-preservation function for farmland compensation.

However, the in-kind compensation model also presents new operational chal-

lenges. The crux of the issue lies in determining the standard for converting the in-kind commodity into cash. Taking the example of the 800 jin of rice compensation standard, significant price differences exist between early-season rice and late-season rice due to quality variations. Deciding which price index or market time point to use for the cash conversion often becomes a focal point of contention between the parties involved in the transfer, demanding a higher level of precision and sophistication in grassroots governance.

### **3.1.2. Innovation in the Pricing Mechanism: From “Price Stability” to “Incremental Mechanism”**

If in-kind compensation addresses the risk of currency devaluation, then another core issue that must be confronted is the inherent nature of land itself as a scarce resource, whose value naturally appreciates alongside economic and social development (Liu, 2010). The stark contrast between the maximum transfer price of 200 yuan per mu in the Experimental Zone during the 1990s and the current guiding price of 800 jin of rice per mu (equivalent to approximately 1500 yuan) quintessentially demonstrates the evolving value of land over time. This gives rise to a practical concern: faced with transfer contracts spanning several decades, establishing a dynamic adjustment mechanism capable of reflecting changes in land market value becomes a crucial measure to prevent farmers' interests from being compromised over the long term. In practice, due to information asymmetry between capital investors and farming households, coupled with the absence of an authoritative system for dynamically assessing land prices (Li, 2022), a compensation growth mechanism based on “fixed-year increments” has emerged and gained widespread acceptance among households transferring out their land. This mechanism operates through contractual stipulations that mandate an adjustment to the compensation standard at specific intervals during the transfer period (e.g., every five or ten years), either according to a predetermined percentage or with reference to surrounding land prices.

The difficulty in implementing this mechanism lies in the inability to accurately predict market conditions several decades into the future at the time the transfer contract is signed. Consequently, this so-called “incremental mechanism” essentially represents a relatively fixed growth expectation negotiated between the two parties. It can effectively alleviate, though not completely eliminate, the imbalance of interests arising from increased land value. Determining how to set an increment range that is both acceptable to the business operators and capable of ensuring that farming households share in the added value from land appreciation remains a puzzle to be continuously explored in practice.

### **3.1.3. Innovation in the Income Structure: From “Guaranteed Baseline Compensation” to “Guaranteed Baseline Compensation plus Year-End Dividends”**

In farmland transfers, fixed guaranteed baseline compensation meets the basic expectations of farming households through its stability, yet its inherent limita-

tion—a lack of developmental potential—is also evident. In contrast, the “guaranteed baseline compensation plus year-end dividends” model organically integrates stability with developmental potential and is gaining increasing favor (Song et al., 2012). Essentially, this model involves farming households converting their land management rights into shares, thereby becoming shareholders in new agricultural business entities. In addition to receiving a fixed annual guaranteed return, they are entitled to dividends based on the entity’s yearly profitability. This innovation offers significant advantages: it enables farmers to combine “stable income” with “increased income,” allowing them to transcend mere land rent and share in the long-term benefits brought by agricultural industrialization; it also binds new business entities and farmers into a community of shared interests, which not only alleviates pressure on the entities’ early-stage cash flow but also strengthens farmers’ sense of ownership, fostering harmonious production relations and reducing transaction costs and social risks in long-term operations (Liu, Huang, & Wu, 2006); furthermore, it assists local governments in fulfilling their governance objective of “enriching the local population” by closely linking industrial development with farmers’ prosperity, thereby enhancing the endogenous momentum of industry-driven rural revitalization. However, the healthy functioning of the “guaranteed baseline plus dividends” model is highly dependent on the transparency of enterprise operating information. Dispersed smallholders naturally face information asymmetry and supervision difficulties when dealing with specialized enterprises. The critical question arises: who can effectively exercise shareholder rights and monitor enterprise operations on behalf of the farmers? If this issue is not properly addressed, dividend distribution risks becoming an “opaque accounting exercise,” potentially even sparking new conflicts. This represents a profound governance challenge that must be addressed in the practical implementation of this model.

