

Analysis of the Level of Satisfaction of Nigerian Crop Farmers under the Compensation Provisions of the Land Use Act

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ABSTRACT

Governments in Nigeria have been acquiring farmlands and paying compensation to the affected farmers in accordance with the guiding law, namely, The Land Use Act, Cap 202 LFN 1990. This work sought to know how satisfied or otherwise, the farmers have been with the amounts of compensation being paid to them under the provisions of the Act, with a view to recommending alternative approach for valuing the farmers' interests. The work therefore sought the opinion of a group of crop farmers in Rivers State of Nigeria whose land rights were compulsorily acquired by government, on their level of satisfaction with the compensation paid. The finding is that 100% of the farmers felt that their assets were highly undervalued and were therefore greatly dissatisfied with the compensation paid to them. This work, in finding the cause of the problem analysed the Act and found that while the Act indicated the type of value to be captured, it did not stipulate the method "The Appropriate Officer" should use in assessing that value. "The Appropriate Officers" have therefore, been using compensation rates that seem arbitrary and therefore usually throw out values which do not compare well with the fair values of the affected economic trees and crops. This research therefore re-valued the subject crops, adopting Total Economic Value basis and contingent method recommended in the internationally-accepted 2012 Food and Agriculture Organization (FAO)'s Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (VGRGTLFF). The finding was that the quantum of compensation that should be paid to the dispossessed farmers were far higher than the quantum of compensation that the farmers were actually paid based on computations by the "The Appropriate Officer". We therefore conclude that, to raise the satisfaction level of compensations by government-dispossessed farmland owners in Nigeria, the "Appropriate Officers" operating the Land Use Act should adopt Total Economic Value basis and contingent method recommended in the 2012 Food and Agriculture Organization (FAO)'s Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (VGRGTLFF). At worst, the market value methodology should be adopted.

1.0 INTRODUCTION

The Land Use Act, Cap 202 LFN 1990 is the law that stipulates how to assess the quantum of compensations paid to owners of dispossessed land, economic trees and crops. Dispossessed landowners are usually paid compensation based on rates that are arbitrarily derived and not in tandem with the reality or the market rates of the crops and economic trees. This results in avoidable restiveness in some communities. The research sought to determine the basis of the dissatisfaction expressed by such aggrieved,

dispossessed landowners. To achieve this, we explored alternative valuation methodology for addressing the problem inherent in the irrational or misguided application of the provisions of the Land Use Act.

2.0 REVIEW OF RELATED LITERATURE

In Nigeria, the guiding law for valuing farm assets for compensation purpose is the Land Use Act, Cap 202 LFN 1990, particularly Section 29 (4c). The Section provides that where a right of occupancy over any portion of land is revoked for overriding public interest, compensation

would be paid for crops on land apart from any building, installations or improvement thereon, for an amount equal to the value as prescribed and determined by “the appropriate officer.” The “appropriate officer” is defined in Section 50 (1) to mean the Chief Lands Officer of the particular State and in the case of the Federal Capital Territory, means the Chief Federal Lands Officer.

By this provision, the land itself is not paid for by government - only crops are paid for. In the absence of any definition of the word “crops” in the Act, one would need to rely on dictionary definitions. The Free Dictionary online defines crops as “Cultivated plants or agricultural produce...” Crops, therefore, are farmed plants (plants consciously planted for their owners’ specific purpose) - naturally-growing economic plants are not “crops” and so

should not be compensated for under the Land Use Act. This is against Otegbulu (2013) which stressed on the need to value non-timber forest products. Not recognizing non-crop plants among the assets of the farmer in compensation valuation is, therefore, not understandable. Even the valuation of the unambiguous “crops” is dogged with problems as the valuation rates fixed by “the appropriate officers” have been found to be ridiculously lower than the values of the crops. The farmers, therefore, perceive the compensation paid to them as unfair. Table 1 clearly illustrates this point and literature show that claimants are worse off after revocation of rights of occupancy in Nigeria under the Land Use Act (Nuhu and Aliyu, 2009; World Bank’s Land Governance Assessment Framework, 2011; Okonkwo, 2013; Oladapo and Ige, 2014; Abel, 2017).

