

PHILIPPINE MILLING COMPANY, HECTOR A. TORRES AND FRANCISCO M. GOMEZ, PLAINTIFFS AND APPELLANTS, VS. CELSO LLOBREGAT, JULIAN C. SINGSON, AND VILLA-ABRILLE & COMPANY, DEFENDANTS A...

G.R. No. L-15090. October 29, 1966

Ponente: REYES, J.B.L., J.

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REYES, J.B.L., J.:

Direct appeal from a decision of the Court of First Instance of Manila (Civil Case No. 23906) in view of the fact that the amount in controversy exceeds P200,000.

The antecedents of the case are as follows:

When the sugar quota system was established in the Philippines prior to World War II, pursuant to the Sugar

Limitation Act (Act No. 4166 of the Philippine Legislature), the Roman Catholic Archbishop of Manila was the lessee of certain public lands owned by the Government in San Jose, Mindoro, and designated in the records of the Sugar Quota Office as Sugar Plantations 30-5 and 30-6 attached to or included in the Mindoro Mill District. Each plantation was allotted its corresponding sugar quota, both plantations being adhered to the sugar mill operated by the Philippine Milling Company.

With the consent of the Government Land authorities, the lease of Plantation 30-5 was transferred to Vicente Singson Encarnacion and in 1947 to the latter's son, Julian C. Singson, while the lease of Plantation 30-6 was transferred to Celso Llobregat as of 21 March 1948.

In the year 1950, the Roman Catholic Archbishop of Manila transferred and conveyed to Hector A. Torres and Francisco Gomez the controlling shares of stock of the Philippine Milling Company, the private lands known as the Hacienda de San Jose, and all sugar quota allowances pertaining to both the Roman Catholic Archbishop of Manila and the Philippine Milling Company, as allocated and allotted by the Philippine Sugar Quota Administration.

When the present lessees of plantations 30-5 and 30-6 (Singson and Llobregat) learned of the foregoing transfer, they laid claim to the respective sugar quotas allotted said plantations; and in January, 1951 the Sugar Quota Administration directed the Milling Company to cancel the planters' rights over the two plantations in the name of the Archbishop, and to register Singson and Llobregat as regular planters of plantations 30-5 and 30-6, up March 1971. This directive was reiterated on 7 February 1951; but the Milling Company objected to the order a laid claim to the plantation quotas by virtue of the conveyance executed in 1950 by the Roman Catholic Archbishop of Manila. The objection was overruled by Sugar Quota Administration, and by the Secretary of Agriculture and Natural Resources on appeal. Nevertheless, the Milling Company refused to recognize Singson and Llobregat as regular planters, and would admit them only as emergency planters. Singson and Llobregat did not agree to the Company's proposal.

In view of this impasse, Llobregat and Singson secured from the Sugar Quota Administration, in December of 1952, over the objections of the Philippine Milling Company, permission to transfer the planters' 60% share of the quota allocated to their plantations to planters adhered to the Central Azucarera de Pilar of Capiz, which was in a different Mill district.

One year later, Singson and Llobregat sought further authority to transfer the remaining 40 % of the sugar quota allocation, designated as mill share; the Sugar Quota Administration sought the advise of the Department of Justice, and the Secretary, in Opinion No. 160 dated 6 July 1964, declared it permissible for applicants Singson and Llobregat to assign the 40% mill's share of the quota "to any miller with whom they may enter into milling contract and who shall perform its obligations to mill their canes". A permit was issued accordingly by the Quota Office, on condition that the milling company would be indemnified for damages if its rights were legally established (Exhibit "GG"). Llobregat and Singson transferred the 40% share in question to Villa Abrille & Co., who were not sugar millers.