#### **3.1.4. Innovation in Stakeholder Relations: From “Transfer Compensation” to “Equity Cooperation”**

Within the farmland transfer market, in addition to direct engagement with farming households, “sub-leasing” practices are also common. In such arrangements, certain landholders consolidate contiguous land areas through transfers and subsequently seek cooperation with larger-scale agricultural projects. For these sublessors who control land resources, the appeal of merely capturing the differential between sub-leasing income and transfer compensation is limited. They tend to prefer a deeper integration with new agricultural business entities—specifically, by contributing their consolidated land management rights as equity. This facilitates a leap from a “transfer relationship” to “equity cooperation,” enabling them to share in the long-term operational returns of the agricultural enterprise (Luo, Zhu, & Li, 2009).

In farmland transfers, particularly under the equity cooperation model, the four types of actors exhibit distinct differences in their rights, risks, and bargaining positions: Farmers, as holders of land contract management rights, are the origi-

nal rights holders. However, they are dispersed and lack organizational capacity, facing information asymmetry and the risk of long-term income erosion, placing them in the weakest bargaining position. Sub-lessors acquire land management rights through transfers from farmers and serve as land consolidators. Their legal status is relatively ambiguous, as their rights derive from upstream contracts, yet their control over contiguous land grants them considerable bargaining leverage. New agricultural business entities are the ultimate land recipients responsible for project operations. Given the scarcity of capital, they enjoy strong bargaining power with the local governments (Liu & Jin, 2006), but bear operational risks and governance costs associated with equity cooperation. Local governments play multiple roles as rule-makers, interest coordinators, and industrial promoters. They face inherent tension between protecting farmers' interests and attracting capital, which often leads to contradictory positioning in practice. These actors derive their rights from different sources, face different risk exposures, and occupy different bargaining positions, together constituting the fundamental source of complexity in the innovation of compensation methods.

However, this innovative model encounters bidirectional resistance in practice. On one hand, new agricultural business entities, prioritizing simplified management and clear property rights, often favor the straightforward transfer compensation model and adopt a cautious stance towards complex equity cooperation arrangements. On the other hand, the land management rights involved in equity cooperation are more complex in terms of legal definition. This complexity is particularly pronounced when the sub-lessor itself obtained the management rights through an initial transfer, rendering its legal status and the boundaries of its rights relatively ambiguous. This ambiguity further heightens the concerns of incoming capital investors (Cao, 2009). Furthermore, the asking price of sub-lessors is typically higher than that of ordinary farming households. However, because the land they have consolidated is often situated in the core areas planned for agricultural projects, they possess a difficult-to-replace locational advantage. This positions them favorably in negotiations with new business entities, compelling both sides to explore more diversified cooperation models. This evolution from "transfer" to "equity cooperation" reflects the deepening of stakeholder relations and the increasing complexity of interest structures within the farmland transfer market. It also imposes higher demands on the supporting institutional framework and the standardization of contracts.

### **3.2. Practical Dilemmas in Innovating Farmland Transfer Compensation Methods**

As the core link in farmland transfer, the determination of compensation is directly related to the success or failure of the transaction. However, due to the profound divergence of interests between the parties involved in the transfer, reaching an agreement on compensation methods has always been a difficult point. Precisely because of this, innovation in compensation methods has become a crit-

ical support for promoting farmland transfer. Yet, it is also this very divergence of interests that subjects the innovation itself to inherent tensions and multiple practical dilemmas. The practical dilemma lies in the inherent trade-off: compensation models that best balance the interests of multiple stakeholders tend to be operationally complex and difficult to implement, whereas models that are simple and convenient often lack dynamic adjustment mechanisms, thereby undermining farmers' long-term interests. This tension reflects the structural contradictions among capital's profit-seeking nature, farmers' limited bargaining power, the positioning of local governments, and the capacity for institutional support.

