

Supporting policy, legal and institutional frameworks
for the reform of forest tenure in China's collective
forests and promoting knowledge exchange

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Assessment of Forest Tenure Trade Centers in Anhui Province



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Assessment of Forest Tenure Trade Centers in Anhui Province

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**State Forestry Administration of China
Food and Agriculture Organization of the United Nations**

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1. Introduction

1.1 Description of the Issue

In the collective forestry tenure reform, many provinces in China have started pilot programs of forestry tenure trade centers (FTTCs) in selected counties. Its purpose is to provide a market platform for the deployment of forest resources and the transfer of forest tenure and use of rights, and further to implement scale forestry management and hasten forestry marketing services. After a couple of years' experiments with FTTCs, it will be interesting to look into the issues that how these centers are operating, and what are the effectiveness of the overall performance compared with the pilot goals. The joint FAO-SFA-EC project on Supporting Policy, Legal and Institutional Frameworks for the Reform of Forest Tenure in China's Collective Forests and Promoting Knowledge Exchange (GCP/CPR/038/EC) initiated the 2nd phase of study focusing on this issue.

Succeeded in the bidding process of the project in November-December 2009, the Research Institute of Environmental Law Institute of Wuhan University undertook FTTCs case studies in Anhui and Hunan Provinces in early 2010. This technical report is the synthetic study outcomes of FTTCs in Anhui Province.

1.2 Literature Review

1.2.1 Overview on the Reform of Collective Forestry Tenure

Since the founding of New China, the property system of forestry resource has repeated several transitions. The Academia divided the period of forestry property system reform since 1949 into four periods, five periods, six periods or eight periods.¹ On the whole, most of the scholars agree that China's reform of forestry resource property experienced the following important periods: Land Reform, Collectivization, Rural People's Commune Movement, Three Fixes of Forestry Reform and the reform of collective forestry tenure (CFT). Taking the research objective of this project into consideration, the literature review of in this section focuses on the deepening period of the CFT reform starting in 2003.

Since 2003, the reform of forest resource property stepped into the deepening period in which our government attached much importance than ever to forestry development and forestry property system reform. Especially, after the national meeting on forestry work in

¹ See Qiao Yongping, Nie Ying, Zeng Huafeng, *Overview on the Reform of Collective Forestry Tenure*, in Bulletin of AnHui Agronomy 2007(8), p5.

2003, the local government, one after another, hosted a new round reform of CFT. During this period, there were three landmark documents worthy of concern:

The Central Committee of the Communist Party of China (CCCPC) and the State Council issued the *Decision on Accelerating the Forestry Development* in June 2003. The *Decision* put forwards the general requirements on accelerating the CFT reform: to bring forest resource property reform into the whole rural tasks, incorporate the forestry resource property reform with rural tax and fee reform, re-structure of government institutes and social security system reform, further safeguard the usufruct rights to forest farmers and take audacious steps to develop the non-public ownership system of forestry.

CCCPC and the State Council issued another important document – the *Opinions on Extensively Carrying out the Reform Collective Forest Tenure* in July 2008. This *Opinion* extended the household-contracting responsibility system on rural land to forestry sector which triggered a new round of the CFT reform. The *Opinion* required extensively the concluding of the task of reform on clarifying the forestry property rights and contracting the forestland tenure to households within five years. Based on the aforementioned reform, governments should deepen the CFT reform to build up the healthy development mechanism of collective forestry gradually. Since then, the CFT reform, which takes clarification of property rights as the main reform and takes the deregulation of management rights, implementation of disposal rights and safeguard of earning rights as the coordinated reform, is going on across the whole country.

The national work meeting on forestry work in June 2009, which has been the first nationwide meeting in forestry work since 1949, required consolidating the supporting system of forestry and optimizing the policy environment of forestry reform. The meeting also required improving the administration system of forestry and innovating operation mechanism of forestry after finishing the reform tasks of clearing forestry property rights and contracting forest to households. Furthermore, the meeting emphasized on establishing and improving the transfer system of CFT, regulating the transfer of contracted forestry management rights and forests ownership, promoting moderate scale operation of forestry, optimizing the distribution of forestry elements, establishing and improving social service system for forestry. The new social service system for forestry should integrate the profitable and non-profitable services and harmonize the professional and comprehensive services.

1.2.2 The Achievements and Predicament of the CFT Reform in New Period

The CFT reform after 2003 made great achievements. The tenure of 1.47 billion mu of collective forestland has been clarified in 27 provinces (autonomous regions and municipalities) at the second half of 2009, which accounted for 59.8% of total forest in China. Among them there were 0.988 billion mu for household contracting management occupying 67.2%, 0.331 billion mu for collective management occupying 22.5%, 0.151 billion mu for other management models occupying 10.3%. The tenure of 1.426 billion mu forestland has been confirmed, representing 62.96% of total forestland of 19 provinces in which the CFT reform has been comprehensively implementing. Hebei, Hubei and Anhui Provinces and Chongqing Municipality have almost completed the reform of clarifying forestry property rights after Fujian, Jiangxi, Liaoning, Zhejiang and Yunnan Provinces finished CFT reform. The above mentioned 9 provinces have confirmed the tenure of 0.935 billion mu collective forestland, accounting for 93.78% of their total forestland. There are 44.64 millions collective forest tenure certificates have been authorized, covering 1.05 billion mu forestland, which constitutes 71.4% of the forestland under the CFT reform.²

From the aspects of emancipating productive forces and distributing the property right of forest resources, the positive results of CFT reform included that CFT reforms' promoted the effective use of forestry resources, tapped the potential of forestry land, emancipated the productive forces of forestry and reformed the basic operation system in rural area;³ stimulated peasants' initiative to grow, cultivate and protect the forest, therefore accelerated ecological construction; increased the income of forestry farmers; and promoted the construction of new countryside and harmony society.

However, there are problems in CFT reform in the new period. The most discussed problems in CFT reform by the academia include:

(i) ambiguous ownership and unclear tenure of forestry, which is manifested in unclear property rights of forestry, defective disposal rights and usufruct rights of forestry trees, unreasonable profit distribution system of forestry land, unclear relationship of rights and responsibility between the owner and manager of forestry land, distorted principal-agent relationship between the owner and agent, etc;

(ii) unperfected transfer system of forestry tenure, which manifested in unsmooth market of collective forestry tenure, higher transaction cost, non-unified transaction

² State Forestry Administration, *Review on the Forestry Development in Our Country: the progress of RCFT*, available at <http://www.glyjy.com/Article/ShowArticle.asp?ArticleID=797>, last visiting on 29 January 2010.

³ Qi Lian, *Overview on RCFT: Breakthrough of Rural Reform in China*, in Green Times, 29 July 2008.

standard, lower transaction level, simplified transaction means, non-standardized transaction service and sluggish transaction supervision;

(iii) existing system unable to keep up the pace of CFT reform. ⁴

1.2.3 The Laws, Regulations and Policies on the Collective Forest Tenure Reform

The main contents of law and policy on transfer of forestry tenure and market for forestry tenure transaction are as follows:

1.2.3.1 Law and Regulation

The main laws ⁵ and regulations including:

(a) *Constitution Law 1982* and *Land Administration Law 1998*, which stipulates that the right to the use of land can be transferred in accordance with the law.

(b) *Forestry Law 1998* regulates that the ownership of timber forests, economic forests and firewood forests and its woodland can be transferred according to the law. It can also be priced and converted into shares or used as conditions for equity or cooperative joint ventures for forestation and operation of trees.

(c) *Country Land Contracting Law 2002* stipulates that the right to contracted management of land can, according to the law, be transferred by the means of subcontracting, renting out, interchange, cession or other means.

(d) *Regulations for Conversion of Farmland to Forests 2002* regulates that the woodland from conversion of farmland to forests and the contracted management right to afforested waste hills and lands can be inherited and transferred according to the law.

1.2.3.2 National Policies

The main policies include:

(i) *Decision on Several Problems on Perfecting Socialist Marketing Economy of CCCPC 2003* required the safeguarding of all kinds of property rights according to the law, perfecting regulations and the supervision system on property rights transaction, promoting the transaction of property rights in order, ensuring the equal legal status and developing rights of all market subjects.

(ii) *Decision on Accelerating the Forestry Development 2003*, issued by CCCPC and

⁴ Liu Deqin, Xia Yongming and Tian Xiaoli, *Analysis on Property Right System of Collective Forestry*, in *Forestry Economy of China 2006* (5), p10.

⁵ National laws are enacted by the National People's Congress (NPC) of PRC.

State Council. It pointed out that the State encouraged the reasonable transaction of forests, trees and the right to use woodland on the base of clear ownership, and all kinds of social subjects were able to participate the transaction by the means of contracting, renting, cession, auction, negotiation and assignment.

(iii) *Opinions on Enhancing the Transaction of Collective Forestry Tenure* 2009 by State Forestry Administration (SFA) in October 2009 regulated the transaction of collective forestry tenure from five aspects: to consolidate the households contracted management of woodland, to establish the normative and orderly mechanism for the transaction of collective forestry tenure, to improve the guidance for the transaction of collective forestry tenure, to safeguard the transaction order of collective forestry tenure, and to prohibit enforcing or hindering the peasant to transfer their forestry tenure.

1.2.4 Establishment and Operation of the Transaction Market for Forestry Tenure

There were 426 transaction organizations for forestry tenure and 427 appraisal agencies for forestry property in 19 provinces (autonomous regions and municipalities) currently. There were 43.6 million mu of collective woodland that was transferred, accounted for 3% of the total tenure-confirmed woodlands. There were 12.15 million woodland parcels that were transferred; the total amount of the transaction was 16.9 billion Yuan, the average transaction price being roughly 387 Yuan per mu. 356 thousands special cooperatives of forestry were established in 18 provinces in China, 17.57 million households joined the cooperatives accounting for 12% of the total households in China. The cooperatives operate 0.16 billion mu of woodlands accounting for 11% of the total tenure- confirmed woodlands. ⁶

At the time when forestry tenure transactions are sprouting and the cooperative economy is emerging, it is imperative to seize the moment to establish more transaction platform for forestry tenure. The existing forestry transaction platforms include forestry property trade centers, special cooperatives for agriculture and forestry and property trade centers, etc. Some people think that it is necessary to build up professional transaction organizations for forestry property. It is expected that the unified transaction rules, unified transaction documents, unified transaction system, unified transaction accounts settlement, unified information announcement and unified supervision to the forestry property trade centers and relevant intermediate organizations in key forestry counties (cities) will promote the scale and intensive operation of forestry property and contribute significantly

⁶ State Forestry Administration, *Review on the Forestry Development in Our Country: the Progress of Reform of Collective Forest Tenure*, available at <http://www.gljy.com/Article/ShowArticle.asp?ArticleID=797>, last visiting on 29 January 2010.

to perfecting the market-oriented resource distribution.⁷

Others believe that the forestry property trade centers should be operated as enterprises. The joint-stock enterprise should be approved by competent authority, sponsored by relevant units and jointly invested by enterprises, research institutes and financial organizations.⁸ Based on the operation model that the owners and operators are independent, the trade center should conduct independent accounting and management, and is responsible for its profit or loss.

