

CAYETANO DE BORJA, PETITIONER, VS. COURT OF AGRARIAN RELATIONS, BRANCH I, MALOLOS, BULACAN, FIDEL HERNANDEZ, SIXTO BALTAO, VIVENCIO GALVEZ, ROMAN BALTAO, TIRSO GALVEZ, LAUREANO ...*G.R. No. L-24398. October 25, 1977*

Ponente: CASTRO, C.J.

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Fidel Hernandez, Sixto Baltao, Vivencio Galvez, Roman Baltao, Tirso Galvez, Laureano Esquivel and Buenaventura Salvador (hereinafter referred to as the respondents) - share tenants of Cayetano de Borja (hereinafter referred to as the petitioner) on separate parcels of riceland in San Miguel, Bulacan, and Gapan, Nueva Ecija - through a letter dated March 29, 1964 sent by registered mail informed the petitioner of their desire to change their relation-ship from share tenancy to leasehold effective the regular crop season of the agricultural year 1964--1965. The petitioner opposed the conversion, but the respondents, pursuant to their demand for change of the tenancy system, contributed all the items of production for the agricultural year 1964-1965 the regular crop season of which started in July, 1964.

The respondents subsequently filed an action against the petitioner with the Court of Agrarian Relations, asking the court (1) to order the reliquida-tion of harvests from the agricultural year 1959-1960 up to and including the agricultural year 1963-1964, and the reimbursement of hauling fees and of over-payment of irrigation charges; (2) to uphold the change of tenancy system; and (3) to grant damages and attorney's fees. The agrarian court rendered a partial decision dated February 22, 1965 declaring the relationship between the petitioner and the respondents as under the leasehold system effective the agricultural year 1964-1965.

Hence, the petition for review - docketed as L-24398 - of the partial decision of the agrarian court filed by the petitioner with this Court on April 30, 1965.

In the interim, the respondents, on December 7, 1964, moved the agrarian court to order the threshing and the temporary liquidation of their harvests for the agricultural year 1964-1965. Finding the harvests already reaped and threshed, the agrarian court only decreed, per its order dated February 23, 1965, the temporary liquidation of the net produce, that is, the harvests after deducting from the gross produce the seeds used and the fees for the reaping and threshing.

Almost a year later, the respondents, through a motion dated February 12, 1966, sought an order from the agrarian court for the threshing and the temporary liquidation of their harvests for the agricultural year 1965-1966. On February 16, 1966, the agrarian court ordered the threshing and the temporary liquidation of the respondents' harvests, directing the deduction of the following from the gross produce: (1) the seeds used; (2) the fees for reaping and threshing; and (3) the costs of irriga-tion. The agrarian court denied a subsequent motion for reconsideration of the aforestated order.

Thus, on April 18, 1967, the petitioner filed the present petition for certiorari - docketed as L-27478 - with this Court, to annul the orders of the agrarian court dated February 16, 1966 and March 16, 1967 insofar as the said orders directed the deduction of the costs of irrigation from the gross harvests of the respondents.

In L-24398, the petitioner assails the inter-pretation accorded by the agrarian court to a common provision found in the share tenancy contracts entered into between him and the individual respondents, and attacks the constitutionality of section 14[1] of Republic Act 1199 (otherwise known as the Agricultural Tenancy Act of the Philippines).

I. The questioned contractual provision reads:

"5. Ang kasunduang ito'y magkakabisa sa taning na samantalang ang Kasama sa Bukid ay Kasama ng Maylupa sa lupang nasasabi sa itaas nito. (_____) taon ng pagsasaka mula ngayon."

Construing the aforequoted provision found in the share tenancy contracts, the agrarian court, considering that the parties entered into and executed the share tenancy contracts during the effectivity of Act 4054,[2] observed:

"The period stated in paragraph 5 of said contracts is that said contracts shall have force and effect as long as the said plaintiffs shall remain the tenants of the defendant on their respective landholdings. It is clear from said paragraph that the exact date of the expiration of the period of said contracts (month, day and year) is not stipulated. The period is indefinite; hence, the same shall last only for one agricultural year (Sec. 6, Act 4054)."

