

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. PACITA AGRICULTURAL MULTI-PURPOSE COOPERATIVE, INC., REPRESENTED BY ITS PRESIDENT, AGNES CUENCA AND ITS MANAGER, HON. MARCELO AGUIR...

G.R. No. 177607. January 19, 2009

Ponente: CHICO-NAZARIO, J.

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CHICO-NAZARIO, J.:

Assailed in this Petition for Review on Certiorari[1] under Rule 45 of the Rules of Court are the Decision[2] dated 12 December 2005 and Resolution[3] dated 20 April 2007 of the Court of Appeals in CA-G.R. CV No. 73774. The appellate court decided to reverse and set aside the Decision[4] of the Special Agrarian Court (SAC) dated 18 May 2000 in CA-G.R. CV No. 73774, and resolved to deny the Motion for Reconsideration of petitioner.

The factual antecedents of the case are as follows:

The eight parcels of land disputed in this case are all located in Barangay Ayungon, La Carlota City, Negros Occidental, and contain an aggregate area of 34.95 hectares, more or less (collectively referred to herein as the subject property). The subject property was previously covered by Transfer Certificates of Title (TCTs) No. T-567, No. T-1203, No. T-1204, No. T-1205, No. T-1208, No. T-1209, No. T-1210, and No. T-1213 of the Registry of Deeds for the City of La Carlota in the name of the Ayungon Agricultural Corporation (AAC).

Sometime in 1972, the Department of Agrarian Reform (DAR) acquired the subject property under its Operation Land Transfer Program, pursuant to Presidential Decree No. 27.[5] The subject property was thereafter distributed to farmer-beneficiaries. From the years 1978 to 1983, Certificates of Land Transfer (CLTs) were issued to the said beneficiaries, and from the years 1986 to 1990, the corresponding Emancipation Patents (EPs) were granted.[6]

On 10 February 1986 and 3 March 1987, petitioner Land Bank of the Philippines (LBP) paid in favor of the AAC the amount of P35,778.70, the value of only two out of the eight parcels of land comprising the subject property taken by the DAR in 1972, particularly, those covered by TCTs No. T-567 and No. T-1205.[7]

On 28 May 1987, respondent Pacita Agricultural Multi-Purpose Cooperative, Inc. purchased the subject property from the AAC.[8] By the latter part of the year 1987, respondent inquired from the petitioner about the balance of payment for the six other parcels of land constituting the subject property.

On 13 November 1987, petitioner, through its Assistant Vice President Ruben V. Mabagos, sent a letter[9] to respondent, stating that the value of the remaining parcels of land was pegged at P148,172.21.[10] Respondent, however, refused to accept this valuation.

In the interregnum, Republic Act No. 6657[11] was signed into law by then President Corazon Aquino. The said law took effect on 15 June 1988, after it was published in two newspapers of general circulation. Republic Act No. 6657 was enacted to promote social justice to the landless farmers and provide "a more equitable distribution

and ownership of land with due regard for the rights of landowners to just compensation and to the ecological needs of the nation.[12] Section 4 of Republic Act No. 6657 provides that the Comprehensive Agrarian Reform Law shall cover all public and private agricultural lands including other lands of the public domain suitable for agriculture. Section 7 provides that rice and corn lands under Presidential Decree No. 27, among other lands, will comprise Phase One of the acquisition plan and distribution program. Section 75 states that the provisions of Presidential Decree No. 27 and Executive Order No. 228[13] and No. 229,[14] and other laws not inconsistent with Republic Act No. 6657 shall have suppletory effect.[15]

In a Memorandum[16] dated 12 August 1994 addressed to respondent, petitioner reiterated that the value of the remaining subject property amounted only to P148,172.21. In the same Memorandum, petitioner required respondent to submit certain documentary requirements so that full payment for the subject property could be finally effected. Respondent, through counsel, protested petitioner's proposed value for the remainder of the subject property and requested a revaluation.[17]

In October 1994, the DAR issued Administrative Order No. 13, Series of 1994 (A. O. No. 13),[18] which imposed, on the value of land not yet paid to the landowner, an increment of six percent (6%) yearly interest, compounded from the date of coverage, with 21 October 1972 as the earliest date, up to 21 October 1994.