Forestry Property Right Exchange of China (FPREC) was established in Beijing in 23 November 2009. FPREC is a national transaction platform for forestry tenure and forestry resource approved by the State Council, jointly supported by the State Forestry Administration and the People's Government of Beijing Municipality. It was formulated according to the model of state-owned holding company. FPREC consists of the trade center for forestry elements, trusteeship and registration center for forestry tenure transaction, appraisal center for forestry property, comprehensive trade center for bulk forest commodity, etc. The services provided by FPREC including trusteeship and its information inquiry for the transaction of trees and woodland, raising funds by mortgaging certificates of forestry tenure, appraisal of forestry property, bulk transaction for forestry commodity. FPREC also releases publicly the information about transaction of forest tenure, mortgage financing by forestry tenure certificates, and marketing the state of forestry transaction.

In general, the main content about the operation of trade centers for forestry tenure is as follows:

(i) Transaction Subjects. In principle, the market participants in trade centers for forestry tenure including the owners, trusteeship company for trees, investor, relevant staffs, brokers of forestry tenure, etc.

(ii) Transaction Objects.

(a) Ownership of trees. The ownership of trees must meet the following requirements: the trees should grow up on the woodland which the owner has obtained the right to use, meet the standards provided in *Interim Administration Measures on the Quality of Trees 2002*, and obtained the certificate of forestry tenure in accordance with the law.

⁷ State Forestry Administration, *Deepening the Reform of Collective Forest Tenure: Review on the Situation of Implementing the Spirits of Forestry Work Meetings of Communist Party of China (Fourth)*, available at <http://lygg.forestry.gov.cn/ZhuantiAction.do?dispatch=content&id=205562&name=lqgg>, last visiting on 13 January 2010.

⁸ Sun Wei, *Primary Analysis on the Establishment and Operation of Regional Trade centre for Forestry Property*, in *Environment* 2007(11), p101.

(b) Certificates of Ecological Compensation for Forest. This kind of certificate is issued to the forest owner according to the ecological capacity of forest, which is determined by the forest area, forest reserves and other standard to manifest ecological function. According to the law, the stipulated user of forest must purchase Certificate of Ecological Compensation which is the equivalent to the ecological function of the forest consumed, otherwise ecological consumption and other behaviours that affect the ecological environment will be regarded illegal and be prohibited.⁹

(c) Share of forest. The shares originated from the joint stock cooperative system of afforestation and the joint stock reform on collective-jointly managed woodlands.¹⁰

(d) User rights to woodlands. User rights to woodlands refers to the right of using specified areas which confirmed for afforestation only by the competent forestry authority and competent land authority, and manifested by the certificate of right to use woodlands.

(iii) Trade forms. The main transaction means including negotiating transaction, bidding transaction, auction, intermediary transaction and other means permitted by the acts and regulations.¹¹

1.2.5 Transaction of Collective Forestry Tenure in Anhui Province

Anhui province is one of the collective forestry regions in South China. There are 66.05 millions mu of woodland in Anhui province of which 92% is collective woodland. Because of ambiguous property rights, unclear responsibilities and inactive operating mechanism, the enthusiasm of forestry farmers cannot be motivated to develop forestry production. Though, the Three Fixes of Forestry¹² was implemented in early 1980s and 83% of collective woodlands was contracted to households, the enthusiasm of forest famers were not motivated for the reasons of rough boundary settlement and the unclear four boundary of a piece of woodland. In 2006, four counties (cities and districts), Huangshan, Ninguo, Nanqiao and Huaiyuan, were selected as pilot areas to conduct the reform on the collective forestry tenure system. Based on the former experiment, a new round of reform on collective forestry tenure system was going on in Anhui province in 2007.

In general, the development of forestry tenure transaction experienced three periods in Anhui province: the period of contracting to large households in the mid and late of 1980s;

⁹ Zhang Dahong, *the Problems of Forestry Economy Development in China: Basic Points, Perspective, Approach*, in *Green China 2005*(2), p27.

¹⁰ Sun Wei, *Primary Analysis on the Establishment and Operation of Regional Transaction Center for Forestry Tenure*, in *Environment 2007*(11), p101.

¹¹ Sun Wei, *Primary Analysis on the Establishment and Operation of Regional Transaction Center for Forestry Tenure*, in *Environment 2007*(11), p101.

¹² In the 1980's reform of CFT, households were fixed to take fixed responsibility of management to fixed forestland.

the period of eliminating waste hills and whole society to develop forestry in 1990s; the period of reform on extensively pushing forward the collective forestry tenure system in full swing since 2007. In the third period, because of stable forestry policies and improving supporting measures, the transaction of forestry tenure is really emerging and developing rapidly, the price of woodlands is increasing substantially.

A new round reform on collective forestry tenure system was started in 2007 in Anhui province. From 2007 to September 2009, 42.5 thousands cases of forestry tenure transfer were conducted, the areas transferred were 2.973 million mu, and the transaction revenue amounted to 2.19 billion Yuan. To the first half of 2009, the boundary of 52.89 million mu of woodlands that was settled accounted for 99.1% of the total woodlands that were needed for boundary settlement, which in turn affected 6.58 million households. At the same period of time, 2.33 millions certificates of forestry tenure were issued, covering 50 millions mu and accounting for 93.7% of the total woodlands that were needed for tenure certificates. Through the reform, the legal rights of forestry farmers were protected by the law, the enthusiasm of public to invest in forestry increased, conservation of forestry resource was enhanced, and rural livelihoods were more stable and harmonious.¹³

However there are “three low” problems in the transaction of forestry tenure in Anhui province. Taking Xuancheng as example these problems were observed as follows. The first problem was the low proportion of forestry tenure transaction. The area transferred only occupy 11.1% of the total area of woodland, furthermore, only 7% of forestry tenures was transferred to professional production companies. The second problem was the low level of transaction. The main transaction means in Xuancheng were contracting, cession and renting. The area circulated by these means accounted for 60% of the total circulated area. The forestry farmers only obtained the cheap rent of forestry tenure. Only 72,000 mu was circulated by the new transaction means such as conversion of the forestry tenure into shares, which occupied 6% of the total circulated area. The last problem was the low concentration of transactions that reduced the scale merit.¹⁴

In order to regulate the transaction of forestry tenure, the CCP committee and government of Anhui province and some county governments also made some policies, such as *Opinions on Promoting the Reform on Collective Forestry Tenure System* by the CCP committee and people’s government of Anhui province in 2007, *Opinions on Accelerating the Reform on Forestry Economic System* and *Notification on Accelerating the*

¹³ Wang Sanyun, *Deepening the Reform on Forestry in Anhui Province*, in *Anhui Forestry* 2009(4), p9.

¹⁴ Shi Li, *Transaction of Forestry Tenure Waiting for the Supporting Reform*, in *Anhui Daily* on 21 September 2009, at page B010.

Whole Society to Develop Forestry by Department of Forestry of Anhui province in 2004, *Implementation Plan of Reform on Collective Forestry Tenure System in Anhui Province* by Department of Forestry of Anhui province in 2007. The interim administration measures on transaction of forestry tenure at the level of county and city have been introduced, for example, *Interim Measures for Management of Forestry Tenure Transfer of Huangshan District* in 2004 and *Interim Measures for Management of Forestry Tenure Transfer of Yi County* in 2009, etc.

2. Objectives and Methods

2.1 Objectives

The objectives of the assessment and analysis of the FTTCs' case studies were designed as: to examine the existing institutional settings and operations of FTTCs; to understand various points of views of the different stakeholders within FTTCs; to assess experiences and lessons learned of forest tenure trade, and identify factors for success, challenges, main bottlenecks; and to make recommendations to improve efficiency and effectiveness of FTTCs and the policies, laws and regulations as well as institutional frameworks related to FTTCs.

2.2 Methods

The FTTCs' case studies have been applied multiple methods including:

(i) **literature review and desk study** of legal and policy documents for recent collective forest reform with emphasis on collective forest tenure reform and transaction at both the national level and the provincial level, and the practice of FTTCs in Hunan Provinces;

(ii) **Survey and interviews** of various stakeholders or actors of FTTCs who have direct and indirect impacts or interests through a set of questionnaires reflecting the effectiveness of FTTCs;

(iii) **Normative analysis** of the legitimacy and rational of the FTTCs, and **SWOT** (Strength, Weakness, Opportunities and Threats) assessment of success, challenges, main bottlenecks of FTTCs, followed by recommendations to improve the policy, institutional and legal environment of FTTCs.

3. Basic Information

3.1 Study Objects and Study Areas

The FTTCs of Huangshan District and Yi County in Huangshan City were selected for case studies of forest tenure trade centers in Anhui Province in coordination with the Forestry Department of Anhui Province in January 2010.

3.1.1 Huangshan District

Huangshan District is the county in the pilot reform of collective forestry rights in Anhui Province. It completed its majority reforms in December 2007, and commenced forestry rights transfer in early 2004.

The total territorial land of Huangshan District is 2,462,000 mu, of which 1,928,000 mu is forestry-use land, accounting for 78.3% of total territorial land. In the District, the population is 16.3 million of which 12.5 million are forest farmers. Within the forestry-use land, there is 1.751 million mu woodland, 151,000 mu shrub land, and 6,000 mu sparse woodlot, 16,000 mu immature forest land, and 4000 mu other forest land. In Huangshan District, commercial forests and ecological forests occupy respectively 1.213 million mu and 0.715 million mu, accounting for 62.9% and 37.1% of total forestry-use land. The coverage of state-owned forestland and collective forestland are respectively 0.188 million mu and 1.74 million mu (including 0.7 million mu mountainous field entrusted to the state to manage), taking up 9.8% and 90.2% of the total forestry-use land. By 2008, upon the boundary survey, 48,000 forestland tenure warrants had been granted to related forest stakeholders in the coverage of 1.64 million mu forestland and 95% of it being collective forestland.¹⁵

3.1.2 Yi County

Yi County is one of key forest region in Anhui Province; its forest tenure trade center was established only a couple of years ago. The County is located in the mountainous area of southern Anhui Province, with a total territorial area of 861 km². The Country is geographically divided into north and south mountainous areas with the size almost in half of each (accordingly 425 km² and 436 km²). The County administrates 8 townships, 66 villages and 3 communities (Community residential committees) in the total population of 96,700 people. Forestry in Yi County plays an important role and has become the leading engine in the development of regional economy. The total area of forestry-use land in Yi County is 1.091 million mu, equal to 85.26% of total territorial land. The forest coverage of

¹⁵ Data sources: Huangshan District Forestry Bureau, *Bulletin of Forestry Condition of Huangshan 2008*, <http://hsly.gov.cn/DocHtml/1/2009/4/17/782536093135.html>.

the county is 79.79%.

