LAND BANK OF THE PHILIPPINES, PETITIONER, VS. SPS. VICENTE M. ESTANISLAO AND LUZ B. HERMOSA, RESPONDENTS.

G.R. NO. 166777. July 10, 2007

Ponente: CARPIO MORALES, J.

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CARPIO MORALES, J.:

The Land Bank of the Philippines (petitioner) challenges, via petition for review, the Court of Appeals' Decision[1] dated October 13, 2004 and Resolution[2] dated January 19, 2005 affirming the valuation and determination of just compensation by the Regional Trial Court of Balanga City, Branch I, sitting as a Special Agrarian Court (SAC).

Petitioner, a government financial institution, organized and existing under Republic Act (R.A.) No. 3844,[3] is the duly designated financial intermediary of the Comprehensive Agrarian Reform Program under R.A. No. 6657, as amended or the Comprehensive Agrarian Reform Law of 1988.[4]

Spouses Vicente M. Estanislao and Luz B. Hermosa (respondents) are the registered owners of eight parcels of land situated in Hermosa, Bataan with a total land area of 10.8203 hectares covered by Transfer Certificates of Title Nos. T-137114, T-137115, T-137116, T-137117, T-137118, T-137119, T-119275 and T-136253.

Sometime in 1996, 1997 and 1999, 10.5321 hectares (subject lots) of respondents' lands were awarded to tenant-beneficiaries[5] pursuant to the Operation Land Transfer Program (OLT) under Presidential Decree (P.D.) No. 27.[6]

Applying Executive Order (E.O.) 228,[7] petitioner, together with the Department of Agrarian Reform (DAR), valued the subject lots at P97,895 or P1.075 per square meter,[8] which was arrived at by multiplying 80 cavans per hectare,[9] the average gross production as determined by the Barangay Committee on Land Production, by 2.5, the result of which was multiplied by P35, the government support price for one cavan of 50 kilos of palay as of October 21, 1972, to which was added the amount of P139,194.02 as interest increment per DAR Administrative Order 13, series of 1994, or for a total amount of P237,089.02.[10]

The following table shows the formula used by petitioner and the DAR to compute the amount payable to respondents:

> LV (land value) = AGP (average gross production) x 2.5 x GSP (government support price)

Title No. Lot Nos. Area Acquired Orig. Valuation Interest Increment per DAR A.O. 13 series of 1994 Total Amount due to Landowner

137114 823 0.0596 ha. P417.20

137115 823 1.3457 ha. P9, 419.90

137116 823 0.4643 ha. P3,250.10

137117 823 0.3564 ha. P2,494.80

137118 823 0.1318 ha. P922.60

137119 823 0.3414 ha. P2,389.80

Sub Total 2.6992 has. P18,894.40 P49,246.64 P68,141.04

119275 823 4.9300 has. P34,510.00 P89,947.38 P124,457.38

136253 830 2.9029 has. P44,490.60 (covered by DAR Order of Replacement) P44,490.60

Total
10.5321 has P97,895.00 P139,194.02 P237,089.02

Upon the request of the DAR, petitioner deposited the amount of P237,089.02, in cash and in bond, in favor of respondents. Respondents, however, rejected the DAR's valuation by letter[11] dated April 21,1997.

Respondents subsequently filed a complaint[12] on June 7, 2001, before the SAC, against the DAR, petitioner, and the OLT tenant-beneficiaries namely: Encarnacion Desenganio, Honorio M. Torres, Alfredo Cortez, Lucio Tolentino, Elizalde S. Mendoza, Adelmo R. Tolentino, Clarita T. Torio and Maricar R. Tolentino, for the determination of fair market value and the payment of just compensation. The case was docketed as Civil Case No. 7312.

In their complaint, respondents prayed that the fair market value for purposes of just compensation be pegged at P2,106,420 or P20 per square meter since the subject lots form "one whole compact area, contig[u]ous to each other, adjacent to Layac River, [and] traversed by the Bataan National highway at Layac Junction, with irrigation systems put in place and planted twice annually."[13]

In their respective Answers to the complaint, petitioner and the DAR prayed for its dismissal, claiming that their valuation was made pursuant to P.D. No. 27 and/or E.O. 228.