Disagreeing with the agrarian court, the petitioner contends that the provision in question does provide for a period for the efficacy of the share tenancy contracts and maintains that the said contracts shall have force and effect for as long as the respondents shall remain his tenants; this means that the respondents shall remain as tenants until death, dismissal by the court or voluntary surrender of the landholding.

The agrarian court, according to the petitioner, erred in concluding that the share tenancy contracts do not provide a period, and in applying section 6[3] of Act 4054 by declaring an absence of stipulation as to the period between the parties and limiting the efficacy of the said contracts to only one agricultural year.

Section 6 of Act 4054 - appropriately titled "Duration of contract" - contemplates two situations: one wherein the parties (the landlord and the tenant or the farm laborer) expressly stipulate the duration of the contract, and the other wherein the parties omit to stipulate the same. In the first situation, section 6 declares that the contract "shall last in accordance with the stipulation of the parties;" in the second situation, the same section states that the contract "shall be understood to last only during one agricultural year." And the stipulation referred to in section 6 relates to a stipulation on the duration of the contract, that is, a definite statement of the fixed term of the efficacy of the contract. Section 6, clearly and accurately worded, thus leaves no room for interpretation.

The petitioner insists that section 6 simply requires a "stipulation" of the parties without need of specifying the definitive period for the duration of the contract. Section 6, he urges, also covers and includes an indefinite stipulation which he inadequately explains as that which provides for "a period intended, though indefinite" for the efficacy of the contract. This stance of the petitioner obviously gives no importance to the very title of the section involved herein - "Duration of contract" - at the same time that it renders incongruous the provision of the section on the renewal of the contract "after the expiration of the original period" in relation to the other provisions. The related provisions of section 6 definitely require, in the event that the parties stipulate on the duration of the contract, a fixed and determinate period for the efficacy of the contract and not "a period intended, though indefinite," as the petitioner claims.

The controversy thus relates to the common provision found in the share tenancy contracts entered into between the petitioner and the respondents. This provision, the agrarian court aptly observed, provides no fixed period for

the duration of the share tenancy contracts. Against this observation, the petitioner argues, rather vaguely, that the common provision fixes the duration of the share tenancy contracts and urges that the said provision reveals that the parties intended that the said contracts shall last as long as the respondents shall remain his tenants on their respective landholdings. And, continuing, the petitioner states that the respondents shall, as implied in the common provision, remain his tenants until death, dismissal by the court, or voluntary surrender of the landholding; since the share-tenancy contracts shall expire upon the happening of any of the aforementioned causes, the common provision pro-vides for a certain and definite period, because any of the causes "must necessarily come although it might not be known when."

The petitioner's argument that the common provision in the share tenancy contracts implies that the contracts shall expire only upon the occurrence of any of the causes enumerated by him renders nugatory the right of the respondents to seek the change of the relationship from one of share tenancy to leasehold explicitly secured to them by section 14 of Republic Act 1199. Notably, as to the causes specified by the petitioner, death and voluntary surrender of the landholding, per section 9 of Republic Act 1199, constitute causes for the severance of the tenancy relationship, while dispossession judicially decreed also inevitably results in the same final effect - the extinguishment of the tenancy relationship. Thus, the petitioner believes that the respondents shall remain his share tenants for as long as the tenancy relationship between them subsists. This contravenes the very spirit and purpose of section 14 which expressly gives the respondents the right of choice and determination of the system that will control and govern their relationship with the petitioner.

In addition, with the tenancy relationship no longer subsisting, how does the petitioner expect the respondents to make use of their right to demand a change from share tenancy to leasehold?

The petitioner also points to two other considerations that he believes conclusively indicate the intention of the parties to impress permanence upon the tenancy relationship under the terms of the share tenancy contracts. He argues that (1) para-graph 3 of the share tenancy contracts gives the respondents the right to construct houses for dwelling purposes on portions of the landholdings; and (2) para-graph 5 of the said contracts provides a blank space intended to be filled in with the specific period of the duration of the contracts, but the parties disregarded the blank space and omitted to fill in the same.