Yi County is well-known for its rich history, Hui culture and well preserved forest landscape. Wood and bamboo manufacturing are the traditional industries while tourism is the newly erected one. In order to protect the ecological environment and forest landscape, the county government has taken some supportive policies against forest resource overuse, such as enclosing the hills for natural regeneration, encouraging afforestation and providing incentives to bamboo forestation and production. These policies have significant impacts on trade and transfer of forest ownership and forestland tenure.

3.2 Description of Case Studies

Coordinated and instructed by the project management offices of the SFA and the Forestry Department of Hunan Province, the following FTTCs at county level and township level have been selected for case studies: the Huangshan District Forestry Production Elements Market; and the Yi County Forestry Comprehensive Services Center (FCSC) and two service stations of Yuting township and Hongcun township named as the Forestry Integrated Administrative and Executive Brigade (FIAEB).

Stakeholders of FTTCs for the survey and investigation for their respective perceptions on FTTCs have been targeting the groups as: beneficiaries - forest farmer cooperatives, small scale forest farmers and forest related processing enterprises; and forestry officials – they are working at the township governments and county forestry bureaus, and provincial forestry department. Among the beneficiaries, the forest farmers or farmers' cooperatives that the study team interviewed for the abovementioned FTTCs were spread out in: 2 villages in Huangshan District - Xiangfu village in Yongfeng Township and Taoyuan village in Wushi Township; and 6 villages in Yi County – Xingguan, Zukeng and Sixi villages in Hongcun Township; Hongguang village in Hongxing Township; Fengwu village in Biyang Township; Xiafu, Tuanjie, Waiken, Sanyou and Nanma villages in Yuting Township. There about 90 households and forestry entities and more than 20 officials were interviewed in Anhui field survey.

3.3 Information on Investigated FTTCs

3.3.1 Huangshan District

The FTTC in Huangshan District is the Forestry Production Elements Market (FPEM), whose other name is the Forestry Service Centers of the Comprehensive Administrative Service Center (CASC) of Huangshan District Government. The FPEM was set up in September 2007 according to two policy documents- the central *Opinion of the Central*

Committee of Communist Party of China and State Council on Extensively Promoting the Reform of Collective Forest Right System, and the provincial *Opinion of the Anhui Provincial Committee of Communist Party of China and the People's Government of Anhui Province on Extensively Promoting the Reform of Collective Forest Right System*. It has been the first FTTC in Anhui Province. The FPEM occupies operational office of 120 square meters and offers one service window for six service centers. The “six service centers” refer to:

- the forestland title registration and administration center,
- the forest resources’ assets appraisal centers,
- the forestland tenure and forest property rights trade center,
- the forestland tenure mortgage loan center,
- the forestry investment guarantee center, and
- the forest resources assessment center.

"A window" refers to a service platform to receive all applications for administrative services. There 8 staffs serve in the FPEM currently, who were all shifted from various sections of the District Forestry Bureau. The staffs were trained in many forums for example, participating in internal meetings of the forestry bureau or other place. The District Forestry Bureau provided office expenses, office space, electronic information inquiry system, computers and printers and other equipments.

The FPEM is also a mission institution of CASC of Huangshan District Government under the administration of the CASC and the technical instruction of the District Forestry Bureau. It is an institution to provide comprehensive services including information dissemination, transaction, intermediation services and administrative integrated services in forestry. The FPEM has not yet installed with a fixed institutional level and numbers of staffs. That is why its staffs all came from the District Forestry Bureau. The principal functions of the FPEM are defined as:

- to provide an integrated service window for all forestry matters. For this purpose, it has duties to accept all forestry applications from the public, and organize and coordinate relevant divisions in the District Forestry Bureau and related institutions to conduct administrative review, registration and permission and other technical or technological operations;
- to be responsible for official registration of forests ownership and forestland tenure and user rights, the management of wood ownership transfer and mortgage loan on forestland tenure rights and related mortgage registration;

- to collect, refine and publicize supply-demand information in forestry;
- to organize the transactions of forest property, wood , bamboo and other forest products; and
- to provide advisory services on forestry laws, regulations and policy, as well as technical services on forestry technology and training.

On the basis of township forestry stations, two townships established, “Forest Asset Trade Service Stations” (FATSS, or Forest Asset Trade Markets) to extend and supplement the FPEM services down to township level. The major functions of township FATSS are: to disseminate transaction information about wood and bamboo products timely; facilitate trade negotiation and contract signing; conduct intermediate services; and collect and report trade information on wood, forests and forestland tenure rights for the FPEM.

Moreover, in order to enhance the function of the FPEM, the District Forestry Bureau set up the Forestry Resources’ Asset Appraisal Center in support with Forestry Survey and Design Academy. Meanwhile the Forestry Security Branch Company subordinated to the SME (Small-Medium sized Enterprises) Credit Guarantee Co. Ltd. were merged.

3.3.2 Yi County

The FTTCs for case studies in Yi County are the Yi County Forestry Comprehensive Services Center (FCSC) and two Forestry Comprehensive Services Stations (FCSSs) of Yuting Township and Hongcun Township, whose other names are the Forestry Integrated Administrative and Executive Brigades (FIAEBs).

The Yi County FCSC was established in October 2008 followed by the Yi County *Interim Measures for Management of Forestry Tenure Transfer* in January 2009. In July 2009, the Yi County FCSC was recognized by the Organization Committee of Yi County and set as a section-level agency with an approved personnel of 10 staff, all of whom belong to the public sector. The functions of the FCSC are to:

- provide an integrated one-stop service for all forestry matters, the same as the function of the Huangshan FPEM;
- be responsible for the management of registration of forest ownership and forestland user rights, and management of such forestry rights transfer, and registration of mortgage on forest tenure rights;
- collect, compile and disseminate supply-and-demand information on forestry;
- organize forest resources evaluation and survey and plan forestation development;

- organize the implementation of transactions forest property, wood, bamboo and other forest products;
- provide advisory services about forestry laws, regulations and policy; and
- provide forest technology services and forestry technical training.¹⁶

There was seven staff in the FCSC, five of which were paid by the county governmental finance and other two by the country forestry bureau. The FCSC's office expense including space and information system was borne entirely by the county forestry bureau. The FCSC has an office area of 130 square meters on the first floor of the Technology Center Building of Yi County Forestry Bureau, equipped with a quite large transaction hall, an archives and five services windows accordingly for:

- wood and bamboo transport permits and quarantine permits,
- forestry administrative licensing and approval,
- register of forest ownership and forestry rights mortgage,
- evaluation of forest resources asset,
- planning and design of forestry development,
- consultancy on forestry laws, regulations and policy , and
- forestry technology assistance and training.

The center is a comprehensive service body that provides integrated administrative services of forestry, transaction services and disseminate forest market information.

By using the website of the county forestry bureau and making online linkage with other departments in Yi County and other forestry bureaus and FTTCs outside of Yi County, the FCSC has built an online service platform and information system in forestry. On the site of the FTTC office, a large LED screen has been equipped for displaying forestry trading information continuously. There is a screen computer placed in the hall for clients to search for relevant forestry information freely.

The FCSC has run pilot programs to extend forestry integrated services including forestry rights trade service at township level. Upon the basis of the FIAEBs, two township FCSSs were formulated. The Yutin FIAEB was set by the Yutin Township government on August 2007. The Yuting FIAEB shares the same office with Yuting Forestry Police Station, and its staffs came from the Yuting forestry police station, Yuting wood and bamboo supervision station and Yuting forestry work station and Xidi forestry work stations. Similarly, the Hongcun FIAEB was set up in October 2008, in lead of Hongcun Forestry

¹⁶ Yi County Government, *Reply of Approving the Establishment of Yi County Integrated Administrative Service Centre for Forestry*, Yi Personnal Document No. 2009(8) .

Police Station, with 2 staff shifted from the Hongcun forestry work station, 5 from the wood and bamboo supervision station, and 5 from the forestry police station. It is known as the FIAEBs and the FCSSs are “two brands in one troop”. The FCSSs have had no additional fund received from the county forestry bureau. The original responsibilities of FIAEBs were: to offer wood and bamboo logging license, collect forestry fees and offer transport license, provide advisory services about forestry laws and regulations and resolve forestry and forest ownership disputes. The FIAEBs as township FTTCs extend the forestry trade service down to the township, mainly in collecting and compiling and disseminating supply-demand information on wood, trees and forest products, and reporting and verifying forestry right trade information to the County FCSC.

4. The Forms and Operational Procedures of Forest Tenure Trade and/or Transferability

4.1 The Existing Forms of Forest Tenure Trade and/or Transferability

There are two types of forest assets trade in the FTTCs¹⁷ according to the object-matter of the trade. One is forest production elements mainly trees and wood, and the other is forestland. To each trade of object matter, there are three forms of forest assets trade that exist – the trade in FTTCs, intermediate trade and direct trade. The intermediate trade and direct trade are the most traditional trade forms and could be applied in various transactional ways such as informal compact auction or bidding, so that are used far more often than the trade in FTTCs which was not too long emerged.

4.2 The Procedures of Forest Tenure Trade and/or Transferability

4.2.1 The Trade of Forest Production Elements

Different from the FTTCs in Hunan Province that have been specialized in the transfer of the forestland tenure, the Anhui FTTCs (at least in Huangshan District and Yi County) run transaction business for wood and trees and other forestry production elements. It is free for farmers to choose if to trade trees and wood in the FTTCs or by other traditional means. The survey found that most farmers, who usually sell a small amount of wood and bamboo, were keen to take intermediate or direct negotiation trade, by which disputes seldom occur. To the trade of large amount of wood, the trade through the FTTCs with competitive procedures for example, bidding will show its advantage and therefore many

¹⁷ Although there are various names from place to place for the institutions that deal with forest resource and asset transaction, this report uses the common term, FTTCs.

buyers are keen to take this form.

