ISLANDERS CARP-FARMERS BENEFICIARIES MULTI-PURPOSE COOPERATIVE, INC., PETITIONER, VS. LAPANDAY AGRICULTURAL AND DEVELOPMENT CORPORATION, RESPONDENT.

G.R. NO. 159089. May 03, 2006

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PANGANIBAN, CJ:

The Department of Agrarian Reform Adjudication Board (DARAB) has jurisdiction to determine and adjudicate all agrarian disputes involving the implementation of the Comprehensive Agrarian Reform Law (CARL). Included in the definition of agrarian disputes are those arising from other tenurial arrangements beyond the traditional landowner-tenant or lessor-lessee relationship. Expressly, these arrangements are recognized by Republic Act 6657 as essential parts of agrarian reform. Thus, the DARAB has jurisdiction over disputes arising from the instant Joint Production Agreement entered into by the present parties.

The Case

Before us is a Petition for Review[1] under Rule 45 of the Rules of Court, seeking to reverse the June 30, 2003 Decision[2] of the Court of Appeals (CA) in CA-GR CV No. 65498. The assailed Decision disposed as follows:

> "WHEREFORE, premises considered, the appealed decision dated October 18, 1999 dismissing the complaint filed by [petitioner] issued by the Regional Trial Court of Tagum City, Branch 1, is hereby AFFIRMED."[3]

The Facts

The facts of the case are narrated by the CA in this wise:

> "On March 8, 1993, a certain Ramon Cajegas entered into a Joint Production Agreement for Islanders Carp-Farmer Beneficiaries Multi-Purpose Cooperative, Inc. [petitioner] with Lapanday Agricultural and Development Corporation [respondent].
>
> "Almost three years after, on April 2, 1996, [petitioner], represented by its alleged chairman, Manuel K. Asta, filed a complaint [with the RTC] for Declaration of Nullity, Mandamus, Damages, with prayer for Preliminary Injunction against [respondent], the alleged x x x officers [of petitioner] who entered into the agreement, and the Provincial Agrarian Reform Office of Davao (hereinafter PARO), represented by Saturnino D. Sibbaluca. [Petitioner] subsequently filed an amended complaint with leave of court alleging that the persons, who executed the contract were not authorized by it.
>
> "[Respondent] then filed a Motion to Dismiss on April 18, 1996 x x x, stating that the Department of Agrarian Reform Adjudication Board (hereinafter DARAB) has primary, exclusive, and original jurisdiction; that [petitioner] failed to comply with the compulsory mediation and conciliation proceedings at the barangay level; and for the unauthorized institution of the complaint in behalf of [petitioner]. [Respondent] also averred that [petitioner] was engaged in forum shopping because [it] also filed a petition before the Department of Agrarian Reform praying for the disapproval of the Joint Production Agreement. x x x PARO also filed a motion to dismiss on May 16, 1996.

"On August 21, 1996, [respondent] then filed a case at the DARAB for Breach of Contract, Specific Performance, Injunction with Restraining Order, Damages and Attorney's Fees. On February 25, 1997, the DARAB decided the case in favor of [respondent] declaring the Joint Production Agreement as valid and binding and ordering [petitioner] to account for the proceeds of the produce and to comply with the terms of the contract.

"The [RTC] then issued [its] decision on October 18, 1999.

"[Petitioner], before [the CA], rais[ed] the following errors on appeal:

'I

'THE [RTC] GRAVELY ERRED IN DISMISSING THE CASE AT BAR ON THE GROUND OF LACK OF JURISDICTION.

'II

'THE [RTC] GRAVELY ERRED IN NOT DECLARING THE JOINT PRODUCTION AGREEMENT AS NULL AND VOID AB INITIO'"[4]

Ruling of the Court of Appeals

Finding the relationship between the parties to be an agricultural leasehold, the CA held that the issue fell squarely within the jurisdiction of the DARAB. Hence, the appellate court ruled that the RTC had correctly dismissed the Complaint filed by petitioner.