On 12 October 1954, Hector Torres and Francisco Gomez (the transferees of the Archbishop of Manila) and the Philippine Milling Company filed action in the Court of First Instance of Manila against Celso Llobregat, Julian Singson, the Sugar Quota Administration, the Director of Lands and Villa Abrille & Co., to have the plaintiffs declared owners of the entire sugar quota allotment of Plantations 30-5 and 30-6, by virtue of the Archbishop's conveyance heretofore mentioned; to annul the authority issued by the Quota Administration to transfer the quota to other persons; to declare the transfers by Singson and Llobregat null and void; and to recover P200,000 compensatory damages, P20,000 exemplary damages and P20,000 attorneys' fees, plus costs.

Defendants Singson and Llobregat, in their answer, denied the Archbishop's right to transfer to the Philippine Milling Company the quota allocations corresponding to plantations 30-5 and 30-6; pleaded that the Milling Company illegally refused to recognize them as regular planters and to mill their sugar canes, in defiance of the directives of the Sugar Quota Administration, to the extent of dismantling the railway leading from the plantations to the mill and withdrawing the cane cars used for transportation of the cane; that, as a result, the cane crops in said plantations were lost. They also averred the legality of the Sugar Quota Administration directives and the validity of the transfer of their sugar quota allocations; and counter-claimed for damages.

The other defendants made similar averments upholding the legality of the action taken in the premises by the Sugar Quota Administration.

After trial, the Court of First Instance of Manila rendered decision, recognizing the right of Llobregat and Singson to the sugar quota allotted to their plantations and the nullity of the transfer thereof to plaintiffs by the Archbishop of Manila; upheld the transfer by Llobregat and Singson of 60% of their plantations' allotment, but denied their right to transfer the 40% mill share to Villa Abrille & Co., because the latter was not a miller, as required by the opinion of the Secretary of Justice in 1954 (Op. No. 160). In consequence, the Court rendered judgment—

"IN VIEW WHEREOF, the Court:

- (1) Sustains the transfer of the 60% planters' share unto the planters transferees but discards the counterclaim of said planters transferees against the plaintiffs;
- (2) Condemns plaintiffs to pay unto defendants Singson and Llobregat, to each of them, the sum of P5,000.00 as damages for their failure to register the latter as regular planters and for damages suffered by them therefor;
- (3) Declares null and void the transfer of the 40% mill share unto defendant Villa-Abrille; and condemns defendants Singson, Llobregat and Villa-Abrille to pay unto plaintiffs, in the following manner:

Defendants Singson and Villa-Abrille are condemned jointly and severally to pay unto plaintiff the sum of

P10,511.55 beginning with the agricultural year 1954-1955 and annually thereafter until the return of the 40% to plaintiffs;

Defendants Llobregat and Villa-Abrille are condemned jointly and severally to pay unto plaintiffs the sum of P15,873-34 beginning with the agricultural year 1954-1955 and annually thereafter until the 40% mill share shall have been finally restored unto the Philippine Milling Company;

(5) No special pronouncement as to costs.

SO ORDERED."

From this judgment, appeal was duly interposed by the plaintiffs (Torres, Gomez and the Philippine Milling Company) as well as by defendants Llobregat, Singson and Villa Abrille & Co. However, the appeal of Villa Abrille and that of plaintiffs were dismissed by this Court for failure to file appeal briefs on time. Hence, the pronouncements in the appealed judgment declaring the nullity of the conveyance to the plaintiffs by the Archbishop of Manila of the entire planters' quotas allocated to the plantations 30—5 and 30—6 of the Mindoro Sugar Mill District; the impropriety of the plaintiffs' failure to recognize Llobregat's and Singson's rights to the quota; the mill's refusal to process the cane from these plantations; and the validity of the subsequent transfer by Singson and Llobregat 60% of the quota to planters of the Central Azucarera de Pilar are no longer contested.

There remain only the issues raised by defendants-appellants:

(a) Whether Singson and Llobregat could also validly transfer to other planters the "mill share" of 40% of the sugar quota corresponding to their plantations; and

(b) Whether the award of damages in the appealed decision is conformable to the law and the evidence.