Table 1: Compensation Rates as percentage of Market Value

S/N	Economic Trees	Botanical name	Compensation Rate (N/Stand)	Open Market Rate (N/Stand)	Compensation as percentage of Market Value (N)
1	Orange/ Tangerine	<i>Citrus tangerine</i>	1000	3500	28.57
2	Paw-paw	<i>Carica papaya</i>	300	1000	30.00
3	Coconut	<i>Cocos nucifera</i>	1200	3500	34.29
4	Mango	<i>Mangifera indica</i>	1000	3000	33.33
5	Oil Palm	<i>Elaeis guineensis</i>	2500	5000	50.00
6	Plantain	<i>Lily hosta</i>	1000	1500	66.67
7	Star Apple	<i>Chrysophyllum cainito</i>	400	1000	40.00
8	Banana	<i>Musa paradisiacal</i>	800	1200	66.67
9	Raffia Palm	<i>Raphia farinifera</i>	1200	2500	48.00
10	Rubber	<i>Hevea brasiliensis</i>	1000	2000	50.00

Source: Udoudoh (2016)

To correct this anomaly, the market value methodology of income capitalization has been suggested (Umezuruike, 1989; Sule, 2014). However, in 2012, the Food and Agriculture Organization (FAO) issued the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (VGRGTLFF) which made recommendations

for a better valuation methodology for farms acquired compulsorily by governments in world nation-States. Section 18(1) of the Guidelines enjoins world nation-States to ensure fair and timely valuation of tenure rights for specific purposes, including transactions in tenure rights as a result of expropriation. Section 18(2) on the other hand, recommends that in countries of the world, valuation systems should take into account non-market values, such as social,

cultural, religious, spiritual and environmental values, where applicable.

These recommendations of VGRGTLFF are encapsulated in the adoption of Total Economic Value (TEV) as the basis of valuation and non-market contingent valuation method which is reputed to give fair compensation figures. Contingent Valuation Method, developed by Ciriacy-Wantrup in 1947, is a survey method that attempts to directly elicit individual's (or household's) preferences for a good/service. The method provides a system whereby the normal market arrangement is put in place such that the seller gives his price which takes into consideration, not only the full financial gains he derives from the good/service but also non-monetary gains he derives from the good/service. After negotiating with the buyer, a deal is struck, to the satisfaction of each of the parties (Parajuli, 2016).

Applying the method to compensation valuation of farmland crops enables the valuation system to capture, not only farmers' monetary opinions of their full financial losses upon the compulsory acquisitions of their farmlands but also the monetary values of those intrinsic social, cultural, religious, spiritual and environmental values which farmers attach to their crops. In market-based valuations, not only are financial losses under-counted; intrinsic social, cultural, religious, spiritual and environmental values which each individual farmer attach to the farm assets are not usually reflected, for some reasons such as the fact that those values may be unknown to the average valuer and, when known, are difficult for the valuer to quantify in monetary terms. Some of the non-financial benefits derivable from farm assets include their use as shades, wind breakers, soil erosion controllers, environmental ornaments, or even in some cases, spiritual objects.

Using this method, the Total Economic Value of the crops/economic trees could be assessed and paid to the farmers rather than paying out arbitrary amount that dare not based on any computation of the input incurred by farmers. The arbitrary figures used in computing valuation computations are touted as

compensation under the provisions of the Land Use Act. Adopting the FAO Guidelines in place of this obnoxious provision of the Land Use Act would enthrone a rational valuation system. The adoption of the recommendations of the world body in Nigeria has been shown to be very slow (Ogbonna and Udo, 2019)

3.0 RESEARCH METHODS

3.1 Research Design

This research is designed as a fact-finding poll of the experience of persons who own farmlands that have been acquired compulsorily. This research design has been used by Babbie (2013) in studying phenomena, situations, problems, attitudes or issues, taking a cross-section of them at one time. This method is "well-suited for public opinion studies".

