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Determining Minimum Compensation of Smallholder Farmers for Lost Agricultural Land in Land Grabs

MARC HANSEN¹, MOHAMED SORIE CONTEH², MARTINA SHAKYA¹, WILHELM LÖWENSTEIN¹

¹*Ruhr-Universität Bochum, Institute of Development Research and Development Policy, Germany*

²*Mankind's Activities for Development Accreditation Movement (MADAM), Sierra Leone*

Abstract

The recent global expansion of large-scale land acquisitions by domestic and international investors, popularly known as land grabs, has placed increased strain on smallholder farming households as the loss of their agricultural land is associated with severe reductions in food production and thus food security. The land grabbing issue has produced a plethora of debates ranging from ethical conduct of land grabbing agents, specifically concerning displacement, to evidence for and against positive externalities such as technological spillovers and construction of infrastructure. Interestingly an underexplored topic is the valuation of agricultural land and the compensatory payments made to land users, distinct from land owners, for the loss of their source of food security. This paper establishes a theoretical framework for the valuation of agricultural land from the perspective of land users, based on a household production function. For the analysis data were collected in a survey of 203 households in the Land Grab affected area in the Northern Province of Sierra Leone during 2013. It shows that, for the case of a specific land grab in Sierra Leone, the compensatory payments received by land users are far below the value of the land lost and as such the lease income is unable to allow these households to maintain their previously, already tenuous, levels of food security. A clear distinction is made between land owners and even more vulnerable land users who depend on the agricultural land for their food security and livelihoods. The methodology implemented by this *ex-post* study can identically be applied to an *ex-ante* scenario allowing land grabbing agents to define a minimum compensatory payment to land users based not on asymmetrical bargaining power but on actual land value to this vulnerable section of the local population.

Keywords: Agricultural economics, land grabbing, productivity method, Sierra Leone, smallholder farmers, welfare