Moreover, being in the nature of an agricultural leasehold and not a shared tenancy, the Joint Production Agreement entered into by the parties was deemed valid by the CA. The agreement could not be considered contrary to public policy, simply because one of the parties was a corporation.

Hence, this Petition.[5]

Issues

Petitioner raises the following issues for the Court's consideration:

'I

'Whether or not x x x the x x x Court of Appeals gravely erred in affirming the dismissal of the case at bench by RTC of Tagum City on the ground that it has no jurisdiction over the subject matter and nature of the suit.

'II

'Whether or not x x x the x x x Court of Appeals gravely erred in finding that the "Joint Production Agreement" is valid instead of declaring it as null and void ab initio, its provisions, terms and condition, cause and purposes being violative of [t]he express mandatory provision of R.A. 6657.

'III

'Whether or not x x x the x x x Court of Appeals gravely erred in holding that the "Joint Production Agreement" is a leasehold contract and therefore valid.

'IV

"Whether or not x x x the x x x Court of Appeals gravely erred in interpreting and applying the prevailing doctrines and jurisprudence delineating the jurisdiction between the regular court and DARAB on the matter of agricultural land and tenancy relationship."[6]

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Simply put, the question to be resolved by the Court is this: which of the various government agencies has jurisdiction over the controversy?

The Court's Ruling

The Petition has no merit.

Sole Issue:Jurisdiction

Section 50 of Republic Act 6657[7] and Section 17 of Executive Order 229[8] vests in the Department of Agrarian Reform (DAR) the primary and exclusive jurisdiction, both original and appellate, to determine and adjudicate all matters involving the implementation of agrarian reform.[9] Through Executive Order 129-A,[10] the President of the Philippines created the DARAB and authorized it to assume the powers and functions of the DAR pertaining to the adjudication of agrarian reform cases.[11]

Moreover, Rule II of the Revised Rules of the DARAB provides as follows:

> "Section 1. Primary and Exclusive Original and Appellate Jurisdiction. -- The Board shall have primary and exclusive jurisdiction, both original and appellate, to determine and adjudicate all agrarian disputes involving the implementation of the Comprehensive Agrarian Reform Program (CARP) under Republic Act No. 6657, Executive Order Nos. 228 and 129-A, Republic Act No. 3844 as amended by Republic Act No. 6389, Presidential Decree No. 27 and other agrarian laws and their implementing rules and regulations. Specifically, such jurisdiction shall include but not be limited to cases involving the following:
>
> a) The rights and obligations of persons, whether natural or juridical, engaged in the management, cultivation and use of all agricultural lands covered by the CARP and other agrarian laws[.]"[12]

The subject matter of the present controversy falls squarely within the jurisdiction of the DARAB. In question are the rights and obligations of two juridical persons engaged in the management, cultivation and use of agricultural land acquired through the Comprehensive Agrarian Reform Program (CARP) of the government.

Petitioner contends that, there being no tenancy or leasehold relationship between the parties, this case does not constitute an agrarian dispute that falls within the DARAB's jurisdiction.[13]

We clarify. To prove tenancy or an agricultural leasehold agreement, it is normally necessary to establish the following elements: 1) the parties are the landowner and the tenant or agricultural lessee; 2) the subject matter of the relationship is a piece of agricultural land; 3) there is consent between the parties to the relationship; 4) the purpose of the relationship is to bring about agricultural production; 5) there is personal cultivation on the part of the tenant or agricultural lessee; and 6) the harvest is shared between the landowner and the tenant or agricultural lessee.[14]

In the present case, the fifth element of personal cultivation is clearly absent. Petitioner is thus correct in claiming that the relationship between the parties is not one of tenancy or agricultural leasehold. Nevertheless, we believe that the present controversy still falls within the sphere of agrarian disputes.