### **3.2.1. The Profit-Seeking Nature of Capital Inhibits Innovation in Farmland Transfer Compensation Methods**

Pursuing profit maximization is an inherent characteristic of capital. For new agricultural business entities, obtaining the maximum return at the minimum cost is the initial purpose and core driving force behind their investment in agriculture. When applied to the domain of farmland transfer, this logic manifests as a specific preference regarding compensation methods: they tend to favor the simplest, most direct, and most convenient compensation models, striving to minimize land costs (Liu, 2008). Consequently, fixed-standard cash compensation becomes their preferred choice, while they naturally resist innovative models requiring ongoing negotiation or dynamic adjustment, such as in-kind compensation, year-end dividends, equity cooperation, or market-linked pricing. Of course, this preference on the part of capital is not solely driven by the impulse for profit; it is also supported by practical lessons learned. In past experiences, some farmland transfer projects adopted complex cooperation models only to encounter phenomena such as mid-contract farmer defaults or opportunistic rent-seeking ("holding to ransom") through demands for rent increases, which severely impacted the stability of land rights and the operational expectations of the business entities (Liu, 2025b). As some scholars have noted, land transferees prefer to acquire land through simple methods precisely to minimize uncertainties in later-stage operations (Lin, 2009). During the Experimental Zone's process of introducing agricultural industry projects, there were instances where investors withdrew precisely because the design of farmland transfer compensation methods was deemed too cumbersome, ultimately leading to the abandonment of entire agricultural projects. This illustrates that capital's preference for simple compensation methods is both a manifestation of its profit-seeking nature and a reactive response to past lessons. The path dependency formed by this preference objectively constitutes a significant obstacle to the innovation of compensation methods.

### **3.2.2. Farmers' Capacity to Protect Their Rights Affects Innovation in Farmland Transfer Compensation Methods**

In stark contrast to the powerful position of capital, farmers are often at a disadvantage in the game of negotiating farmland transfer compensation methods. Research indicates that damage to farmers' rights and interests is relatively common

during current rural land transfer processes, primarily manifested in forms such as persistently low and fixed transfer prices, unreasonable income distribution, unauthorized changes in land use, and violations of farmers' rights to information, participation, and decision-making (Dong & Wang, 2020). The deep-seated root of these problems lies precisely in the insufficiency of farmers' capacity to protect their own interests. In fact, the process of determining farmland transfer compensation methods is essentially a process of multi-party negotiation and gaming (Ding, 2008). In this process, a significant gap exists between dispersed smallholder farmers and externally sourced capital with a higher degree of organization, in terms of organizational capacity, negotiating ability, and gaming power. Capital owners often prefer not to deal directly with dispersed farmers, instead tending to request that local governments act as intermediaries to resolve issues related to land consolidation for transfer. Simultaneously, farmers also lack sufficient trust in capital owners. A common sentiment is, "Enterprises can just leave if they don't make money, but the government can't run away," leading them to prefer signing contracts with the government rather than directly with the enterprise. This trust in the government, while certainly creating conditions for reaching cooperation (Pu, 2020), also subtly alters the dynamics of the gaming structure. The problem arises when local governments, motivated by considerations of developing the local economy, actively intervene to help capital owners resolve land transfer issues. In such cases, the dispersed smallholder farmers, in their game over compensation methods, are effectively no longer facing capital owners as equal transaction partners, but rather the local government, which should ideally be protecting their interests. Within this gaming structure, the local government theoretically ought to act as the guardian of farmers' interests. However, under the practical pressures of project implementation, the balance can sometimes inevitably tip in favor of capital. Consequently, the structural deficiencies in farmers' rights protection capability not only limit their voice in choosing compensation methods but also deprive innovation in compensation methods of effective impetus from the demand side.