4.2.2 The Transfer of Forestland Tenure

The transfer of forestland tenure may take various forms such as cession, mortgage, shareholding, lease, exchange, and subcontracting. The individual farmers could process their forestland tenure transfer either in the FTTC or by direct trade. Direct trade is more likely to be taken if there is no compulsory provision. However, if forestland tenure transfer is made by means of cession or mortgage such transfer deals have to get an approval by the forestland owner, the collective village or the council (though village decision meetings); after the completion of transfer, both parties have obligation to conduct the registration of forestland tenure alteration in the forestry authority. If forestland tenure transfer is taken by the means of shareholding of the enterprise, the registration of alteration is needed too. If taking forestland tenure as a cooperation condition, alteration registration is not needed but putting it on official record is required.

For the transfer of collective joint forestland tenure the collective council or village have to publicize collective members with the transaction scheme according to *Country Land Contracting Law* and get two-thirds collective members or villagers' delegates of the village decision meetings agreed. Afterwards the transfer deal could go for the township forestry work stations and governments to review and approve. As for country rules, the transfer of collective joint forestland tenure has to carried out the forest asset appraisal by a qualified forest asset appraisal institution, and be transacted in the FTTCs.

4.3 The Importance of Forest Tenure Trade Centers in the Total Forest Tenure Trade

The FTTCs have played positive roles in the forest tenure trade since they were established. These roles have been analyzed below.

First, the FTTCs regulated the procedure of forest tenure transfer and user rights and reduced the disputes on forest tenure. For instance, the Huangshan District started the forest tenure trade in 2001, but its operation was irregular - the transfer contracts was full of loopholes, the land tenure alteration register was widely ignored, and often disputes occurred on those forestland that tenure and user rights were still in dissension. After the establishment of the FTTCs, the forest tenure transaction has to abide with the uniformed local rules. One of them is that forestland tenure in dissension is not eligible to be traded and/or transferred. The relevant procedure of alteration or record of transferred forestland tenure was imposed. These dramatically reduced the likeliness of dispute occurrence.

Second, the transfer of collective joint forestland tenure has been well regulated to

restrain from the “black-box” operation. Previously, in the course of transfer of collective joint forestland tenure there were no requirements on the publicity of forestland transfer schemes to collective members, forest assets appraisal, and bidding or auction trade. The transfer process used to be controlled by village leaders confidentially. Low sale thus happened often which damaged the common profits and interests of the whole collectives. By introducing new procedures such negative impacts were seldom repeated.

Third, the FTTCs released supply-demand information timely to enhance the forestry marketing service. Through the network and other information platforms of the FTTCs more social bodies were able to access the trading information, and run better forestry business. This was helpful to advance the degree of forestry marketing.

Forth, the FTTCs promoted the value of forest resources and increase market prices of forest resources. Obviously, the auction of forestland tenure and regular competitive sale of large amount of wood in the FTTCs have boosted the price of forestland and wood. This enabled forest farmers to enjoy value-added benefits. For example, in Huangshan District, the price for 30 years cession of forestland tenure per mu increased from about 1000 Yuan in 2006, to 2500-3000 Yuan in 2010.

However, the majority forestry bodies - farmers have limited knowledge about the FTTCs as they are indeed very new institutions. The questionnaires statistics shown in Table 1 manifested that about 8% interviewed farmers in Huangshan District and 15% in Yi County had taken part in the activities of the FTTCs (including information inquiry);¹⁸ and about 92% interviewed farmers in Huangshan District and 84% in Yi County deemed that the FTTCs had not yet played any role in their forestry business. Therefore, an important issue in the future is how to let the most widely spread farmers get assistance and services from FTTCs.

Table 1 Farmers’ Evaluation of the importance of FTTCs

	FTTCs were important		FTTCs were not important	
	A. Trading in the FTTC frequently	B. Trading in the FTTC occasionally	C. Trading in the FTTC seldom	D. Other
Huangshan District (27 interviewees)	0	7.4%	70.4%	22.2%

¹⁸ The reason why more interviewed farmers in Yi County had knew the FTTC probably was that the Yi County FTTC was working closely with the Forestry Integrated Administrative and Executive Brigades (FIAEBs), whereas in Huangshan District, the FTTC works quite independently.

Yi County (53 interviewees)	5.7%	15.1%	34.0%	50.9%
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4.4 The advantage and Disadvantage of Each Form of Forest Tenure Trade and/or Transferability

4.4.1 Forestland Tenure Transfer

As collective joint forestland usually exists in large size, therefore collective joint forestland tenure is very popular to forestry managers. The transfer of collective joint forestland tenure enables forestry farms or large forest farmers able to have large pieces of forestland to manage scale forestation. In this regard, taking direct trade of forestland tenure will have advantages in simple procedures, but it often causes some negative results such as the process being non-transparent, the trade price being low and the village leaders making commission for their own. Thus the simpler procedure has threats in the majority collective members' benefit. The trade via the FTTCs can guarantee openness, fairness and justice in the aspect of procedures, and improve the transaction price. Owing to the county rules for the trade of collective joint forestland tenure being requested to take assessment procedures so as relevant expenses being involved, the transaction cost has increased.

If forestry farmers trade household forestland tenure by means of cession, its advantage is that they could get higher profit at one time and buyers would also attain relatively large size of forestland. Its disadvantage is as obvious as forest farmers would lose entire user rights of their forestlands for cession time and their livelihood would be in risk if they do not have a stable income. Meantime the buyers would face more cash pressure because of the one-time pay-off. If forestry farmers transfer forestland tenure by shareholding or lease, they could enjoy profit for long term and probably with low income, and buyers would lose independent control of transferred forestland although the transaction price they pay could be much cheaper. The exchange and subcontracting of forestland tenure which are usually applied between forestry farmers in the same collective village have shown the advantages in easy management of large scale forestlands, labour saving, simple and convenient process of transaction; the difficulty remains as farmers themselves have limited resources and relatively weak capacity in scale forestry management.

4.4.2 Wood and Forest Products Trade

The advantage of trading large deal of wood and forest products through the FTTCs is

obvious. The transaction process is regulated and transparent, in which the “black-box” operation has been avoided totally, and by deploying the auction procedure, the trade price will get higher than the trade outside of FTTCs. The large deal sale in the FTTC can ensure forestry processors to have stable material supply. The disadvantages of the trade in FTTC are that the more strict trading procedures are applied, the more time and expense are incurred. Long and complex procedures hinder individual farmers to access to FTTCs. To the small deals of wood and forest products, direct negotiation trade is more flexible and easier to manage although the sale price for farmers could be a little bit lower.

5. An Analysis of Performance and Transactions of the FTTCs

5.1 Trade and Management System and Operational Procedure

5.1.1 Forestland Tenure Trade

First of all, the trade of joint or common collective forestland tenure and user rights must be conducted through the FTTCs according to county rules. The specific procedure of such trade in local practice is observed as the collective village: to formulate the transfer scheme; this forestland tenure transfer scheme to be put forward to the village decision meeting and get agreements of over two-thirds members of villagers’ delegates or villagers; to apply the proposed deal to the township people’s governments for review and approval; then the village to apply for the trade in the FTTC; to delegate the certificated institution generally the forestry investigation and design center of the county to conduct forest asset appraisal and get the deal ready to be traded in the FTTC; to sign the transaction service contract with the FTTCs where specific trade form of bidding or auction is to be applied. By the service contract, the FTTC provides transaction services until the end of the trade, including: to publicise the application of bidding or auction trade, to dispatch bidding invitation letters to potentially interested buyers, to convene the bidding workshop, to sign the agreement and contract of forestland tenure transfer after the bidding procedure, and to assist in implementing the contract, and to deputy official registration of the alteration of the transferred forest tenure.

If the individual farmer takes the trade in the FTTC to transfer his or her household forest land tenure and user rights, the following procedures will involve: the farmer to submit the application of the trade to the FTTC and sign the transaction service contract with the FTTC where a specific form of trade for example, negotiation trade or auction trade is selected, to sign the trade agreement and contract after successful negotiation, and to assist in implementing the trade, and finally to deputy official registration of the

alteration of the transferred forestland tenure. Compared to the FTTC trade for joint collective forestland tenure, the trade for individual farmers omits the step of getting approval of collective villagers, and the procedure of forest asset appraisal becomes optional.

5.1.2 Forest Products Trade

Forest farmers can also choose to sell their trees or forest products in the FTTCs. In this case, competitive sale for better price is the objective. The procedures of such trade for example wood bidding in the FTTCs are: the FTTC to issue the announcement of the bidding in the public, the tenders to register the bid and submit the bid, the FTTC to open the bid and determine the successful tender, the tenderee and tender to sign the trade contract and implement the contract by supply of wood and settlement of payment.

5.2 Transactions and Other Service Supplied

5.2.1 Transaction Service

Presently the main trade services delivered in the FTTCs include the following aspects.

(i) Information service

The supply and demand information about forestland tenure trade, wood sale, seeding supply and price inquiry of all these kinds were collected and publicised by FTTCs mainly through the forestry information network. All FTTCs have targeted large forestation farmers and forest processing enterprises as their VIP customers and provided special services by regular communication and special message distributions through telephoning or mobile text message.

(ii) Forestland tenure transfer service

The FTTCs will provide services as to reviewing and accepting the application of forestland tenure trade, and organizing and implementing bidding procedures.

(iii) Trade service on forest production factors

It includes:

- to provide the location for negotiation for trading forestry production elements (wood bamboo products and processing equipments, forestry technologies etc.),
- to act as a go-between for the deal,

- to pre-review and organize the bidders to have on-site check into the object-matter under auction,
- to publicize auction, and
- to process the procedures of auctions or bidding. As the FTTC has not yet been qualified in auction business by law, in some occasions as the state-owned forestland tenure trade, the certificated auctioneers are to be entrusted by the FTTC to preside over the auction procedures.

5.2.2 Financing Service

All FTTCs were engaging in financing services, providing services on financing service below.

- (i) Forestry assets appraisal. This can be carried out by the entrusted accounting firm, or the forest asset appraisal centers, levied by service fees.
- (ii) Mortgage loan by forestland tenure certificates. The two county's FTTCs have developed this service. The Huangshan District established the Forestry Branch Company of the Small and Medium Sized Enterprises' Credit Guarantee Co. Ltd. to specialize in this service. The Forestry Branch Company has provided services for 56 deals of mortgage loan by forestland tenure certificates, amounting to 29.39 million Yuan and covering 470,000 mu of forestland; among them there were 12 deals made for farmers amounting to 480,000 Yuan and covering 1000 mu of forestlands. In Yi County the total amount of forestry mortgage loan reached 175,500 Yuan, of which 93.45% were assisted by the FTTC.

