

Title: Hortensia L. Starke vs. Philippine Sugar Commission and National Sugar Trading Corporation

Facts:

The dispute revolves around Hortensia Starke, a financed sugar planter, in relation to the fixed and regulated pricing and sale of sugar by the Philippine Sugar Commission (PHILSUCOM) and its trading arm, National Sugar Trading Corporation (NASUTRA). Under PD 1192, PHILSUCOM was designated as the sole entity responsible for the buying and selling of sugar, with NASUTRA acting as its trading arm. The regulation required sugar planters to deliver their produce for milling; the resulting sugar was documented and paid for by NASUTRA based on prices predetermined by PHILSUCOM. Starke, whose operations were financed through loans from the Philippine National Bank (PNB), challenged the deductions made from the sales proceeds of her sugar crops for the years 1979-80 and 1980-81. These deductions were attributed to the export profit of PHILSUCOM, part of which was used to offset a NASUTRA loan. Starke argued that this deduction lacked her consent and contested the authority of PHILSUCOM/NASUTRA to borrow against the planters' proceeds. The trial court ruled against Starke, finding the sales by PNB to NASUTRA, and thus to PHILSUCOM, permissible under the terms of the chattel mortgage and assignment deeds she executed in favor of PNB. The Court of Appeals upheld this decision, leading Starke to elevate the case to the Supreme Court through a petition for review on certiorari.

Issues:

1. Whether the sugar was sold by PNB to NASUTRA or confiscated by PHILSUCOM.
2. Whether the deduction from Starke's sales proceeds to pay off NASUTRA's loan was lawful.
3. If there was indeed a sale, whether the authority given to PNB acted as a pactum commisorium.

Court's Decision:

The Supreme Court denied the petition, upholding the decisions of the lower courts. It clarified that PHILSUCOM, as the sole authorized entity for sugar trading, was within its right under PD 1192 to purchase sugar from planters (including Starke) through NASUTRA. The issuance of quedans (warehouse receipts) in PHILSUCOM's name and the subsequent payments to planters were part of a lawful sale transaction and not confiscation. The court also found that the arrangement between Starke and PNB, including the authorization for PNB to sell the sugar, did not constitute a pactum commisorium but was a permissible

clause under the chattel mortgage. The deductions made from Starke's sales proceeds to partially pay off NASUTRA's loan were deemed lawful, being part of the regulatory framework established to support the sugar industry.

**Doctrine:**

This case reiterated the doctrine that regulatory measures affecting industries of public interest, such as the sugar industry, are within the scope of the government's police power. It also affirmed the validity of contractual stipulations that empower financial institutions to act within specified limits on behalf of their clients in transactions involving pledged or mortgaged commodities.

**Class Notes:**

- The principle governing the authority of regulatory bodies to fix the floor-ceiling price of commodities for public interest was illustrated.
- The valid assignment of proceeds from the sale of mortgaged commodities by a mortgagee (in this case, PNB) on behalf of the mortgagor (Starke), according to pre-agreed terms, was emphasized.
- The case highlighted the distinction between lawful contractual agreements and a pactum commisorium, which is prohibited (Art. 2088 of the New Civil Code).
- It showcased the legal framework within which governmental or quasi-governmental entities like PHILSUCOM and NASUTRA operate concerning the regulation and stabilization of vital industries.

**Historical Background:**

The case is embedded within the broader context of the regulatory regime for the sugar industry under PHILSUCOM and NASUTRA during a period of significant economic challenges in the Philippines. The government's intervention in the buying and selling of sugar was aimed at stabilizing prices, ensuring fair returns for producers, and supporting the national economy. The abolishment of PHILSUCOM and its replacement with the Sugar Regulatory Administration later marked a significant shift in the regulatory landscape, reflecting ongoing adjustments to balance stakeholders' interests within this crucial agricultural sector.