3.2 Unit of Data

This research has used primary data comprising empirical data analysed from responses to the questionnaire administered on crop farmers in Nigeria whose goods have at one time or the other been valued for compensation. The Primary Data Unit is the Satisfaction Level of Nigerian Crop Farmers under the Compensation Provisions of the Land Use Act and its bases of measurement are Provisions of the Land Use Act on basis and methods of compensation valuation as compared with international standards as well as Opinion of crop farmers on the values given by Valuers.

3.3 Population and Sampling Design

Rivers State of Nigeria was purposely selected for the research given the high level of land-related restiveness associated with the State. The researchers, through the Office of Director of Lands, Rivers State, identified projects in Rivers State in 2016 which involved damage to farmlands and forests. We also identified and isolated the Valuers who handled the compensation valuation for the lands acquired. We identified 1,293 crop farmer-claimants who form the Population of this cluster. The sample size of 306 (23.67% of population) has been determined from the population, using the Taro Yamane (1967) statistical formula.

3.4 Data requirements and sources (research variables)

The research variable of this work is Observance of international best practices in Nigerian environmental valuation practice - Methods of valuation. The sources are a review of the provisions of the Land Use Act on compensation valuation as well as an analysis of questionnaire administered on some farmers whose farmlands were acquired by government.

3.5 Techniques of Data Analysis

For simplicity sake, simple percentages have been used in analysing the data.

4.0 DATA PRESENTATION AND ANALYSIS

There was no need asking the owners about the Basis and Method of Valuation adopted as most of them may not have the information, given that they are not usually shown copies of the Valuation Reports by the government-appointed Valuers. However, as the valuations are statutory valuations which are usually carried out based on the provisions of the Land Use Act, the researcher only had to analyse the said stipulations to come up with the Basis and Methods adopted.

The provisions are in Ss.29 and 50 of the Act which recognizes crops and improvements in terms of plantations of long-lived crops or trees as the only biological assets that can be valued for and compensated, in the event of revocations of rights of occupancy. By the Act, only a part of biodiversity on the affected land (the variety of all forms of life on Earth, comprising plants,

animals and micro-organisms, their genes and their habitats) are taken into cognizance when government revokes right of occupancy. This means that Total Economic Value Basis of Valuation is not adopted in the valuation.

The Act also stipulates in S.29(3) that the Method of Valuation and value for the recognized items are as prescribed and determined by the "Appropriate Officer" – the "Appropriate Officer" is defined in S.50 to mean the Chief Lands Officer of the State in question and for the Federal Capital Territory, the Federal Chief Lands Officer. One should think that in order to satisfy the Claimants, the various Appropriate Officers would adopt International Standard Basis (Total Economic Value) and methods of valuation such as Contingent method, which usually produce values that are in tandem with the actual value of losses sustained by claimants. Consequently, the researchers believe that a way to know whether the said international standard basis and methods of valuation are adopted in the valuation of farmlands in Nigeria is to test how satisfied the crop farmer-claimants are with compensation values computed and paid to them. The following question was posed to the claimants on their satisfaction level with the outcomes of the valuation of their assets:

Please state your opinion on the value given by the valuer (Please check)

- Over-valued.
- Well-Valued.
- Indifferent
- Under-valued.
- Highly Under-valued

All the 215 crop farmers claimed that the compensation paid for the crops were highly undervalued. This shows a very low satisfaction level of farmers with the compensation derived by using the provisions in the Land Use Act.

To find out the cause of the problem, we had to re-value some of the crops (which incidentally, were captured in Udoudoh (2016)), adopting Total Economic Value basis and contingent method recommended in the internationally-accepted 2012 Food and Agriculture Organization (FAO)'s Voluntary Guidelines on

the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National

Food Security (VGRGTLFF). The result is as shown in Table 2.