5.2.3 Administrative Service

The FTTC either in Huangshan District or in Yi County is a service branch to the comprehensive administrative service system of the country government. In addition to providing the trade and transaction service for forestland, wood and trees, it provides relevant administrative services with regard to administrative permission and management to the public and interested citizens.

- (i) To conduct administrative permission and review that are authorized by the county forestry bureau for wood transport permission, certificates for quarantined forest plants, register for tenure alteration of forestland and mortgage loan on forestland tenure.
- (ii) To accept all applications of forestry administrative permission or forestry technical services and forward to relevant forestry sections to handle, for example, to forward

applications of logging allowance and wood processing permission to the forest resource section, and forward forest asset appraisal application to the forest asset appraisal center.

- (iii) To respond forestry petitions. The FTTC will conduct investigation, verification and reply to all complaints and petitions by letters and visitors, assist in settling disputes on the forestry tenure, and offer consultation on forestry regulations, policies and technologies upon request by clients.

5.3 The Advantage and Disadvantage of the Transaction in Forest Trade Centers in Comparison with Other Trade Forms

Trading in the FTTCs has following advantages.

- (i) It provided the just and well-regulated procedure and led too much less occurrence of disputes on forestland tenure.
- (ii) It ensured the transaction of collective joint forestland tenure in transparent and publicized process with wider public participation and in avoidance of “black-box” operation.
- (iii) It increased the price of trading objects and ensured farmers to get benefit from fair trade. For instance, in September 2009 the Qingxi Forest Farm of Wushi Township in Huangshan District traded the user rights of 865 mu of forestland at a price of 2.68 million Yuan by auction while its reserve price was 0.7 million Yuan. And in another auction trade of 3.6 million cube meters log (accounting for 10% of the total wood transaction volumes of the county) in Yi County, its final purchase price was 2.448 million, and the unit log price was improved by 87 Yuan at a growth rate of 12.8%.¹⁹
- (iv) It provided convenience for forest farmers to deal with all forestry-related affairs in the FTTCs which were designed as a part of integrated administrative services system of the government.
- (v) It accelerated scale forestry management, and offered an alternative means for forest farms to sell wood through the auction in the FTTCs except for the traditional purchase channel. To most forest processing enterprises FTTCs were more efficient to reach forest materials compared to traditional purchasing wood directly from individual and small suppliers mostly forest farmers.

¹⁹ Data source: the interview of the director of the Yi County FTTC.

The weakness of trading in the FTTCs has been observed:

- (i) Compared to direct negotiation trade, the trade in FTTCs involved normative and complex procedure and increased time consumption.
- (ii) The operation of FTTCs was confined for certain object-matter. Only the state-owned or some of the collective joint forestland tenure and trees or staple wood were traded in the FTTCs, whereas forest shareholding and individual small forest trees and other forest production element were rarely traded.
- (iii) The trading cost increased by charging related fees. The collective forestland has to be appraised before trading occurs according to county rules. This inevitably involved asset assessment fees.²⁰
- (iv) Trade information service was not sufficient. All trades in the FTTCs were confined within the county. All trade information was collected in a relatively passive way, mainly from trade applications and reporting by township forestry work stations. In contrasting, intermediate or direct trade has formed stable business models in which information sources were quite ample.

5.4 The Experience and Lessons-learnt in the Forest Trade Centers

The main experience that FTTCs have achieved in the short experiments is as follows.

- (i) It defined the service of FTTCs as public service and designed it as a part of the administrative comprehensive service system of the country governments. The FTTCs provided multiple administrative services in forestry sector through one service window of the FTTC to the public. It benefited forestry stakeholders and improved the efficiency of the forestry administration.
- (ii) It formulated county rules for forestland tenure transaction and trade rules for FTTCs; and the related systems and institutions such as the forestry asset appraisal, the credit guarantee company for forestry mortgage loan were innovated. Such legal and policy and institutional transformation have resulted in positive social effects in terms of forestland tenure trade and transactions.
- (iii) The transaction of collective forestland tenure and wood has been imposed of the forest asset appraisal and the trade procedure of FTTCs. This helped build a fair, just and open transaction process to crack down on non-transparent operations and protect the interests of farmers.

²⁰ The levy standard for the service of forest resource asset appraisal is 2-2.5% of appraisal value.

- (iv) Except for forestland or forest wood that has been brought into the FTTC to trade, the transaction platform of the FTTC has been extended to the township. These enlarged the scope of forestry elements market and involved a broader collective of social participants.
- (v) County rules allowed public-welfare forestland tenure to be transferable with restrictive conditions of keeping land usage nature in ecological conservation and undertaking administrative review and approval. Social investors were encouraged to engage in public-welfare forests stewardship for conservation.²¹ These local rules were fairly innovative and different from national policy.

Lessons from FTTCs' practice are observed as follows:

- (i) The market-oriented operation of FTTCs was not suitable for current forestry conditions. As traditional trade modes were still dominant in the forestland tenure transaction, the FTTCs were recognized rarely at the grass-roots level, and the trade volume of the FTTCs was very limited.
- (ii) The FTTCs in priority served large farmers or farms or processing entities that have been in scale management and quite often ignored individual farmers. Processing enterprises, large forestation farmers, and bulk wood traders were VIP customers to FTTCs while the needs of forest farmer cooperatives and individual farmers have not become major concern of FTTCs.
- (iii) The collection and distribution of supply-demand information was excessively reliant on the internet system. No doubt, the internet is necessary, but at present the most common and effective way to grassroots in rural areas is still traditional approaches such as the promotion through village councils and cadres or paper posting in public areas. It is suggested to have the FTTCs comprehend the modern internet platform with those traditional distribution manners that have still taken effect in the rural country at present.

6. An analysis of the Perceptions of Different Stakeholders

6.1 Staff in FTTCs

Concerning the problems and constrained factors that hinder the development of FTTCs, the staff of the FTTCs has revealed their views. First, there are no national

²¹ According to Article 8(3) of the revised draft of Provisions for the Management of Forestry Tenure Transfer, the ownership of public welfare forests and use rights of land tenure for public welfare forests are allowed to be transferred. This draft was formulated in 2008 and has been in the review process of the Huangshan District Government.

regulations for giving FTTCs a proper legal status and managerial rules. National laws and regulation and policy provide no principles and provisions on the FTTCs and related activities, therefore the institutional nature of FTTCs, trade forms and the specific rules, transaction occupation are to be determined. In the aspect of the forestry assets appraisal, there has had some national technical guidance on how to appraise forestry assets but no provisions to determine who and which institutions are eligible to conduct such appraisal, in particular to the collective forestry tenure rights. In this situation, the pilot practice of county FTTCs lacked legality standing. Supposedly, if there some dispute appear on the FTTCs' transaction, what kind of legal standing would FTTCs be? All is not clear.

Second, there are lacking considerable personnel and expense to afford FTTCs' operation. Due to the unclear role of FTTCs, the county governments of Huangshan District and Yi County define FTTCs as belonging in public sector, subject to the country forestry bureau. This arrangement requires all transaction services in FTTCs ought to be free. So does it in the practice. However, with the country government only providing the institutional title and personnel quota for the establishment of FTTC, all initial resources including office space, professionals and salary, computers and information system and other office utilities have to be afforded by the forestry bureau, so does the maintenance expense. The forestry bureau has been put under a great financial burden.

Third, transaction load is too little. At present the first term of joint collective forestry tenure transaction have been almost accomplished and the second terms of transaction may come in 10-15 years according to the production cycle of forests. Therefore how to encourage individual farmers to participate in scale forestry management by using their forestry tenure has become a challenge to the FTTC. The important task for FTTCs is to cluster fragmented forestland by reconstructing use rights of farmers' into new business model by means of shareholding, lease and other means for scale forestry management.

Forth, as to the trade of wood, timbers and other forest production properties, the FTTC is not as attractive to suppliers and demand sides as the traditional trade form that has been well distributed and run.

To the FTTCs' future, the staff observed that at present, forestry tenure transaction is in the initial stage of development, and the FTTC should stand as a public service organ and integrated into the governmental service system, in which the government should provide sufficient financial support. In the long term future when forestry industry and marketing advanced to a new stage, the FTTC could develop to be a pure marketing agency specialized for forest resources transaction services.

6.1 Beneficiaries

Small scale forestry farms, forest product processing enterprises are active players in forestry tenure transactions. They often deal with forest business with the forestry bureau and receive information service frequently from FTTCs. They observed, the FTTC disseminated supply information to them timely, and forest transaction in the FTTC was the effective way for them to have large volume material supply. Although the purchase price after competitive sale in the FTTC could be higher than outside purchase, it was still cost effective when they took into account the cost of time and energy in social work for negotiation with individual farmers. In addition, the transparent and fair trade procedure and environment of the FTTC was another factor to attract them. In all the FTTCs bring them more efficient and easy transaction compared to other means.

Forestry farms and processing enterprises welcome more forest goods and properties to be included in the FTTC's trade. They expect the FTTCs should provide more supply and demand information on wood and timber and organize more large deal transactions. They view that the trade service stations in township level had less necessity to exist since they were keen to touch the larger FTTC. Small forestry farms often have demand on mortgage loan. However it took a long time and complicated procedures to process forest tenure mortgage loan because the bank was usually reluctant to accept forestry tenure mortgage, as a result high interest rates are usually applied. Small forestry farms expected FTTCs would provide more effective services in this regard. Other forestry services in demand are the forestry technology service and investment service in forestation.²² Forest processing enterprises expected that the local government should mitigate its administrative interference in the free trade market of wood and timber, and make no discrimination among native enterprises, foreign invested enterprises or dragon enterprises with regard to forest and wood material purchase.

To forest farmer cooperatives (FFCs), the role of FTTCs is usually determined by the discretion and visions of FFCs' leaders. For example, the FFC of Wenxiang Village in Yongfeng Township in Huangshan District is the first one in this kind in Anhui Province. This FFC has substantially managed quite large scale forestland that FFC members transferred. In this case, this particular FFC has been a venture that is taking individual household forestland's user rights and in return farmers are holding FFC shares. Farmers have well known the FTTC through the FFC. Although there has been little substantial assistance being attained from the FTTC, the leaders and members of Wenxiang FFC all

²² Data source: interview with Jingtai Farm of Qinqi Township in Huangshan District, Sanxin Wood Manufacture Co. Ltd., of Huangshan City, and Xinfeng Trade Co. Ltd. of Yi County, March 5-16, 2010.

have less expectation on that the FTTC would be important and helpful to forestry business in the future. They expected that the FTTC could provide them with good forestry technologies and market information of forest products for example, tea, wood and bamboo products and so on.

