

EDUARDA S. VDA. DE GENUINO, PETITIONER, VS. THE COURT OF AGRARIAN RELATIONS, ET AL., RESPONDENTS.*G.R. Nos. L-25035-36. February 26, 1968*

Ponente: BENGZON, J.P., J.

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Eduarda S. Vda, de Genuino is the judicial administratrix of the estate of the deceased Jacinto Genuino, Jr., part of which were lands in Mandili and Mapaniqui, Candaba, Pampanga, all devoted to rice production. On May 25, 1964, the share tenants of said lands filed the following complaints against Eduarda S. Vda. de Genuino before the Court of Agrarian Relations of Angeles City, Pampanga:

(1) CAR Case No 21-P-64 filed by the following 8 tenants occupying 24 hectares in Mandili, Candaba, Pampanga: Benigno Manabat, Donato Lacanilao, Benjamin Sangalang, Luciano Pelayo, Julio Tancuanco, Emilio Quilantang, Ruben Manalastas and Juan Manalastas.

(2) CAR Case No. 23-P-64 filed by the following 14 tenants occupying 44 hectares in Mapaniqui, Candaba, Pampanga: Leon Campo, Hermogenes Turla, Ricardo de la Vega, Gualberto Puno, Marcelino Reyes, Servillano Punzalan, Jose de la Cruz, Gaudencio Reyes, Homer Lacanilao, Candido Punzalan, Florentino Punzalan, Jose G. de la Cruz, Eleuterio Amurao and Jacinto Pamintuan.

The purpose of these complaints was the conversion of the tenancy relationship from share tenancy to leasehold tenancy pursuant to Section 4 of Republic Act 3844,[1] in relation to Section 14 of Republic Act 1199,[2] as amended. The normal average produce for the past three agricultural years, less expenses, was alleged in the complaints.

Eduarda S. Vda. de Genuino, in separate answers, on September 22, 1964, denied the alleged normal average produce and as an affirmative defense, questioned the constitutionality of Sections 4 and 34 of Republic Act 3844.

After both cases, being on the same point of law were consolidated, the parties, on November 9, 1964, stipulated for purposes only of the preliminary hearing of the defendant's special and affirmative defenses, that the gross produce of the lands[3] involved are as alleged in the complaints but from which should be deducted seed, threshing, reaping and hauling expenses for purposes of determining lease rentals.

On January 23, 1965, after the parties had filed their memoranda, the Court of Agrarian Relations denied defendant's prayer for dismissal on the ground that the issue of constitutionality of Sections 4 and 34 of the Agricultural Land Reform Code (Republic Act 3844) will not directly affect the tenants' rights in the case because even if said sections were declared unconstitutional, Section 14 of Republic Act 1199, providing also for change from sharehold to leasehold tenancy, which was already held constitutional by the Supreme Court, would still apply. As to the limitation in Section 34 of the Agricultural Land Reform Code of the maximum rental, it ruled that the limitation was not really burdensome, for the decrease of 5% of the owner's share,[4] is offset by

the advantages he gets under the law.

A reconsideration was denied the defendant and the Court of Agrarian Relations subsequently, on August 31, 1965, promulgated its decision granting and authorizing the leasehold system starting from agricultural year 1965-1966 on the ground that the issue had become moot since the Supreme Court had upheld the legality of the change from sharehold to leasehold tenancy at the tenant's option pursuant to Section 14 of Republic Act 1199, as amended. And hence, this petition for review before Us.

Section 4 of the Agricultural Land Reform Code in part provides:

"Agricultural share tenancy, as herein defined, is hereby declared to be contrary to public policy and shall be abolished: Provided, That existing share tenancy contracts may continue in form and effect in any region or locality, to be governed in the meantime by the pertinent provision of Republic Act Numbered Eleven hundred and ninety-nine, as amended, until the end of the agricultural year when the National Land Reform Council proclaims that all the government machineries and agencies in that region or locality relating to leasehold envisioned in this Code are operating, unless such contracts provide for a shorter period or the tenant sooner exercises his option to elect the leasehold system: x x x"

The abolition of the share tenancy and the compulsion on the landowner and/or tenant to enter into the leasehold system is questioned as unconstitutional on the ground that the freedom of contract is violated and that it is a deprivation of property without due process of law. This is not the case. Said legislation is justified by the right of the state to exercise its police powers. The sponsor of said legislation before the Senate, on June 14, 1963, aptly stated in his address similar instances where the state imposed its will in its exercise of police power; the enactment of the Social Security System Law, Child Labor Law, Law on Company Unions, Blue Sunday Law, and the law declaring the charge of 15% interest on loans illegal. Here, individual rights to contract and to property, had to give way to police power exercised for public welfare.