An agrarian dispute "refers to any controversy relating to tenurial arrangements -- whether leasehold, tenancy, stewardship or otherwise -- over lands devoted to agriculture. Such disputes include those concerning farm workers" associations or representations of persons in negotiating, fixing, maintaining, changing or seeking to arrange terms or conditions of such tenurial arrangements. Also included is any controversy relating to the terms and conditions of transfer of ownership from landowners to farm workers, tenants and other agrarian reform beneficiaries -- whether the disputants stand in the proximate relation of farm operator and beneficiary, landowner and tenant, or lessor and lessee."[15]

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It is clear that the above definition is broad enough to include disputes arising from any tenurial arrangement beyond that in the traditional landowner-tenant or lessor-lessee relationship.

Tenurial Arrangements
Recognized by Law

The assailed Joint Production Agreement[16] is a type of joint economic enterprise. Joint economic enterprises are partnerships or arrangements entered into by Comprehensive Agrarian Reform Program (CARP) land beneficiaries and investors to implement agribusiness enterprises in agrarian reform areas.[17]

Recognizing that agrarian reform extends beyond the mere acquisition and redistribution of land, the law acknowledges other modes of tenurial arrangements to effect the implementation of CARP.[18]

In line with its power to issue rules and regulations to carry out the objectives of Republic Act 6657,[19] the DAR issued Administrative Order No. 2, Series of 1999, which issued "Rules and Regulations Governing Joint Economic Enterprises in Agrarian Reform Areas." These rules and regulations were to provide CARP beneficiaries with alternatives to sustain operations of distributed farms and to increase their productivity.[20]

Section 10 of this administrative order states as follows:

> "SEC. 10. Resolution of Disputes- As a rule, voluntary methods, such as mediation or conciliation and arbitration, shall be preferred in resolving disputes involving joint economic enterprises. The specific modes of resolving disputes shall be stipulated in the contract, and should the parties fail to do so, the procedure herein shall apply.
>
> "The aggrieved party shall first request the other party to submit the matter to mediation or conciliation by trained mediators or conciliators from DAR, non-governmental organizations (NGOs), or the private sector chosen by them.
>
> x x x x x x x x x
>
> "Should the dispute remain unresolved, it may be brought to either of the following for resolution depending on the principal cause of action:
>
> '(a) DAR Adjudication Board (DARAB) if it involves interpretation and enforcement of an agribusiness agreement or an agrarian dispute as defined in Sec. 3(d) of RA 6657[.]'"

The present controversy involves the interpretation and enforcement of the terms of the Joint Production Agreement. Thus, the case clearly falls within the jurisdiction of the DARAB. This Court in fact recognized the authority of the DAR and the DARAB when it ruled thus:

> "All controversies on the implementation of the Comprehensive Agrarian Reform Program (CARP) fall under the jurisdiction of the Department of Agrarian Reform (DAR), even though they raise questions that are also legal or constitutional in nature. All doubts should be resolved in favor of the DAR, since the law has granted it special and original authority to hear and adjudicate agrarian matters."[21]

Validity of the JointProduction Agreement

As already discussed above, jurisdiction over the present controversy lies with the DARAB. As the RTC had correctly dismissed the case on the ground of lack of jurisdiction, it was superfluous for the trial court -- and the CA for that matter -- to have ruled further on the issue of the validity of the agreement.

The doctrine of primary jurisdiction precludes the courts from resolving a controversy over which jurisdiction has initially been lodged with an administrative body of special competence.[22]

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Since the DARAB had already ruled in a separate case on the validity of the Joint Venture Agreement,[23] the proper remedy for petitioner was to question the Board's judgment through a timely appeal with the CA.[24] Because of the manifest lack of jurisdiction on the part of the RTC, we must defer any opinion on the other issues raised by petitioner until an appropriate review of a similar case reaches this Court.[25]

WHEREFORE, the Petition is DENIED. Costs against petitioner.

SO ORDERED.

Ynares-Santiago, Austria-Martinez, Callejo, Sr., and Chico-Nazario, JJ., concur.

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[1] Rollo, pp. 11-29.