For ordinary farmers, about 40-50% interviewed farmers do not know about FTTCs²³, instead they know well of the township forestry station, forestry police station and forestry administrative brigade. In the issue of access to information, although Huangshan City is a national-level tourism area, farmers in countryside still have less attention to internet information, nevertheless internet facilities in countryside is undeveloped. In all, ordinary farmers have little understanding on FTTCs, and observed FTTCs having no relation to them.

6.2 Local Governments at the Township Level and County Forestry Bureaus

County forestry bureaus realize the following issues on FTTCs.

- (i) No provincial and national regulations and policy are provided for determining the status and responsibilities of FTTCs. This resulted that different counties adopted different names of FTTCs with different functions according to their own understanding. FTTCs would face the embarrassment with legal standing if there appears litigation for disputes.
- (ii) The existing regulations provide no provisions on the range of forestry trade objects and specific procedures for transaction. This had forced county governments to explore their way to deal with. It therefore is inevitable to invent contradictions among county practice, provincial and national policy.
- (iii) There is no legal basis for fee charge for transaction services that FTTCs offer. At present all transaction service are free. The problem therefore is, if the auction process applied into the FTTCs transaction, the auction company will charge a fee but how to levy the fee, when there are no rules.
- (iv) There is no forestry transaction certification both for professionals and institutions. Accounting firms have legal certification in asset appraisal, but their skills in forestry asset assessment are not sufficient.
- (v) Farmers know little about FTTCs. In favour to farmers, trade service stations in townships are necessary but subjected to fund availability.

²³ See, *The survey and analysis report of Huangshan District*, Table 4 and 5; *The survey and analysis report of Yi County*, Table 4 and 5.

- (vi) After farmers having been allocated clear forest tenure rights, small pieces of forestland need to be clustered into scale forestry management. National policy should give more support in this regard.

The interviewed leaders of township governments have such views on FTTCs and forestry tenure transaction. One of reasons farmers know little on FTTCs is that there is no respective services branch at township level. Nevertheless even with such branch distribution forest tenure transaction will face difficulty as well. Currently forest farms and processing enterprises are keen to attach with county FTTCs, and farmers are keen to manage forestland on their own. Farmers are still not educated on how to manage forestry tenure for a better livelihood. The township governments have taken efforts in exploring different models of good forestry business and forest management. Currently the business of FFCs and the model of “company + farmers” are in promotion but the promotion lacks favourable measures and incentives from top governments.

6.3 Provincial Forestry Department

Officials in Provincial Forestry Department reveal the following remarks on forestry tenure trade and the development of FTTCs.

- (i) In the issue of institutional status of the FTTC, to define FTTCs as public service organs and as a part of governmental service system is necessary due to the existing low degree of forestry industry in China. However in order to mitigate the cost, the service platform and window of FTTCs could be shared with the existing land resource and real estate trade system. When market demand and transaction load gets high, the FTTC could evolve a market-based agency.
- (ii) It is of necessity to formulate national rules to regulate all forms of trade for example, auction, bidding and assets appraisal that are feasible to forestry tenure trade for the FTTC. There are no national rules in these fields, and Anhui provincial forestry department has no plans on introducing provincial rules.
- (iii) At present, Anhui provincial policy on forestland transaction requires collective forestland user rights to be transacted in FTTCs. This is to guarantee open and fair trade of collective assets and protect farmers’ profit and benefit.
- (iv) The scope of trade objects in FTTCs should be extended from the existing forestland use right, or forestland-attached trees to much wider forestry production objects for example, wood and timber and their products. The concept of forestry tenure trade should not be narrowed as “change of user-ship”. Other

forms of transaction for example lease and shareholding of FFCs should be included and better promoted by the FTTC. By these means farmers manage their forestland and acquire long term profits without losing forestland.

- (v) In issue of fee levy, due to the lack of national and provincial regulations in this regard, county governments offer free service currently, which is appropriate and in favour to the public, although the country forestry bureau took heavy financial burden. It is also considerable to levy fees for some transaction-related technical service for example, forest asset appraisal in particular when this service adds remarkable value to beneficiaries.

7. SWOT analysis (the Challenges and Threats to the FTTCs)

To comprehend all abovementioned investigated elements and analysis, the FTTCs in Anhui Province have learned valuable experience and lessons in the past years' experiments, however many challenges still are there. Based on the FTTCs' status quo we have applied SWOT assessment to the overall factors of FTTCs. Table 2 is the result of analysis that indicates FTTCs' constraints in the present and opportunities in the future.

Table 2 SWOT Assessment of FTTCs in Anhui Province

elements	Assessment		Strength	Weakness	Opportunity	Threat
	Current status					
Institutional status and coordination	<ul style="list-style-type: none"> • <i>Huangshan District Forestry Service Center</i> (a division of the District Administrative Service Center), or the <i>Huangshan District Forestry Production Elements Market (FPEM)</i> were set up in 2007, responsible for forest property trade and transfer, with two township service branches being installed. • <i>Yi County: The Forestry Comprehensive Service Center (FCSC)</i> was established in 2008 as a public service organ, responsible for forestry trade service and related administrative services, with all service free. Two service branches were set up at Yuting Township and Hongcun Township. • As a subjected organ of the forestry bureau, the FTTCs have independent operational platform and service window, 	<ul style="list-style-type: none"> • Overall forestry public services are provided, convenient to citizens. • Forestry trade services are free, convenient to and in favour for the public. • Transaction service provides experience in running the center as a pure market agent for forestry tenure trade; the governmental comprehensive service network for administration affairs will help conduct forestry administration matters. • With the support from the township trade service station, it results in better promotion and dissemination of information down to farmers 	<ul style="list-style-type: none"> • As a public service organ, governmental finance did not cover its overall expense; the forestry bureau has to afford the shortage. • The country forestry bureau has a great burden either in personnel, expense and office equipments. • The FTTC is separate from and no link with other existing assets trade system e.g. land estate. Its promotion at village level is poor and the supply-demand information is limited. • The mix of the trade service and forestry police stations ect. makes respective working role unclear. 	<ul style="list-style-type: none"> • The experiments provide two possibilities for the future development either towards market service or pure public service; forestry reform supported by the governments gives flexible policy environment to test the effectiveness. • The country government plans to integrate existing forestry trade services into the governmental comprehended administrative services system 	<ul style="list-style-type: none"> • Small transaction exists because of low degree of forestry marketization. • Legal status of FTTC is given not clear by the provincial and central government, so that the governments should take this into account of institutional and financial reform. • Coordination and corporation with township government and other public institutions are to be intensified. 	
Personnel	<ul style="list-style-type: none"> • Personnel are from the forestry bureau. 	<ul style="list-style-type: none"> • They have stronger forestry professional background and skills. 	<ul style="list-style-type: none"> • They have weaker professional skills in economic assessment and management, trade e.g. accounting, auditing etc., and poor capacity training resources. 	<ul style="list-style-type: none"> • The state should develop relevant capacity building program either sponsored by national fund or international technical assistance. 	<ul style="list-style-type: none"> • It lacks professionals with complex and familiar background of forestry and asset management, and lack of resources for capacity building. 	

Trade subjects	<ul style="list-style-type: none"> Major trade players are: large-scale forest formers, forest product processing entities, collective villages and collective farms. Individual farmers can decide if to involve in FTTCs trade. 	<ul style="list-style-type: none"> Major trade players possess relatively large scale forests and trees, or good capacity to process large scale of forests, trees and timbers. They have better capacity in scale forestry management. 	<ul style="list-style-type: none"> Individual farmers rarely participate in; the FTTC ignores farmers; farmers are in weak position in the transaction activities. 	<ul style="list-style-type: none"> Such policy in collective reform will provide opportunities as: to develop forestry cooperatives to enhance farmers' role in forestry trade and transaction; to guide farmers to take multiple means e.g. joint-venture, holding forestry tenure share of the company; to implement free trade policy and remove administrative orders or official's barriers from free trade processes. 	<ul style="list-style-type: none"> Farmers are highly motivated to run forestry property by themselves after clarification of collective forestland use rights, and hardly take any other business models of use forestland use right. The State should design and implement supporting policy or demonstrative projects or programs to support scale management of forestland.
Trade objects	<ul style="list-style-type: none"> Trade objects in FTTCs include: use rights of joint collective forestland, farmers' contracted collective forestland, ownership of forests and trees are common objects for trade; if land use right of public-welfare forestlands is tradable appear uncertain in country practice. Wood and other forestry production elements are included. 	<ul style="list-style-type: none"> In Anhui provincial policy, the use right of joint collective forestland must be traded in the FTTC. This help increase the value and profit through competitive trade procedures, the transparent procedures protect farmers profit of joint-collective forestland. The individual's forestry rights are of free trade in FTTCs. Wood and other forestry production elements are included in the service of FTTCs, causing farmers having interests in FTTCs. 	<ul style="list-style-type: none"> The imposition of joint collective forestland use right having to be traded in FTTC is lack of legitimacy, conflicting with the principle of Property Law concerning free disposal rights of property; Imposed trade in FTTCs increases transaction cost. 	<ul style="list-style-type: none"> The collective forestry reform is to formulate unified policy and regulations. 	<ul style="list-style-type: none"> If the public-welfare forests land use rights being tradable needs to be clear by regulation in order for better conservation; it is important and difficult to balance imposed trade in FTTCs and free trade; it is important to integrate forestry trade system with other estate trade system for better promotion of forestry property recognition in the society.
	<ul style="list-style-type: none"> County-level managerial rules and procedural rules for 	<ul style="list-style-type: none"> Local managerial and trade rules provide clear procedures, 	<ul style="list-style-type: none"> Lack of national regulations for forestry tenure management 	<ul style="list-style-type: none"> State should formulate national managerial rules 	<ul style="list-style-type: none"> It is necessary to clarify the relation of the forestry