In the case at bar, the exercise of such a power was the result of the intention of Congress to do away with the share tenancy completely. However, as this was then considered premature, a compromise was arrived at by giving the tenant the choice between continuing with share tenancy or electing leasehold tenancy.[5] This right was embodied in section 14 of Republic Act 1199, as amended, the constitutionality of which We have already upheld in several decisions,[6] the latest of which is *Gamboa v. Pal-larca*, L-20407, March 31, 1966. Realizing that despite the option, conditions were such that the tenants, completely controlled by landholders, were not in a position to exercise the same Congress stepped in and exercising the police power of the state, abolished share tenancy.

And, besides, as the Court of Agrarian Relations correctly held then that even if the challenged provisions of the Agricultural Land Reform Code be declared unconstitutional, the effect would be the same for the Code provides that while the National Land Reform Council has not declared the Code operative in the region, the provisions of Republic Act 1199, as amended, would apply. Section 14 of Republic Act 1199, which grants this option to choose the leasehold relationship to the tenant and binding to the landowner, is as earlier pointed out, constitutional. Consequently, regardless of the Land Reform Code, petitioner Eduarda S. Vda. de Genuino must give in to the desired change of system.

The exercise of police power is alleged to be unreasonable because share tenancy does not involve health, morals and public safety; that the constitutionality of Section 14 of Republic Act 1199 was upheld as a valid exercise of police power as against the freedom to contract and not against deprivation of property without due process of law. The argument is unacceptable. Police power is broad enough to be exercised on the basis of the economic need[7] for the public welfare. And, We do not see why public welfare when clashing with the

individual right to property should not be made to prevail through the state's exercise of its police power.

Finally, it is alleged that rentals fixed by the court based on the stipulation of facts yield an unreasonable return of only 3.42% to 4.56% to the estate, amounting to a confiscation of property without due process of law. It must be pointed out that just compensation is not required in the exercise of police power. And besides, the constitutionality of a law may not be made to depend on the effects of a conclusion based on a stipulation of facts entered into by the parties. Otherwise, the law would be constitutional in certain cases and unconstitutional in others. And when questions of fact may condition the constitutionality of a law, the presumption of constitutionality must prevail unless some factual foundation of record is proved.[8] Undoubtedly, this factual foundation must be shown to exist independently of mere stipulation of facts.

As regards the rentals to be paid, the Court of Agrarian Relations erred in not deducting expenses from the gross harvest, so that the rentals computed are higher. We observe however, that the tenants did not appeal. This point, therefore, cannot now be disturbed.

WHEREFORE, the decision appealed from is hereby affirmed and herein petitioner is ordered to abide with the same in all respects. Costs against petitioner.

SO ORDERED.

Concepcion, C.J., Reyes, J.B.L., Dizon, Makalintal, Zaldivar, Sanchez, Angeles, and Fernando, JJ., concur.
Castro, J., in the result.

[1] Agricultural Land Reform Code.

[2] Agricultural Tenancy Act.

[3] First class lands worth P3,000 to P4,000 per hectare.

[4] Before it was 70-30%, now it is 75-25% under the Agricultural Land Reform Code.

[5] Congressional Record, Senate, 3rd Congress, First Session, Vol. 1, No. 76, May 19, 1954, p. 1348; No. 8, July 24, 1964, p. 104.

[6] Ramos v. CAR, L-19555, May 29, 1964; Macasaet v. CAR, L-19750, July 17, 1964; Uychangco v. Gutierrez, L-20275-79, March 31, 1965.

[7] Veix v. Sixth Ward Building & Loan Association, 310 US, 32.

[8] Ermita-Malate Hotel & Motel Operators Association, Inc. v. City of Manila, L-24693, July 31, 1967.

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