Table 2: Compensation Values based on the provisions of the Land Use Act, Market Price and VGRGTLFF in 2017

S/N	Economic Trees	Botanical name	Compensation Value based on the provisions of the Land Use Act (N/Stand)	Compensation Value based on Market Price (N/Stand)	Suggested Compensation Value based on VGRGTLFF (N/Stand)
1	Orange/Tangerine	<i>Citrus tangerine</i>	1,000	4,200	8,400
2	Paw-paw	<i>Carica papaya</i>	300	1,200	2,400
3	Coconut	<i>Cocos nucifera</i>	1,200	4,200	8,400
4	Mango	<i>Mangifera indica</i>	1,000	3,600	7,200
5	Oil Palm	<i>Elaeis guineensis</i>	2,500	7,000	14,000
6	Plantain	<i>Lily hosta</i>	1,000	4,200	8,400
7	Star Apple	<i>Chrysophyllum cainito</i>	400	1,200	2,400
8	Banana	<i>Musa paradisiacal</i>	800	3,200	7,000
9	Raffia Palm	<i>Raphia farinifera</i>	1,200	8,000	10,000
10	Rubber	<i>Hevea brasiliensis</i>	1,000	5,000	9,000

Discussion of Results presented in Table 2.

The finding that because of poor valuation there is low satisfaction level of crop farmers on amount of compensations being paid to them for government-acquired farmlands under the Land Use Act, is in line with the findings of Nuhu and Aliyu (2009), World Bank's Land Governance Assessment Framework (2011), Okonkwo (2013), Oladapo and Ige (2014), Udoudoh (2016) and Abel (2017). With Table 2, it has been confirmed that the situation is as a result of non-adoption of internationally-recognized valuation methodology. The 2012 Food and Agriculture Organization's Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests (VGRGTLFF) in the Context of National Food Security are yet to be implemented in Nigeria as shown by Ogbonna and Udo (2019). By VGRGTLFF, total market values are captured along with monetary values of non-financial benefits derivable from farm assets such as their use as shades, wind breakers, soil erosion

controllers, environmental ornaments, or even in some cases, spiritual objects.

For instance, if an oil palm tree is the subject of compensation valuation, under income capitalisation method (market value basis), the valuer would consider only the capitalized annual amount of money realizable from the palm tree from sale of palm fruits, palm wine, broom sticks, basket weaving materials, etc. However, under VGRGTLFF, the valuer should go further to include the values of non-financial benefits derivable from the farm plants, including their benefits as shades, wind breakers, soil erosion controllers, environmental ornaments, or even in some cases, as religious and spiritual objects. In adopting VGRGTLFF, non-market contingent valuation method is used to establish an ideal market situation where the seller (the farmer) dictates price which is negotiated by the buyer (the government) before a deal is struck. Under the Land Use Act, the buyer of a farmland (the government, represented by her Chief Land Officer) is the one who fixes the price paid to the farmer (the

seller of the farm) – an unjust market arrangement which will always lead to exploitation.

The implication of the finding of this work is that farmers will always show some level of resistance to land acquisitions by governments in Nigeria – a situation that fans the fire of restiveness, with its associated socio-economic and political consequences. The situation is also a show that farms in Nigeria are exposed to a special risk that needs to be captured in any comprehensive farm risk assessment in the country, given the fact that in Nigeria presently, there is a continuous need for land to develop infrastructure of all sorts.

5.0 CONCLUSIONS AND RECOMMENDATIONS

This work has shown that crops and economic trees are undervalued under the Land Use Act. We have also demonstrated that realistic values for economic trees and crops are obtainable if the VGRGTLFF basis and method of valuation are used. Adopting the VGRGTLFF basis and method could therefore greatly improve the very low Nigerian farmers' satisfaction level on compensation paid to them whenever their farmlands are acquired by governments under the provisions of the Land Use Act.

To prevent or reduce the level of dissatisfaction by farmers a better interpretation of the provisions of the Land Use Act should be used in the valuation of claims. This recommendation is predicated on the assumption that the provisions of the Act could not be intended to defraud landowners and the implication of this is that the appropriate officer should reappraise the basis and method used to establish the compensation for economic trees and crops. Addressing the issue will also reduce the level of risks borne by Nigerian farmers.

Consequently, we recommend that “the Appropriate Officers” should adopt the internationally-recognized basis and method of valuation as shown in the 2012 Food and Agriculture Organization's Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the

Context of National Food Security. At worst, the market value methodology should be adopted. Overall, we recommend that the provisions of the Land Use Act relating to compensation to crop farmers be reviewed, as it has been found to limit the determination of fair values of Nigerian farmers' crops.

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