As to the first contention, the petitioner overlooks the provisions of section 22 of Act 4054, as amended by section 3 of Republic Act 34. Section 22, in part, reads:

"SEC. 22. Lot for dwelling.- The tenant shall be entitled to construct a dwelling on the land cultivated by him, if he so chooses, and once a dwelling is constructed, he shall be entitled to a fixed residential lot of not less than six hundred square meters, but not exceeding one thousand square meters in area, depending upon the availability of suitable land and the area cultivated by the tenant belonging to the landowner, the same to be devoted to the purposes of a garden, poultry and such other minor industries as may be necessary for his livelihood, the products of which shall accrue to the tenants exclusively: x x x."

The aforequoted section expressly recognizes the right of the respondents to ask the petitioner, if they so desire, to provide them with suitable areas in the landholdings cultivated by them for the purpose of constructing their dwellings thereon. Paragraph 3 of the share tenancy contracts merely reiterates this statutory right of the respondents. In truth, the said paragraph, as worded - "3. Na, ang Kasama sa Bukid ay may karapatang magtayo ng bahay na titiran sa lupang kanyang sinasaka, at magagamit din sa kanyang sariling kapakinabangan, na ang sukat ay (____)metrong parisukat. (Hindi liliit sa 600 at di naman lalaki sa 1,000)." - constitutes but a paraphrase in Pilipino of section 22.

Anent the petitioner's second contention, the failure or omission of the parties to fill in the blank space in

paragraph 5 of the share tenancy contracts - said blank space is obviously intended for the period of the duration of the contracts - is susceptible of several interpretations. The petitioner's interpretation that such failure or omission projects in unmistakable light the desire of the parties to perpetuate their tenancy relationship under the share tenancy system constitutes a strained presumption of the probable intention of the parties, albeit twisted, to further strengthen his stand.

This second contention of the petitioner the respondents counter with an imputation that the petitioner himself caused the omission. To this allegation, the petitioner offers no refutation whatsoever. The petitioner himself having caused the omission in paragraph 5 of the share tenancy contracts, which omission resulted in ambiguity as to the intention of the parties regarding the duration of the contracts involved, the ambiguity should be taken against him. Hence, we reject the petitioner's second contention.

II. The second question raised in L-24398 relates to the alleged unconstitutionality of section 14 of Republic Act 1199. The petitioner assails the option granted to the respondents to change the relationship from share tenancy to leasehold as oppressive and unreasonable because the said section, according to him, impairs the obligation of contracts and deprives him of his property rights without due process of law.

The petitioner invokes the same objections already resolved repeatedly by this Court.[4] This Court has time-and time again sustained the constitutionality of section 14, holding that the contested section is a reasonable and valid exercise of the police power of the State to alleviate the socio-economic situation then prevailing in the Philippines. Also, section 14 stems from the fundamental constitutional mandates providing that "[T]he promotion of social justice to insure the well-being and economic security of all the people should be the concern of the State"[5] and that the State "shall regulate the relations between landowner and tenant ... in agriculture." [6] We find neither cogent reason nor sufficient justification to heed the petitioner's proposition to revise or alter the view we have so far adhered to on the constitutionality of section 14.

III. In L-27478, the petitioner questions the orders dated February 16, 1966 and March 16, 1967 issued by Judge Jose M. Santos (hereinafter referred to as the respondent Judge) of Branch I, Fifth Regional District of the Court of Agrarian Relations, insofar as the said orders decreed the deduction of the irrigation fees from the gross produce of the individual respondents. The petitioner avers that the respondent Judge issued the controverted orders in excess of jurisdiction and with grave abuse of discretion.

The petitioner anchors his arguments on the status of the respondents as his leasehold tenants. He states that the agrarian court, in its partial decision dated February 22, 1965, declared the relationship between the parties as leasehold effective the agricultural year 1964-1965. His subsequent appeal of the partial decision of the agrarian court to this Court did not stay the aforesaid partial decision, pursuant to section 10,[7] Rule 43 of the Rules of Court. The agrarian court itself, in two orders dated March 1, 1965 and May 2, 1967, consistently considered the status of the respondents as leasehold tenants. And under the leasehold, the petitioner argues, the tenant shoulders the costs of irrigation.