[2] Id. at 31-36. Sixteenth Division. Penned by Justice Juan Q. Enriquez, Jr., with the concurrence of Justices Rodrigo V. Cosico (Division chair) and Hakim S. Abdulwahid (member).

[3] Assailed CA Decision, p. 6; id. at 36.

[4]Id. at 1-3; id. at 31-33.

[5] The case was deemed submitted for decision on May 6, 2005, upon this Court's receipt of petitioner's Reply to the Memorandum of private respondents, signed by Atty. Rolando C. Rama. Petitioner's Memorandum, signed by the same lawyer, was received by the Court on March 2, 2005. On the other hand, respondent's Memorandum signed by Atty. Jose V. Yap was filed on April 28, 2005.

[6]Petitioner's Memorandum, pp. 6-7; rollo, pp. 166-167. Original in uppercase.

[7] Otherwise known as the "Comprehensive Agrarian Reform Law of 1988," June 10, 1988. Sec. 50 provides:

> "SEC. 50. Quasi-Judicial Powers of the DAR. -The DAR is hereby vested with primary jurisdiction to determine and adjudicate agrarian reform matters and shall have exclusive original jurisdiction over all matters involving the implementation of agrarian reform, except those falling under the exclusive jurisdiction of the Department of Agricultural (DA) and the Department of Environment and Natural Resources (DENR)."

[8] "Providing the Mechanisms for the Implementation of the Comprehensive Agrarian Reform Program," July 22, 1987.

[9]Ramos v. Stateland Investment Corporation, GR No. 161973, November 11, 2005.

[10] "Reorganizing and Strengthening the Department of Agrarian Reform and for Other Purposes," July 26, 1987. Sec. 13 of this executive order provides:

> "SECTION 13. Agrarian Reform Adjudication Board. - There is hereby created an Agrarian Reform Adjudication Board under the Office of the Secretary. The Board shall be composed of the Secretary as Chairman, two (2) Undersecretaries as may be designated by the Secretary, the Assistant Secretary for Legal Affairs, and three (3) others to be appointed by the President upon the recommendation of the Secretary as members. A Secretariat shall be constituted to support the Board. The Board shall assume the powers and functions with respect to the adjudication of agrarian reform cases under Executive Order No. 229 and this Executive Order. These powers and functions may be delegated to the regional offices of the Department in accordance with rules and regulations to be promulgated by the Board."

[11] Heirs of Dela Cruz v. Heirs of Cruz, GR No. 162890, November 22, 2005.

[12] Italics supplied. The present case was filed in 1996 under the 1994 DARAB Rules of Procedure. While this

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Rule has been revised, the jurisdiction of the DARAB has remained substantially the same under the 2003 Rules of Procedure. The new Rules of Procedure of the DARAB, Rule II, Sec. 1, reads:

> "SECTION 1. Primary and Exclusive Original Jurisdiction. The Adjudicator shall have primary and exclusive original jurisdiction to determine and adjudicate the following cases:
>
> "1.1 The rights and obligations of persons, whether natural or juridical, engaged in the management, cultivation, and use of all agricultural lands covered by Republic Act (RA) No. 6657, otherwise known as the Comprehensive Agrarian Reform Law (CARL), and other related agrarian laws[.]"

[13]Petitioner's Memorandum, p. 9; rollo, p. 169.

[14] Dandoy v. Tongson, GR No. 144652, December 16, 2005; Heirs of Magpily v. De Jesus, GR No. 167748, November 8, 2005; Mateo v. Court of Appeals, 457 SCRA 549, April 29, 2005; Morta v. Occidental, 367 Phil. 438, June 10, 1999.

[15] Bautista v. Mag-isa, 438 SCRA 259, 265, September 13, 2004, per Panganiban, J. (now CJ). See also Republic Act No. 6657, Sec. 3 (d).

[16] Rollo, pp. 38-45.