### **3.2.3. The People-Centered Stance of Local Governments is Prone to Deviation in the Gaming Process**

The stance of local governments in the game over farmland transfer compensation methods is a significant variable influencing whether innovation can be successfully implemented. Objectively speaking, government intervention has, to some extent, ameliorated the disadvantaged position of farmers in spontaneous transfers—by integrating dispersed individuals into a collective acting in unison, farmers' market adaptability and price negotiation capabilities have been enhanced, yielding tangible benefits (Gao, 2019). However, prior research is not lacking in critical examinations of potential "collusion" between local governments and capital. The complexity of the issue lies in the fact that the local government's original intention in introducing external capital is fundamentally still focused on increasing farmers' income and promoting rural revitalization; indeed, there is a genuine

will to safeguard farmers' interests during the project introduction process. Yet, in practical operation, this will often confront a dilemma.

On one hand, for local governments, capital is scarcer than land, and externally sourced capital is more powerful than dispersed farmers. Under the pressure of industrial development and economic growth, local governments find themselves having to tilt somewhat towards the capital side in the gaming process. This is less an active choice than an unavoidable response under structural constraints. Of course, in many cases, the government's trade-offs regarding the interests of both parties are also made out of consideration for the farmers' long-term interests (Li & Zhang, 2010). On the other hand, the diverse and uncoordinated demands of dispersed farmers invisibly increase the government's coordination and transaction costs. When certain demands are set aside or abandoned due to coordination difficulties, these farmers become "those whose interests are compromised" in the government's mediation process.

Thus, the role of local governments in the innovation of farmland transfer compensation methods is inherently contradictory: they are simultaneously integrators and enhancers of farmers' interests, yet they can also become a constraining factor on innovation due to structural pressures. This dilemma of a potentially deviating stance constitutes an institutional predicament that is difficult to circumvent in the innovation of compensation methods.

#### **3.2.4. The High Complexity of Farmland Transfer Compensation Methods Poses Significant Operational Difficulties**

Theoretically, the various innovations in farmland transfer compensation methods are all intended to find a point of convergence for the interests of both parties involved in the transfer—to maximize the protection of the rights and interests of transferring households, provided it is acceptable to the capital side. However, an unavoidable reality is that the compensation methods best able to balance the interests of multiple parties are often the most operationally complex. This complexity manifests across multiple dimensions. Transitioning from cash compensation to in-kind compensation necessitates the establishment of an authoritative certification mechanism for the annual rice price, and the question of "who certifies" becomes the primary challenge. Shifting from one-time compensation to a "guaranteed baseline plus dividends" model requires in-depth understanding and continuous supervision of the enterprise's operational status, with "who supervises" presenting a new challenge. Moving from transfer compensation to equity cooperation involves exploring new business models following the contribution of land management rights as shares, making profit distribution a core point of contention. Changing from price stability to a mechanism responsive to market fluctuations demands the creation of an authoritative system for price calculation and dynamic publication. Each of these points illustrates a fundamental principle: the more advantageous the compensation method, the higher its implementation threshold and the greater its operational difficulty (Xiao et al., 2009).

The deeper implication of this dilemma is that optimizing farmland transfer

compensation methods is no longer a task that the two parties involved in the transfer can accomplish independently based solely on their own capabilities. It requires the active participation of the government or third-party forces, as well as the support of coordinated systems and technical conditions. Beyond the realm of interest gaming, the absence of technical means is becoming a significant factor constraining the realization of optimal compensation methods. This also signifies that innovation in compensation methods is not merely an adjustment of interest relations, but also a test of governance capability.