In holding the sale of 40% "mill share" of the quota to Villa Abrille & Co. to be in violation of the plaintiffs' rights the trial court reasoned thus:

"* * *. The Court believes that the sugar quota is a right enjoyed in co-ownership between the planter and the miller in the proportion of 60% for the planter and 40% for the miller; that in the same manner that the planter has an absolute right to the 60%, the Court must also recognize that the miller has a right to the 40%; and while it may be that the miller for reasons not justified as found by the Secretary of Justice did not recognize the planter as a regular planter, that would justify the conclusion, that the 40% right of the miller could be deprived from it; the only legal consequence that would follow would be to punish the miller and make him liable for damages; but the Court cannot go to the extent of confiscating from it a right which properly belonged to it; for a wrong can not cure another wrong; so that when in this particular case the planter transferred the 40% for valuable consideration unto Villa-Abrille it is the understanding of the Court that they went beyond their right and enriched themselves at the expenses of the Milling Company. They should be made liable in damages."

This reasoning, as pointed out for appellants-planters Singson and Llobregat, has failed to take into account two basic facts: (1) the obstinate and culpable refusal of the plaintiffs to mill the cane of said planters, and, therefore, their refusal to produce the sugar marketable under the corresponding allotments or quotas; and (2) that, as pointed out by this Court in its decision in *Suarez, et al. vs. Mount Arayat Sugar Co., Inc.*, 96 Phil. 707, 716, the splitting of the production allowance between planters and millers "is a direct consequence of the division of the resulting sugar between them, according to their respective contribution (cane and industry) in the production of the article". To allow a miller, that deliberately refuses to mill the planter's cane, to retain the 40% share in the production and marketing quotas without any contribution or effort on its part towards the production of the sugar is to enable the mill operator to get something for nothing. Not only this, but it grants the miller power to reduce the planter's marketing allotment, to the prejudice of the planter and to the unjust enrichment of the miller. This eventuality was clearly considered and foreseen in the *Suarez vs. Arayat Sugar Co.*, decision.

"To illustrate: Let us suppose that the quota for a given plantation is 100 piculs of exportable (A) sugar, of which 60 piculs correspond to the planter, and 40 piculs to the central. If the latter may retain and transfer its share of 40 piculs to whomever it pleases, even if it ceases to operate, then the planter would have to mill his cane with another central. But for the same amount of cane processed, only 60 piculs of the resulting sugar would be marketable under the law. Ordinarily, the new mill would not agree to process the planter's cane unless it could get a certain portion of marketable sugar for its gains. If this portion must come from and be deducted from the 60 piculs of the planter's quota, the planter will receive less than formerly. So that by discontinuing operations and forcing the planter to look for another processor, the old mill to which the planter was originally adhered in effect reduces the planter's quota to less than his original share. Hence the planter could rightfully claim the right to transfer the old mill's quota to the new mill."

Ruling on a similar contention, that the Sugar Limitation Act gave the millers absolute title to their share of the sugar quota, and that they may not be divested of it, this Court, in the *Suarez vs. Mount Arayat Sugar, Co.*, case (Resolution on the motion to reconsider, p. 2, 11 April 1956), stated :

"The contention of the appellant Mount Arayat Sugar Co., Inc., that the sugar limitation laws gave it absolute title to its corresponding share of the sugar quota for every succeeding year, whether or not the central or mill ceases to manufacture sugar, does not take into account that the central was given a share in the sugar quota precisely in consideration of its participation in the process of production. The share in the sugar quota, as we pointed out in our main decision, was not a bounty or reward for past services of the sugar mills; but a recognition of their contribution to the production of the sugar coming under the quota. Not only this, but the laws plainly contemplate that the mill's share was to be taken precisely out the sugar manufactured from the cane raised by the adherent planter within the mill district, and not from any other manufactured sugar, regardless of origin."

There is no difference in result between a sugar mill that fails to operate due to fortuitous causes and one that deliberately refuses to mill the plantation quota holder's cane. In fact, the mill's attitude in the second case is reprehensible, and entitled to no protection from the law. Plaintiff's milling company should, therefore, be deemed to have waived its right to the plantations' quota.