[17]DAR Administrative Order No. 2, Sec. 5 (c), Series of 1999. Sec. 5 (c) states in full:

> "Joint Economic Enterprises generally refer to partnerships or arrangements between beneficiaries and investors to implement an agribusiness enterprise in agrarian reform areas. It may take any of the following forms:
>
> (i)
>
> Joint Venture whereby the beneficiaries contribute use of the land held individually or in common and the facilities and improvements if any. On the other hand, the investor furnishes capital and technology for production, processing and marketing of agricultural goods, or construction, rehabilitation, upgrading and operation of agricultural capital assets, infrastructure, and facilities. It has a personality separate and distinct from its components;
>
> (ii)
>
> Production, Processing and Marketing Agreement whereby the beneficiaries engage in the production and processing of agricultural products and directly sell the same to the investor who provides loans and technology;
>
> (iii)
>
> Build-Operate-Transfer Scheme whereby the investor introduces, rehabilitates or upgrades, at his own cost, capital assets, infrastructure, services and facilities applied to the production, processing and marketing of agricultural products at his own cost, and operates the same for an agreed period, upon expiration of which, collective ownership thereof is consolidated with the beneficiaries who own the land where the improvements and facilities are located;
>
> (iv)
>
> Management Contract whereby the beneficiaries hire the services of a contractor who may be an individual, partnership or corporation to assist in the management and operation of the farm in exchange for a fixed wage and/or commission;
>
> (v)

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> Service Contract whereby the beneficiaries engage for a fee the services of a contractor for mechanized land preparation, cultivation, harvesting, processing, post-harvest operations, and other farm activities;
>
> (vi)
>
> Lease Contract whereby the beneficiaries bind themselves to give to the investor the enjoyment or use of their land for a price certain and for a definite period;
>
> (vii) Any combination of the preceding schemes; or
>
> (viii) Such other schemes that will promote the productivity of agrarian reform areas consistent with existing laws[.]

[18]Republic Act No. 6657 Sec. 35 (2) authorizes the DAR to enter into contracts with interested private parties on long-term basis or through joint venture agreements or build-operate-transfer schemes for the purpose of providing infrastructure and facilities to CARP farmer beneficiaries and affected landowners.

Sec. 44 (3) further provides for the "[c]ontinuous processing of applications for lease-back arrangements, joint venture agreements and other schemes that will optimize the operating size for agriculture production and also promote both security of tenure and security of income to farmer beneficiaries: Provided, That lease-back arrangements should be the last resort."

Executive Order No. 129-A, Sec. 4 (h), also authorizes the DAR to "develop and implement alternative land tenure systems such as cooperative farming and agro-industrial estates, among others."

[19] Republic Act No. 6657, Sec. 49 provides: "The [Presidential Agrarian Reform Council] and the DAR shall have the power to issue rules and regulations, whether substantive or procedural, to carry out the objects and purposes of this Act. Said rules shall take effect ten (10) days after publication in two (2) national newspapers of general circulation."

[20] DAR Administrative Order No. 2, Series of 1999, Sec. 1.

[21] Department of Agrarian Reform v. Cuenca, 439 SCRA 15, 17, September 23, 2004, per Panganiban, J. (now CJ).

[22]Ros v. Department of Agrarian Reform, 468 SCRA 471, August 31, 2005; citing Bautista v. Mag-isa, supra note 15.

[23]DARAB Decision dated February 25, 1997; rollo, pp. 72-78.

[24]DARAB Rules of Procedure, Rule XV, Sec. 1, provides:

> "SECTION 1. Appeal to the Court of Appeals. Any decision, order, resolution, award or ruling of the Board on any agrarian dispute or any matter pertaining to the application, implementation, enforcement, interpretation of agrarian reform laws or rules and regulations promulgated thereunder, may be brought on appeal within fifteen (15) days from receipt of a copy thereof, to the Court of Appeals in accordance with the Rules of Court."

[25] See Cadwallader v. Abeleda, 98 SCRA 123, June 25, 1980.

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