### **3.3. The Path to Deepening Innovation in Farmland Transfer Compensation Methods**

Innovation in farmland transfer compensation methods is crucial for the smooth progress of farmland transfers. However, this innovation is neither a short-term project to be completed overnight nor a purely theoretical academic proposition. It requires continuous exploration and ongoing adjustment within concrete practice. More critically, the innovation of compensation methods does not exist in isolation; it requires the coordinated promotion of a series of supporting mechanisms and institutional backing. In other words, within the process of integrated urban-rural development, farmland transfer is an inevitable trend. Effectively managing this trend depends on profound institutional innovation—particularly cultivating a deep institutional environment and social soil for the innovation of farmland transfer compensation methods. To deepen the innovation of farmland transfer compensation methods, efforts should focus on improving the land transfer price formation mechanism. This should be based on stable property rights protection, centered on free market transactions, keyed to effective transfer services, and safeguarded by bottom-line government regulation (Tang & Chen, 2025). From the perspective of coordinated multi-stakeholder action, the following four pathways should be systematically advanced.

#### **3.3.1. Reconstructing Rural Society to Enhance Farmers' Self-Organizational Capacity**

The formation of farmland transfer prices depends not only on market supply and demand but is also significantly influenced by the bargaining power of the two parties under conditions of information asymmetry (Wang, Ren, & Yu, 2018). Therefore, the foundational project for innovating farmland transfer compensation methods lies in reconstructing rural society, enhancing farmers' self-organizational capacity, and thereby strengthening their overall bargaining power in the game over compensation methods. Specifically, efforts should focus on the following aspects: First, fully leverage the traditional blood and geographical ties within rural society, activating the self-governance resources embedded in rural society, enabling farming households to form interest communities based on the trust inherent in an acquaintance society. Second, while respecting the individual interests and autonomous choices of farming households, promote the reshaping of a modern rural community. Guide farmers to unite through organizational

forms such as cooperatives and land shareholding cooperatives, transforming dispersed gaming into collective bargaining. Third, strengthen the fostering and empowerment of farmer cooperative organizations. Through policy support, capacity building, legal services, and other means, enhance their professional competence and negotiation skills in dealings with capital. Only when farmers transform from dispersed individuals into organized collectives can their subject status in the innovation of farmland transfer compensation methods be truly established, and the innovative impetus originating from the demand side be effectively activated (Yu, 2011).

### **3.3.2. Transforming Government Functions to Strengthen Service and Supervision Functions**

The functional orientation and behavioral patterns of grassroots governments have a crucial impact on the innovation of farmland transfer compensation methods. The fundamental solution to the dilemma of the government's shifting center of focus in the game lies in promoting a profound transformation of local government functions. Under the new historical conditions, local governments should gradually extricate themselves from the specific transactional work of farmland transfers, changing their previous role of deep involvement and negotiating on behalf of others. Instead, they should focus on macro-level functions such as building trading platforms, supplying rules, and providing policy supervision. First, the government should return to its fundamental role as a rule-setter and order-keeper. By improving farmland transfer regulations, clarifying operational norms for compensation methods, and establishing dispute mediation mechanisms, it can provide an institutional framework for the autonomous negotiations between the parties involved in the transfer. Second, the government should shift its work focus towards service provision, striving to reduce the transaction costs for both parties, rather than negotiating on behalf of one side. Third, the government should strengthen its bottom-line regulatory functions, ensuring that farmland transfers do not cross the red line of farmland protection, do not harm the basic rights and interests of farmers, and do not undermine rural social stability. However, regarding autonomous negotiations between the parties that remain within these bottom lines, the government should maintain full respect and restraint. Only in this way can the government transform from a participant in the game to a guardian of the rules, creating a favorable institutional space for the reform and innovation of farmland transfer compensation methods.

### **3.3.3. Strengthening Platform Construction to Safeguard Farmland Transfer Compensation**

To address the dilemma where numerous challenges in the farmland transfer process often exceed the capacity boundaries of the two parties involved in a single transfer case, the government should strive to promote the construction of farmland transfer trading platforms and public service systems. The establishment of farmland transfer trading platforms aims to provide an open and transparent arena