The SAC, which named a panel of Commissioners to receive and evaluate evidence on the amount of compensation to be paid to respondents, rendered a Decision[14] on October 8, 2003, fixing the just compensation at P20 per square meter, noting the August 6, 2002 report[15]of the Chairman of the Commissioners that the subject lots are "located along the Roman Super-Highway" and that the "beneficiaries were harvesting at least 100 cavans per hectare in every harvest."[16] The dispositive portion of the SAC decision reads:

> WHEREFORE, in view of the foregoing, it is hereby ordered that the valuation for the properties covered by TCT Nos. T-137114, T-137115, T-137116, T-137117, T-137118, T-137119, T-119275 and T-136253 is hereby fixed at P20.00 per square meter which this Court considers as just and reasonable, no pronouncement as to cost.
>
> SO ORDERED.[17] (Emphasis supplied)

Only petitioner filed a motion for reconsideration[18] of the decision of the SAC, which motion was denied, hence, petitioner appealed to the Court of Appeals which affirmed the SAC decision.

Its motion for reconsideration of the appellate court's decision having been denied, the present petition for review was filed, raising the issue of "whether or not the special agrarian court can disregard the formula prescribed under P.D. No. 27 and E.O. 228 in fixing the just compensation of P.D. 27-covered land."[19]

That the subject lots fall within the coverage of P.D. No. 27 which became effective on October 21, 1972 is not disputed.

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E.O. 228, issued on July 17, 1987, by then President Corazon Aquino, provided the basis for determining the value of remaining unvalued rice and corn lands subject to P.D. No. 27. Section 2 of E.O. 228 reads:

> SECTION 2. Henceforth, the valuation of rice and corn lands covered by P.D. No. 27 shall be based on the average gross production determined by the Barangay Committee on Land Production in accordance with Department Memorandum Circular No. 26, Series of 1973, and related issuances and regulations of the Department of Agrarian Reform. The average gross production per hectare shall be multiplied by two and a half (2.5), the product of which shall be multiplied by Thirty Five Pesos (P35.00), the government support price for one cavan of 50 kilos of palay on October 21, 1972, or Thirty One Pesos (P31.00), the government support price for one cavan of 50 kilos of corn on October 21, 1972, and the amount arrived at shall be the value of the rice and corn land, as the case may be, for the purpose of determining its cost to the farmer and compensation to the landowner.
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> x x x x

Petitioner, citing Gabatin v. Land Bank of the Philippines,[20] contends that the taking of the subject lots was deemed effected on October 21, 1972, when respondents were, under P.D. No. 27 deprived of ownership over the subject lands in favor of qualified beneficiaries.[21]

Petitioner further contends that the fixing of the value of the land under E.O. 228, using the government support price of P35 for one cavan of 50 kilos of palay as of October 21, 1972, was in keeping with the settled rule that just compensation should be based on the value of the property at the time of taking.[22]

The petition is bereft of merit.

This Court held in Land Bank of the Philippines v. Natividad[23] that seizure of landholdings or properties covered by P.D. No. 27 did not take place on October 21, 1972, but upon the payment of just compensation. Taking into account the passage in 1988 of R.A. No. 6657 pending the settlement of just compensation, this Court concluded that it is R.A. No. 6657 which is the applicable law, with P.D. No. 27 and E.O. 228 having only suppletory effect.

> Land Bank's contention that the property was acquired for purposes of agrarian reform on October 21, 1972, the time of the effectivity of PD 27, ergo just compensation should be based on the value of the property as of that time and not at the time of possession in 1993, is likewise erroneous. In Office of the President, Malacañang, Manila v. Court of Appeals, we ruled that the seizure of the landholding did not take place on the date of effectivity of PD 27 but would take effect on the payment of just compensation.
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> Under the factual circumstances of this case, the agrarian reform process is still incomplete as the just compensation to be paid private respondents has yet to be settled. Considering the passage of Republic Act No. 6657 (RA 6657) before the completion of this process, the just compensation should be determined and the process concluded under the said law. Indeed, RA 6657 is the applicable law, with PD 27 and EO 228 having only suppletory effect, conformably with our ruling in Paris v. Alfeche.
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> x x x x
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> It would certainly be inequitable to determine just compensation based on the guideline provided by PD 27 and EO 228 considering the DAR's failure to determine the just compensation for a considerable length of time. That just compensation should be determined in accordance with RA 6657, and not PD 27 or EO 228, is especially imperative considering that just compensation should be the full and fair equivalent of the property taken from its owner by the expropriator, the equivalent being real, substantial, full and ample.
>
> In this case, the trial court arrived at the just compensation due private respondents for their property, taking into account its nature as irrigated land, location along the highway, market value, assessor's value and the