The petitioner also alleges that the respondents, in the proceedings before the agrarian court, expressed their readiness to pay the corresponding irrigation fees. And, in truth, the individual respondents, in keeping with their desire to become leasehold tenants and with their manifestation of willingness to shoulder the costs of irrigation, paid the said irrigation fees from their respective net shares relative to the harvests for the agricultural years 1964-1965 and 1965-1966.

The respondents, on the other hand, aver that the petitioner himself agreed to the deduction of the costs of irrigation from the gross produce and that the agrarian court merely issued the questioned orders in conformity with the agreement of the parties.

Resolution of this question requires resort to the provisions of section 10, Rule 43 of the Rules of Court. Section 10 provides that the institution of an appeal from the decision of the Court of Agrarian Relations to this Court does not stay the execution of the appealed decision. For this reason, the appeal in the case at bar did not suspend the declaration by the agrarian court of the relationship between the parties as "under the leasehold tenancy system effective the agricultural year 1964-1965 (regular crop or panag-araw season)."

In fact, the petitioner, through a motion dated July 19, 1965 and filed with this Court on July 31, 1965, asked this Court to stay the partial decision of the agrarian court dated February 22, 1965 during the pendency of the appeal. This Court, however, per resolution dated August 4, 1965, denied the motion of the petitioner.

The change in the relationship between the petitioner and the respondents from one of share tenancy to leasehold took effect in the agricultural year 1964-1965. Thus, the agrarian court, in its partial decision dated February 22, 1965, took significant note that the respondents "contributed all the items of production in the regular crop season of the agricultural year 1964-1965 (panag-araw)."

The following subsequent events confirmed the change, translating into reality the declaration of the agrarian court:

1. The respondent Judge, on February 23, 1965, ordered the threshing of the respondents' harvests for the agricultural year 1964-1965, stating in the order as deductible from the gross produce only the seeds used and the reaping and threshing fees;
2. The respondent Judge, at the March 5, 1965 hearing of the case, specifically ordered the payment of the irrigation fees from the shares of the respondents in the harvests, thereby modifying the order of February 23, 1965;
3. The respondents, in their motion dated February 12, 1966 wherein they sought an order for the threshing of their harvests for the agricultural year 1965-1966 and for the temporary liquidation of the same, included as deductible items from the gross produce only the seeds used and the reaping and threshing fees; and
4. The respondents, at the hearing of their motion dated February 12, 1966, agreed to continue paying the irrigation fees.

The foregoing uncontested developments and the payment by the respondents from their net shares of the irrigation fees for the agricultural years 1964-1965 and 1965-1966 readily point to the indubitability of the said respondents' knowledge of their standing obligation, under the system of leasehold, to shoulder the expenses for the irrigation of their respective landholdings. This obligation arose as a logical concomitant of the change of the relationship from one of share tenancy to leasehold. For, under the system of leasehold, the tenant-lessee possesses full managerial rights over the landholding - the tenant-lessee acquires the right to work the land according to his best judgment provided he observes tested farm practices in the manner and method of cultivation and harvest. The tenant-lessee contributes, with the exception of the land, all the items of production and the expenses of cultivation. And, definitely, the cost of irrigation constitutes an item of expense of cultivation.

Another factor strengthens the petitioner's stand. Under the system of leasehold, the tenant-lessee has the corresponding obligation to pay the landholder-lessor consideration for the use of the land. And section 46 (a) of Republic Act 1199, as amended by Republic Act 2263,[8] in fixing the rental for the use of the landholding, states as deductible items from the gross produce of the past three normal harvests only the amount of seeds used and the expenses for harvesting and threshing for the past three normal harvests.

In the case at bar, the respondents assumed the payment of the irrigation fees for the agricultural years 1964-1965 and 1965-1966. They acquiesced to and did not impugn the order of the respondent Judge dated February 23, 1965 stating as deductible from the gross produce only the seeds used and the reaping and threshing fees. They now offer no sufficient and valid reason to justify their repudiation of the obligation they complied with for two agricultural years. The duty to respect and adhere to the obligation to defray the costs of irrigation - an obligation that flows from their status as lessees - rests upon the respondents.