for negotiating compensation methods in a more standardized, institutionalized, and procedural manner, thereby effectively reducing transaction costs and mitigating information asymmetry. Building on this foundation, the improvement of the public service system for farmland transfer needs to be systematically advanced from multiple dimensions: First, introduce professional intermediary organizations to leverage their unique advantages in information collection, coordination of stakeholder interests, and transaction cost reduction (Cai, Guo, & Liu, 2021), thereby filling the functional gap between government services and market entities. Second, establish and refine an in-kind land rent price publication mechanism. Relying on authoritative departments or third-party institutions, regularly publish official guiding prices for major agricultural products to provide an objective basis for converting in-kind compensation into cash. Third, form a professional team for enterprise operation supervision, or entrust an independent third-party institution, to track and supervise the operational status, especially profits and losses, of incoming new agricultural business entities. This provides information assurance for farmers participating in year-end dividend distributions. Fourth, establish a land value monitoring and publication mechanism to regularly assess and announce dynamic trends in regional land prices, providing data support for the dynamic adjustment of farmland transfer compensation prices. Fifth, strengthen the construction of relevant laws and regulations, clarifying the legal validity and dispute resolution pathways for each link in farmland transfer compensation, thereby providing a legal safeguard for the innovative practice of compensation methods (Lv & Jin, 2012).

Through the systematic construction of the aforementioned platforms and service systems, the technical support and institutional environment required for innovation in farmland transfer compensation methods will gradually take shape.

#### **3.3.4. Guiding Enterprise Transformation to Create a New Type of Agricultural Social Enterprise**

The core of innovating farmland transfer compensation methods, in the final analysis, pertains to the issue of benefit distribution. Farmland transfer aims to achieve large-scale operation and develop modern agriculture, but the development of modern agriculture itself primarily addresses the issue of production efficiency, not benefit distribution. Therefore, how to reasonably distribute the gains from increased efficiency between capital and farming households can only be resolved through the farmland transfer compensation mechanism. The key to optimizing this distribution pattern lies in the social responsibility awareness of agricultural enterprises and their willingness to yield profits. Based on this, deepening the innovation of farmland transfer compensation methods requires guiding agricultural enterprises to transform into a new type of agricultural social enterprise. The so-called new type of agricultural social enterprise refers to a new business entity that, while pursuing its own sustainable development, internalizes the mission of driving farmers' income growth and promoting community development. Cultivating such enterprises should focus on the following aspects: First,

focus on cultivating new agricultural operators with social entrepreneurship, enabling them to establish a concept of shared development from the outset of their investment in agriculture, viewing farmers as partners rather than mere factors of production. Second, through policy guidance and honorary incentives, enhance the sense of social responsibility of leading agricultural enterprises, encouraging them to proactively adopt innovative models in compensation method selection that better benefit farmers, such as guaranteed baseline plus dividends and equity cooperation. Third, establish regular communication platforms between enterprises and farmers, promoting the formation of interest communities based on mutual trust, enabling enterprises to consider the long-term interests of farmers while pursuing their own benefits. Of course, emphasizing corporate social responsibility does not require enterprises to abandon their own profitability. The vitality of the new type of agricultural social enterprise lies precisely in its ability to achieve a win-win situation of increasing farmers' income and enterprise development over the medium to long term. Only when enterprises recognize that treating farmers well and innovating compensation methods are not just moral choices but also strategic necessities for sustainable development, can the innovation of farmland transfer compensation methods truly gain endogenous impetus from the supply side.

#### **4. Findings**

In summary, the innovation of farmland transfer compensation methods is essentially a game of interests among the three main parties: capital, farmers, and the government. Research indicates that the practical dilemmas are concentrated in the profit-seeking nature of capital rejecting complex compensation models; farmers being in a disadvantaged position in the game due to insufficient self-organizational capacity; local governments facing a dilemma between industrial introduction and farmer protection; and the ideal optimal compensation methods lacking implementation support due to their complex mechanisms. Resolving these dilemmas requires systematic efforts: by reconstructing rural society to enhance farmers' self-organizational capacity and consolidate the impetus for innovation; by transforming government functions to strengthen services and supervision and optimize the institutional environment; by strengthening platform construction to improve public services and provide technical support; and by guiding enterprises to transform into a new type of agricultural social enterprise to stimulate supply-side vitality. Future research can continue to delve deeper into the microscopic operational mechanisms of different compensation methods, focus on the enabling role of digital technology, strengthen cross-regional comparisons, track the coupling mechanism between corporate social responsibility and the protection of farmers' rights and interests, and promote the two-way interaction between theory and practice.