Trade procedures	<p>different forms of forestry trade are formulated</p> <ul style="list-style-type: none"> • Forest asset appraisal is not an obligatory process. • Collective forestry assets trade must undergo asset appraisal in practice. 	<p>help transparent and just trading and mitigate disputes;</p> <ul style="list-style-type: none"> • Case-based and negotiation based trade although time costly, but comply with law strictly, does well at avoiding disputes as well. • Compulsory asset appraisal for collective forestry rights is an effective measure to prevent cheap deal and ensure benefit sharing equally among collective members. 	<p>makes such local regulations of no legal standing for compliance and enforcement.</p> <ul style="list-style-type: none"> • Lack of national procedures rules for forestry trade, such as bidding, auction and negotiation trade provides no legitimacy for such local rules and no legal standing of the forestry tenure trade center as well. • Trade process in FTTCs cost more time and energy than normal trade form. • The compulsory appraisal for collective forestry rights conflicts with national policy that the appraisal is of a matter for collective members to decide. 	<p>and procedural rules for different forms of forestry trade.</p>	<p>tenure trade and other land-related estate trade in terms of application of the rules for auction, bidding and property assessment.</p>
Trade environment	<ul style="list-style-type: none"> • Administrative intervention into wood trade at township level to protect local forestry processing enterprises exists and damages the profit of farmers. 	<ul style="list-style-type: none"> • The open trade and open market for forestry production elements raise the price and value of forest resources, and attract the investment from the society; 	<ul style="list-style-type: none"> • The administrative intervention into wood trade or trees trade exploited farmers' benefit; • The local forestry industry is protected and so the local governmental revenue; 	<ul style="list-style-type: none"> • One objective of governmental reform is to separate roles for administration and market operation. 	<ul style="list-style-type: none"> • Forestry Law and Administrative Permission Law and other related law need compliance from all sectors in particular the government itself.
Trade fee	<ul style="list-style-type: none"> • free 	<ul style="list-style-type: none"> • Fee charged would cover some shortage of the expense of FTTCs. 	<ul style="list-style-type: none"> • County forestry bureau has heavy burden. • The levy of fee is lack of legal basis and illegal. • The levy of fee would conflict with the nature of the FTTC, a public service organ. 	<ul style="list-style-type: none"> • Collective forestry reform gives flexible policy environment to all kinds of experiments. • Governments should provide full expense according to the nature of FTTCs, public services. 	<ul style="list-style-type: none"> • The challenges remain how to formulate rational standards of fee and items, and how to balance levied service and public service.
Information	<ul style="list-style-type: none"> • In the trading hall, LED and computerized posts are well set; message and telephone 	<ul style="list-style-type: none"> • The information service is subject to cost and expense that is available where 	<ul style="list-style-type: none"> • Farmers have limited ways to gain information from FTTCs. • Information collection and 	<ul style="list-style-type: none"> • The traditional ways e.g. the forestry work station of the township 	<ul style="list-style-type: none"> • Financial support and technical training are needed for information service;

	<p>service are provided to large trade players; paper posts, website, TV advertisement and newspaper are used for dissemination of information</p>	<p>effectiveness is considered second.</p> <ul style="list-style-type: none"> The existing ways of information dissemination relatively promote FTTCs in the bottom society. 	<p>dissemination is limited within the county.</p> <ul style="list-style-type: none"> Website is a major means for information, however it is not popularly used enough in the countryside. 	<p>governments, the village communities and autonomous commission should be not ignored. They are still most effective means for information and promotion.</p>	<ul style="list-style-type: none"> There are some difficulties in developing web-based information service: low web coverage in remote countryside, less interest in forestry and web information or very weak capacity in learning information as only the young shows some interest while the old stay at home.
Coordinate service	<p>Forestry asset appraisal:</p> <ul style="list-style-type: none"> FTTCs provide window service in association with the forestry survey and design services, or accountancy firms. 	<ul style="list-style-type: none"> The forestry survey and design service has more professional advantage in forestry appraisal, but its professional status does not exist. Accountancy firms have legal professional certificate for general asset appraisal. Negotiated appraisal is popularly applied. 	<ul style="list-style-type: none"> It is lack of professional category of forestry asset appraisal both for institutions and professionals. Accountancy firms lack professional skills in forestry sector. 	<ul style="list-style-type: none"> There is some principle policy for establishing forestry asset appraisal profession. 	<ul style="list-style-type: none"> How to establish forestry asset appraisal profession, and coordinate it with other asset appraisal system.
	<ul style="list-style-type: none"> Mortgage loan: a few mortgage loans have conducted. 	<ul style="list-style-type: none"> It shows the capital attribute of forestland user rights. 	<ul style="list-style-type: none"> The capital attribute of forestland user rights is still very weak; commercial banks are not keen resulting in long procedures and high interest rate being applied. 	<ul style="list-style-type: none"> The State should encourage commercial banks and development banks to engage in mortgage loan. 	<ul style="list-style-type: none"> The forestation taking long time and high cost and risk affects the low social recognition of forestry properties.
	<ul style="list-style-type: none"> Forestry insurance: no policy forestry insurance and commercial forestry insurance occur. 	<ul style="list-style-type: none"> Farmers have high awareness of forestry risks. Policy forestry insurance is popular due to heavy subsidy from the State. 	<ul style="list-style-type: none"> High cost and low return for commercial insurance are rejected by farmers; Commercial insurance companies are not keen to forestry insurance. 	<ul style="list-style-type: none"> The State provides subsidy to forestry insurance. 	<ul style="list-style-type: none"> Technical and operational difficulties exist in forestry insurance, e.g. the asset appraisal, fee collection.

8. Reformations and Options to Improve the FTTCs Operation Based on Policy, Legal, Financial and Institutional Aspects

8.1 Policy

FTTCs are tools to optimize forestry resources for market-based production and consumption. Their function will rely on the advanced degree of forestry market. At present in China, the forestry market is underdeveloped and capital attribute of forestry rights still receiving weak recognition in the commercial sphere of society. This is the underlying obstacle for the future development of FTTCs. National policy thus should aim at this issue and promote forestry marketing and scale management by financial and favourable measures. For this purpose, the following policy should be addressed to improve FTTCs function.

(i) Financial policy to support forestry development

- To alleviate forestry fee and tax, and apply tax deductions and exemptions in forestry sector, and regard forestry as the equal status as agriculture in terms of providing production subsidies and favourable measures; and to motivate farmers in forestation.
- To subsidize or deduce interest to forestry rights mortgage loans, and take at least 10 years long term of loan to support forest culture and forestation.
- To intensify the capital attribute of forestry tenure rights through financial monetary instruments for example, mortgage loan, asset restriction, insurance and so forth. To apply proper (but not strict) procedures and give standard (not lower) lending amount to forestry rights mortgage loan.
- To increase the areas for national policy forestry insurance by providing more subsidies and financial input for forests resources.

(ii) Supporting policy for forestry rights transaction

- To guide and encourage farmers to conduct forestry management and transaction upon the forestland use rights and property rights by taking multiple forms, among them, joint-venture, share holding, joining forestry cooperatives being favourable for farmers being able to manage forestland without losing control of land.

- To entitle forestland user rights and forests ownership of public-welfare forests eligible in forestry trade in the precondition of no change of forests nature and use; to encourage the utilization of scenery or tourism value of public-welfare forests, and attract social capital to invest in forest culture and stewardship of public-welfare forests.
- To implement subsidy programs or other favourable policies to encourage the establishment of forestry cooperatives, and enhance forestry cooperatives' capacity in running scale forestry management over clustered forestland; to support the forestry joint-venture established by social capital and forestry cooperatives.

8.2 Legislation

As analyzed above, forestry law and regulations had provided not enough substantial and procedural rules to FTTCs. It is of necessity to overcome such legislative loopholes and provide a better legitimate environment for FTTCs. It is recommended that the state should provide the following national rules and standards.

(i) The State Council should formulate regulations for forest resource property transfer.

It is necessary to provide principle rules on forestry tenure property system and collective forest tenure rights, transaction activities and the role of FTTCs in national law or administrative regulations on forestry (e.g. *Forestry Law* or *Implementing Regulations of Forestry Law*).

In the revision or reformulation of *Forestry Law* and its *Implementing Regulations* the following issues need to be addressed. First, the scope of forestry tenure rights that are eligible to trade should broadly contain ownership and user rights of forests and forestland but also forestry share rights and futures rights and so on.²⁴ Secondly public-welfare forests should be allowed to be transferred in the precondition of no change of forestland scope and usage.²⁵

(ii) National provisions should be formulated special for FTTCs' transaction.

On the base of the principles of national legislation and administrative

²⁴ Article 15 of Forestry Law 1998 only defined "ownership and use rights of commercial-use forests and forestland" as trade objects.

²⁵ Article 15 of Forestry Law 1998 clearly restricted public-welfare forests and forestland from transaction and trade.

regulations on forestry tenure right and its transfer, the State Council itself or its forestry authority- State Forestry Administration should formulate national provisions (by administrative regulations or ministerial orders) for forestry tenure rights trade and transaction activities of FTTCs, ²⁶ with explicit rules on:

- The scope of forestry tenure rights eligible to trade and the objects of forestry rights compulsory to be traded in FTTCs (e.g. the trade of collective forestry tenure rights).
- General legal principles and procedures of forestry tenure rights trade.
- Legal status of FTTCs and managerial provisions of FTTCs.
- Specific rules and procedures of each trade form in FTTCs, for example, auction, bidding, negotiation and so on.
- Certificate to professionals in trade and transaction service for forestry tenure rights.
- Services quality and fee charge.

(iii) National provisions special for forests asset appraisal need to be in place.

With national law and regulations on forestry providing principle rules on forests asset appraisal, specifications on forests asset appraisal should be further provided taking into account of the following elements.

- General legal principles and scientific doctrines on forests asset appraisal.
- The scope of asset objects eligible to asset appraisal and the objects compulsory to asset appraisal in given circumstances (e.g. the trade of collective forestry tenure and assets)
- Managerial provisions for forestry asset appraisal and the legal status of engaging institutions and bylaw qualifications.
- Certificate to professionals in forestry asset appraisal and its examination procedures.
- Services quality and fee charge.

²⁶ Forestry Law Article 15(4) has empowered to the State Council to enact the regulations for forest tenure transactions. Therefore the State Forestry Administration should push forward this process actively.

8.3 Governance and Institutions

FTTCs are important impetus to scale forestry management and optimize forest resource for a more efficient and fair use by stakeholders. The pilot practice in the counties has invented different modes of operation and functions of FTTCs. From the practice of FTTCs in Anhui, FTTCs have been defined as belonging to the public sector and well integrated into public service system of the governments. We appreciate that this institutional setting is a good experience.