No special effort is required to understand that, under the circumstances, in order to preserve intact his 60% share in the quota allotted to his plantation, the planter must not only be able to transfer that percentage, but the whole sugar quota, to another mill, if the latter demands the usual 40%, share of the marketable sugar. And it is immaterial that the entire quota is transferred in one single transaction or in several. Either way, the mill's share will, in the ultimate result, amount to 40% of the whole.

The foregoing considerations suffice to demonstrate that the transfer of the 40% "mill share" to Villa Abrille & Co., even if the latter were non-millers, in no way violated the rights of the plaintiffs, who had refused to produce sugar from the cane of plantations 30-5 and 30-6, and thereby lost the right to share in their sugar quota. At any rate, the virtual transfer of the entire quota (60% plus 40%) did not deprive the miller of the transferees' cane from receiving his corresponding share in the quota transfers. Consequently, the award of damages in favor of plaintiffs is unwarranted.

We now come to the damages awarded by the court below in favor of the appellants, Singson and Llohregat, in the sum of P5,000 each, payable by the plaintiffs, and which defendants-appellants allege to be unjustifiably low.

While appellant Singson testified that he spent P25,000 in preparing and planting 20 hectares of sugar cane in 1951, and that the investment was lost due to plaintiff's refusal

to mill the cane as a regular planter, the amount appears to be no more than a rough estimate, unsupported by clear and reliable data how the amount was arrived at. Nor can the appellant Singson argue on the basis of the trial

court's award of damages to plaintiffs in the sum of P10,511.55 annually for the assumed loss of the miller's 40% of the quota. Mathematically, this would mean a value of P15,000 per year for the 60% corresponding to the planter. But there is no proof that the area planted by Singson during the 1951-1952 crop year would have produced sufficient cane for the resultant sugar to cover the full quota. In fact, the data on record are against any such assumption: for the plantation audit (Exhibit "QQ") reveals that the basic planted area averaged 130 hectares, or six times that planted by Singson in 1951. Nor is there proof of loss of expectant profits, because the fact that appellant Singson was able to assign his quota for five years does not mean he may not be able to make similar assignments in the future.

The same considerations apply to appellant Celso Llobregat. His claim for losses of P12,000.00 for 1951-1952, and P30,000 annually thereafter, are purely speculative, without concrete data to support the same. There is no evidence to show that said appellant could have planted the requisite 200 hectares that were the basic plantation area in the quota audit for plantation 30-6 (Exhibit "RR"). Neither does the record afford adequate basis for a finding that the full production would have been constantly maintained throughout, in view of the well known variability of agricultural production.

However, considering that the plaintiffs obstinately ignored the directives of the Sugar Quota Administration, and ultimately compelling the planters to assign their quotas to other sugar planters; their persistent effort to claim for themselves the quota of Plantations 30-5 and 30-6, notwithstanding the plain provision of Section 9 of Act 4166 to the effect that the sugar quota allotment should be deemed "an improvement attaching to the land entitled thereto"; and that they even claimed the 40% miller's share in the quota of the plantations, in spite of their refusal to manufacture the sugar therefrom, and brought suit to vindicate such unfounded claims, thereby compelling appellants Singson and Llobregat to engage counsel to defend their interests; we believe that, in equity, these defendants are entitled to additional counsel fees in the sum of P5,000.00 each (Article 2208 (11) Civil Code).

Wherefore, the appealed judgment is hereby modified (1) by declaring valid the transfer of the 40% mill share to Villa Abrille & Co.; (2) by eliminating the damages awarded to plaintiffs in connection with such transfer; and (3) by increasing the award of damages to appellants Singson and Llobregat, hereby sentencing plaintiffs Hector A. Torres, Francisco M. Gomez and the Philippine Milling Co., to pay, jointly and severally, to Celso Llobregat and Julian Singson, the amount of P10,000 each, in damages and counsel fees. Plaintiffs-appellees to pay the costs in all instances.

Concepcion, C. J., Dizon, Regala, Makalintal, Bengzon, J. P., Sanchez and Ruiz Castro, JJ., concur.

Judgment modified.

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