#### **5. Limitations**

The findings of this study are derived from a single-case analysis of the Guang-

dong Provincial Experimental Zone for the Construction of a New Socialist Countryside. As such, several limitations should be acknowledged. First, the Experimental Zone was intentionally established as a pilot site for institutional innovation, endowed with concentrated policy support and administrative resources that may not be replicable in ordinary rural areas. This unique context may amplify the scope and pace of compensation innovation, potentially limiting the direct transferability of specific outcomes. Second, the Fogang region benefits from its proximity to the Pearl River Delta, with relatively developed market infrastructure and government capacity—conditions that differ substantially from less accessible or economically disadvantaged rural regions. Third, the findings are shaped by the specific historical trajectory of land transfers in the area, including the prior experience of the “Pastoral Idyll” project, which created a distinctive collective memory that influenced subsequent negotiations. While the compensation typologies, stakeholder dynamics, and institutional dilemmas identified in this study may resonate beyond Fogang, the particular configurations and sequencing of innovations should be interpreted with attention to local context. Future comparative research across multiple cases with varying socio-economic and institutional conditions would help delineate which mechanisms are context-dependent and which hold broader applicability.

## 6. Conclusion

This study sets out to examine the innovation of farmland transfer compensation methods through an in-depth case study of the Guangdong Provincial Experimental Zone. By systematically analyzing four compensation innovations—in-kind compensation, incremental mechanisms, guaranteed baseline with dividends, and equity cooperation—the paper has elucidated the design intentions, operational mechanisms, and limiting factors of each model. The findings reveal that while these innovations collectively represent a departure from the traditional fixed-cash compensation paradigm, their implementation is fraught with inherent tensions. The profit-seeking nature of capital tends to favor simplicity and stability, often resisting complex arrangements that would better protect farmers’ long-term interests. Dispersed farmers, despite being the nominal rights holders, lack the organizational capacity to assert their preferences effectively in the negotiation process. Local governments, caught between the dual imperatives of industrial promotion and farmer protection, frequently find their position shifted in practice, becoming both enabler and constraint. Moreover, the very features that make a compensation model more equitable—such as inflation adjustment, profit-sharing, and dynamic pricing—also render it more operationally demanding, exposing gaps in institutional capacity and technical support.

The concept of an ideal compensation method, defined in this study by the criteria of value preservation, benefit sharing, operational feasibility, and mutual reciprocity, serves as a normative anchor against which these practical innovations can be assessed. The optimal solution, as this study argues, is not a single blueprint

but rather the best attainable equilibrium under given constraints, reached through iterative adjustment and multi-stakeholder negotiation.

To deepen such innovation, this study proposes four complementary pathways: reconstructing rural society to enhance farmers' self-organizational capacity, transforming government functions toward service and supervision, strengthening platform construction to provide institutional and technical support, and guiding enterprises toward a new type of agricultural social enterprise model that internalizes shared prosperity as a strategic objective. Together, these pathways address the structural underpinnings of compensation innovation rather than treating it as an isolated technical adjustment.

Ultimately, the innovation of farmland transfer compensation methods is not a one-time reform but an ongoing process of institutional adaptation. It reflects the broader challenge of rural revitalization in contemporary China: how to balance efficiency with equity, capital with community, and market forces with social protection. The Fogang case offers both practical lessons and theoretical insights into this complex endeavor, suggesting that the path forward lies not in searching for a perfect formula, but in cultivating the institutional conditions and stakeholder capabilities that enable continuous improvement toward more just and sustainable outcomes.

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## Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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