In general as we have examined many factors of institution and governance relating to FTTCs, we provide our comments and suggestions to further improve FTTCs functions.

First of all, we address that the institutional status of FTTCs is better of a public services nature in quite a medium long term when forestry marketization in China still waits to be developed. The counties in case studies have all adopted this doctrine and acquired good social benefits. It is recommended to set up FTTCs at country level, either under the governmental public services system or within forestry bureaus. The future trend for FTTCs development is market agency for forestry tenure and asset trade when the appropriate time comes.

Second, in the nature of public services, FTTCs' expense in office and information maintenance should be fully afforded by country governments. Fee in charge for forestry tenure trade services should be minimized. Technical training to the professionals who are working in FTTCs should be conducted regularly. With relatively sufficient fund and stable institutional definition, the FTTCs then have a neutral stand to serve all kinds of customers in avoidance to being a "rich man's club".

Third, FTTCs services should be distributed down to the township level and most widely spread farmers. The township service could be offered through the well developed township forestry work stations by putting additional appropriate personnel and expense. Supply and demand information of forestry production elements including capital investment, joint-venture, mortgage and loan needs be disseminated and promoted.

Forth, the FTTC's township services need more focus on: to educate and assist farmers in designing and planning scale forestland management by introducing various business models in relation to forestland user rights, and promote those

models that can sustain farmers' long-term livelihoods.

Last but foremost, the FTTCs and township services have to change their customer focus from individual scaled entities or farms to collective farmers and their largely spread but fragmented forestlands. Governmental favourable policies for scale forestry management were used as simply applied to existing scale managers and farms needs to change urgently. In Yi County, the favourable policies in forestry technology and financial support were only applied to those who have had possessed at least 100 mu of forestland; otherwise, they were exempted. Such implementation was just not right. The appropriate way was to use these policies as incentives to motivate collective farmers jointly working out to cluster their small pieces of forestlands toward scale forestry management. Otherwise it just produced a more unjust allocation of governmental resources and expanded economic inequality.

8.4 Trade System

The different titles of FTTCs reflected the trade scope in FTTCs. From the practice of FTTCs' trade in Anhui Province, the trade scope of FTTCs in general includes real rights concerning forestland like most of others but also includes forest products and commodity. This scope reflected to the name of Huangshan District FTTC being called, Forestry Production Elements Market. We regard this is an important and valuable experience in FTTCs trade system. If FTTCs only deal with real rights of CFT, many farmers would not be able to benefit from FTTCs service since farmers would not transfer their real rights of CFT easily out after clarification of CFT use rights.

Based on pilot practice of FTTCs and our observations with regard to the trade system of FTTCs, we address the following points for its improvement in the future.

(i) The scope for trade in FTTCs should not just focus on forestland real rights.

It is correct that forestland real rights are the essential right to forestry rights of CFT. However the main objective of the CFT reform is not just to transfer real rights, but to manage it and make profit from the managements. Therefore the trade scope of FTTCs ought to be extensively including all other important forestry production elements such as forestry technology, capitals, futures, forest products and so on. These are what the majority forest farmers expect to gain from FTTCs according to survey. Followed with this idea, cession of CFT, which is the means of trade off

forestland real rights for a certain years, should be avoided. FTTCs should more engage in transaction services on such trade forms as joint-venture, share holding and forestry cooperatives of CFT, by which numerous farmers could be participated in for long term interests and get benefit from transacted forestry rights as well.

(ii) The equity social principle for FTTCs has to be introduced.

Different institutional nature will lead to different social benefits. As a public service organ, the FTTC should serve people equally. At present, FTTCs are more like VIP clubs for scale farms, forestry processing enterprises and interested companies. Forestry cooperatives and ordinary farmers have not yet become major customers, or have been ignored easily because of their weak capacity in the forestry market and their little contribution to local forestry economy.

(iii) A free trade environment needs to be defended.

There exists relatively strong administrative interference to free trade of forest products mainly wood, timber and wooden products. The county governments restrict such products only being traded within limited jurisdictions (in some circumstances within townships) or to particular demand sides. The suppliers usually farmers have adverse impacts from such trade restrictions for example, reductions on timber profit and forest culture interest. County or township governments also take discrimination policy to forestry processing enterprises after identifying the different capacity to produce governmental revenue. Dragon enterprises or stronger enterprises have protected purchase policy that as seen also was applied to FTTCs process.²⁷ Such unhealthy trade environment harms farmers' interests greatly.

(iv) More effective means of information collection and dissemination need to be taken.

Websites are a major means for information; however it is not popularly used in the countryside due to some difficulties as: low web coverage in the remote countryside, the staying populations having less interest in forestry and poor web skills in learning information. The traditional ways such as the promotion by the township forestry work stations and the village communities and autonomous commissions and newly appearing forestry cooperatives are still the most effective means for information dissemination and must be continued to be applied.

²⁷ In some cases, by informal administrative orders some enterprises were not allowed to participate in competitive purchase of wood in the FTTC in Yi County.

(v) Forestry tenure right trade system has to build up a linkage with general asset trade systems.

The existing asset trade systems have advantages in terms of good social recognition as well as well developed transaction process and procedures. Forestry tenure rights in nature are a kind of land resource asset and could take use of the existing trade hardware system – service window, transaction hall and information network to save its cost. This is also good for the whole society to identify forestland tenure rights as one of normal variation of land asset.

Appendixes

Appendix 1: List of interviewed villages, enterprises, FFCs and village farms

Huangshan District

Xiangfu Village
Taoyuan Village
Wenxiang Village FFC
Wenxiang Tea Farm
Sanxing Wood Manufacture Co. Ltd.
Qingqi Village Farm

Yi County

Xingguan Village
Zukeng Village
Sixi Village
Hongguang Village
Fengwu Village
Xiafu Village
Tuanjie Village
Waiken Village
Sanyou Village
Nanma Village
Sixi Wood Manufacture Co. Ltd.
Hongguang Village Fir Timber Processing Co. Ltd.
Mingzhi Tea FFC
Honglian Bamboo and Wood Manufacture Co. Ltd.

Appendix 2: List of interviewed governmental departments

Provincial

Department of Forestry, Anhui Province

Huangshan District

Yongfeng, Wushi Township Forest Work Stations

Huangshan District Forestry Production Elements Market

County Forestry Bureau

Yi County

Hongcun, Hongxing, Biyang Township Forest Work Stations

Yuting, Hongcun Township FIAEBs

County FCSC

County Forestry Bureau

Appendix 3: List of law and policy documents under review

National level

Forestry Law (NPC, 1998)

Country Land Contracting Law (NPC, 2002)

Land Administration Law (NPC, 1998)

Regulations for Conversion of Farmland to Forests (SC, 2002)

Decision on Several Problems on Perfecting Socialist Marketing Economy (CCCPC, 2003)

Decision on Accelerating the Forestry Development (CCCPC&SC, 2003)

Opinion on Extensively Carrying out the Reform of Collective Forest Right System (CCCPC&SC, 2008)

Opinions on Enhancing the Transaction of Collective Forestry Tenure 2009 (SFA, 2009)

Interim Administration Measures on the Quality of Trees (SFA, 2002)

Provincial level

Implementation Plans on the CFT Reform of Anhui Province 2007

Opinions on Promoting the Reform on Collective Forestry Tenure System 2007

Implementation Plan of Reform on Collective Forestry Tenure System 2007

Opinions on Accelerating the Reform on Forestry Economic System 2004

Notification on Accelerating the Whole Society to Develop Forestry 2004

County level

Interim Measures for Management of Forestry Tenure Transfer of Huangshan

District 2004

Interim Measures for Management of Forestry Tenure Transfer of Yi County,
2009

Appendix 4: Abbreviations

FTTCs	Forest tenure Trade Centers
CFT	Collective Forestry Tenure
CCCPC	Central Committee of the Communist Party of China
CPC	Communist Party of China
NPC	National People's Congress
FM	Forestry Ministry
SFA	State Forestry Administration
FPREC	Forestry Property Right Exchange of China
FFCs	Forest Farmer Cooperatives
SWOT	Strength, Weakness, Opportunities and Threats
FPEM	Forestry Production Elements Market
CASC	Comprehensive Administrative Service Center
FCSC	Forestry Comprehensive Services Center
FCSS	Forestry Comprehensive Services Station
FIAEB	Forestry Integrated Administrative and Executive Brigade
FAACs	Forest Asset Appraisal Centers

List of the Project Publications

GCP/CPR/038/EC Working Paper

No.	Title
WP001C	安徽省林农合作组织研究报告
WP002C	福建省林农合作组织研究报告
WP003C	贵州省林农合作组织研究报告
WP004C	湖南省林农合作组织研究报告
WP005C	江西省林农合作组织研究报告
WP006C	浙江省林农合作组织研究报告
WP007E	Assessment of Forest Farmer Cooperatives in Anhui Province
WP008E	Assessment of Forest Farmer Cooperatives in Fujian Province
WP009E	Assessment of Forest Farmer Cooperatives in Guizhou Province
WP010E	Assessment of Forest Farmer Cooperatives in Hunan Province
WP011E	Assessment of Forest Farmer Cooperatives in Jiangxi Province
WP012E	Assessment of Forest Farmer Cooperatives in Zhejiang Province
WP013C	安徽省林权交易中心研究报告
WP014C	福建省林权交易中心研究报告
WP015C	贵州省林权交易中心研究报告
WP016C	湖南省林权交易中心研究报告
WP017C	江西省林权交易中心研究报告
WP018C	浙江省林权交易中心研究报告
WP019E	Assessment of Forest Tenure Trade Centers in Anhui Province
WP020E	Assessment of Forest Tenure Trade Centers in Fujian Province
WP021E	Assessment of Forest Tenure Trade Centers in Guizhou Province
WP022E	Assessment of Forest Tenure Trade Centers in Hunan Province
WP023E	Assessment of Forest Tenure Trade Centers in Jiangxi Province
WP024E	Assessment of Forest Tenure Trade Centers in Zhejiang Province



The project “Supporting policy, legal and institutional frameworks for the reform of forest tenure in China’s collective forests and promoting knowledge exchange” supports the reform of forest tenure in China’s collective forests through strengthening policies, laws and institutions responsible for the management of collective forests in six pilot provinces. Funded by the European Union (EU) and implemented by the State Forestry Administration of China (SFA) and the United Nations Food and Agriculture Organization (FAO), the project will also promote the exchange of knowledge and experiences on forest tenure reform both within China and with other countries.

Website: <http://www.fao.org/forestry/tenure/china-reform/en/>