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> volume and value of its produce. This Court is convinced that the trial court correctly determined the amount of just compensation due private respondents in accordance with, and guided by, RA 6657 and existing jurisprudence.[24] (Emphasis and underscoring supplied; citations omitted)

It bears noting that the valuation of subject lots at P20 per square meter, which is even below that made by the Chairman of the Commission (P50) and by the Provincial Assessor (P25), took into consideration the lots' classification, valuation and assessment by the Office of the Provincial Assessor,[25] as first class agricultural land for tax purposes. This is not to mention that subject lots are located along the Roman Super-Highway[26] and the industrial zone, as projected by the Province of Bataan.[27]

In fine, the valuation of subject lots is in accordance with Section 17 of R.A. No. 6657 reading:

> Sec. 17. Determination of Just Compensation. — In determining just compensation, the cost of acquisition of the land, the current value of like properties, its nature, actual use and income, the sworn valuation by the owner, the tax declarations, and the assessment made by government assessors shall be considered. The social and economic benefits contributed by the farmers and the farm-workers and by the Government to the property as well as the non-payment of taxes or loans secured from any government financing institution on the said land shall be considered as additional factors to determine its valuation.

and, therefore, in order.

WHEREFORE, the petition is DENIED. The Decision dated October 13, 2004 and Resolution dated January 19, 2005 of the Court of Appeals are hereby AFFIRMED.

SO ORDERED.
Carpio, Tinga, and Velasco, Jr., JJ., concur.
Quisumbing, (Chairperson), J., on official leave.

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[1] CA rollo, pp. 127-133. The decision was penned by Associate Justice Jose Catral Mendoza and concurred in by Associate Justices Godardo A. Jacinto and Edgardo P. Cruz.

[2] Id. at 158.

[3] AN ACT TO ORDAIN THE AGRICULTURAL LAND REFORM CODE AND TO INSTITUTE LAND REFORMS IN THE PHILIPPINES, INCLUDING THE ABOLITION OF TENANCY AND THE CHANNELING OF CAPITAL INTO INDUSTRY, PROVIDE FOR THE NECESSARY IMPLEMENTING AGENCIES, APPROPRIATE FUNDS THEREFOR AND FOR OTHER PURPOSES.

[4] AN ACT INSTITUTING A COMPREHENSIVE AGRARIAN REFORM PROGRAM TO PROMOTE SOCIAL JUSTICE AND INDUSTRIALIZATION, PROVIDING THE MECHANISM FOR ITS IMPLEMENTATION, AND FOR OTHER PURPOSES.

[5] Records, p. 5.

[6] DECREEING THE EMANCIPATION OF TENANTS FROM THE BONDAGE OF THE SOIL, TRANSFERRING TO THEM THE OWNERSHIP OF THE LAND THEY TILL AND PROVIDING THE INSTRUMENTS AND MECHANISM THEREFOR.

[7] DECLARING FULL LAND OWNERSHIP TO QUALIFIED FARMER BENEFICIARIES COVERED BY PRESIDENTIAL DECREE NO. 27: DETERMINING THE VALUE OF REMAINING UNVALUED RICE AND CORN LANDS SUBJECT TO P.D. NO. 27; AND PROVIDING FOR THE MANNER OF PAYMENT BY THE FARMER BENEFICIARY AND MODE OF COMPENSATION TO THE LANDOWNER.

[8] Records, p. 53.

[9] Id. at 88-94.

[10] Id. at 87. Vide, Records, p. 9.

[11] Id. at 13.

[12] Id. at 2-7.

[13] Id. at 5.

[14] Id. at 162-166.

[15] Id. at 114-115.

[16] Id. at 114.

[17] Id. at 166.

[18] Id. at 167-176.

[19] Rollo, p. 31.

[20] G.R. No. 148223, November 25, 2004, 444 SCRA 176.

[21] Rollo, pp. 35-36.

[22] Id. at 35.

[23] G.R. No. 127198, May 16, 2005, 458 SCRA 441.

[24] Id. at 451-453.

[25] Records, p. 120.

[26] Id. at 114.

[27] CA rollo, p. 152.

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