ACCORDINGLY, judgment is hereby rendered (1) in L-24398, affirming the partial decision of the Court of Agrarian Relations dated February 22, 1965, which declared the relationship between the parties as leasehold effective the agricultural year 1964-1965; and (2) in L-27478, declaring null and void the orders of the respondent Judge dated February 16, 1966 and March 16, 1967 insofar as the said orders directed the deduction of the expenses of irrigation from the gross produce. No costs.

Fernando, Antonio, Aquino, Concepcion, Jr., and Santos, JJ., concur.

Barredo, J., no part.

[1] Section 14 reads:

"Change of system.- The tenant shall have the right to change the tenancy contract from one of share tenancy to leasehold tenancy and vice versa and from one crop-sharing arrangement to another of the share tenancy. If the share tenancy contract is in writing and is duly registered, the right to change from one crop-sharing arrangement to another or from one tenancy system to another may be exercised at least one month before the beginning of the next agricultural year after the expiration of the period of the contract. In the absence of any registered written contract, the right may be exercised at least one month before the agricultural year when the change shall be effected."

[2] An Act to promote the well-being of tenants (aparceros) in agricultural lands devoted to the production of rice and to regulate the relations between them and landlords of said lands, and for other purposes.

[3] Section 6 states:

"Duration of contract.- Any contract on rice tenancy entered into between landlord and tenant or farm laborer according to this Act shall last in accordance with the stipulation of the parties: Provided, how-ever, That in the absence of stipulation, same shall be understood to last only during one agricultural year: Provided, further, That unless the contract is renewed in writing and registered as provided in section four hereof within thirty days after the expiration of the original period, the same shall be presumed to be extinguished: Provided, finally, That in case of renewing the contract without changing the stipulations therein it is sufficient that the municipal treasurer shall annotate the word 'renewed' in the three copies of the contract and in the Registry of Tenancy Contracts.

"For the purposes of this section, one agricultural year shall mean the length of time necessary for the preparation of the land, sowing, planting and harvesting a crop, although it may be shorter or longer than a calendar year."

[4] De Ramas, vs. Court of Agrarian Relations and Ramos, 11 SCRA 171; Macasaet vs. Court of Agrarian Relations, et al., 11 SCRA 521; Uichanco, et al. vs. Gutierrez, et al., 14 SCRA 231; Gamboa vs. Pallarca and Santos, 16 SCRA 490; Cuizon vs. Ortiz and Court of Agrarian Relations, 16 SCRA 986; Ilusorio and Ilusorio vs. Court of Agrarian Relations, et al., 17 SCRA 25; Reyes vs. Santos and Enriquez, 18 SCRA 28; Enriquez vs. Cabangon and Manalo, 18 SCRA 81; Tinio and Limban vs. Macapagal, et al., 19 SCRA 421; Diaz vs. Molina, et al., 19 SCRA 975; Del Rosario vs. De los Santos, 22 SCRA 1196; De la Paz vs. Court of Agrarian Relations and Papag, 25 SCRA 480.

[5] Section 5, Article II, 1935 Constitution of the Philippines; c.f. similar provision in the 1973 Constitution.

[6] Section 6, Article XIV, *ibid*; c. f. similar provision in the 1973 Constitution.

[7] Section 10 reads:

"Effect of appeal.- The appeal shall not stay the order, ruling or decision of the Securities and Exchange Commission, the Land Registration Commission, the Court of Agrarian Relations, the Social Security Commission, the Secretary of Labor under Section 7 of the Minimum Wage Law, the Court of Industrial Relations, and the Commission on Elections, but shall stay that of the Civil Aeronautics Board and the Workmen's Compensation Commission, unless the Supreme Court shall direct otherwise upon such terms as it may deem just." See also section 5 of Republic Act 5434 providing for the effect of appeal from specified agencies.

[8] The relevant provision of section 46 (a) reads:

"The fixed consideration for the use of ricelands shall not be more than the equivalent of twenty-five per centum in case of first class land and twenty per centum in case of second class land of the average gross produce, after deducting the same amount of palay used as seed and the cost of harvesting and threshing of the three normal harvests: x x x."

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