Petitioner then adjusted its proposed valuation for the remaining portions of the subject property by adding the increment provided under A. O. No. 13, thus, increasing the same to P537,538.34.[19] Respondent still rejected the said amount, contending that petitioner committed a mistake in computing the increment.

Feeling aggrieved and without any other recourse, respondent filed, on 18 September 1995, a Petition for Land Valuation and Determination of Just Compensation[20] before the Regional Trial Court of Negros Occidental against petitioner. The case was docketed as SPL. CAR CASE NO. 95-08 and was raffled to Branch 54, the designated Special Agrarian Court (SAC).

In an Order dated 24 January 1996, the SAC allowed the amendment of the respondent's Petition therein so it may include additional parties for a complete determination of the case. In the Amended Petition in SPL. CAR CASE NO. 95-08,[21] the DAR, as well as the farmer-beneficiaries of the subject property, were named as additional respondents. In its Amended Petition in SPL. CAR CASE NO. 95-08, herein respondent prayed that the just compensation to be paid by petitioner for the rest of the subject property be fixed at the amount of P2,763,622.50[22] or higher. In the alternative, respondent prayed that Executive Order No. 228 and A.O. No. 13 be declared unconstitutional for being violative of the due process clause of the Constitution and the principle of just compensation.

On 18 May 2000, the SAC promulgated its Decision, decreeing that the valuation prescribed in Presidential Decree No. 27 and Executive Order No. 228, which enactments have already been declared constitutional, must be strictly applied. The dispositive portion of the decision reads:

WHEREFORE, judgment is hereby rendered as follows:

- The [herein petitioner], Land Bank of the Philippines, is hereby ordered to pay [herein respondent] for the remaining 26.2514 hectares of rice land taken under Presidential Decree No. 27 in October 1972, valued at 112.5 cavans of 50 kilo palay per sack per hectare, and computed in accordance with Executive Order No. 228, plus [an] increment of six percent (6%) interest and compounded per annum effective October 21, 1972 until fully paid;[23]
- The rights acquired by the farmer beneficiaries under Presidential Decree No. 27 shall be recognized and respected; and

- No pronouncement as to costs.[24]

Respondent filed a Motion for Clarificatory Order,[25] alleging that the Decision of the SAC merely provided for a formula to be used in determining the value of the land but did not provide the exact amount therefor. Acting thereon, the SAC issued a Clarificatory Order[26] on 22 June 2000, with the following decree:

WHEREFORE, par. (1) of the dispositive portion of the DECISION dated May 18, 2000, (sic) is hereby amended to read as follows:

1) The [herein petitioner], Land Bank of the Philippines, is hereby ordered to pay [herein respondent] for the remaining 28.2514 hectares of rice land taken under Presidential Decree No. 27 on October 21, 1972 valued at 112.5 cavans of 50-kilo palay per sack per hectare and computed in accordance with Executive Order No. 228, plus increment of six (6%) percent interests (sic) and compounded per annum effective October 21, 1972 until fully paid, and with the present accrued amount of P506,649.28.

Unsatisfied, respondent filed a Motion for Reconsideration[27] of the SAC Decision dated 18 May 2000 and Order dated 22 June 2000, but the same was denied by the SAC in an Order[28] dated 20 September 2001.

Respondent, thus, filed an Appeal with the Court of Appeals under Rule 41 of the Rules of Court, which was docketed as CA-G.R. CV No. 73774.

On 12 December 2005, the Court of Appeals promulgated its assailed Decision, the pertinent portions of which provide:

We find for the [herein respondent].

There is no doubt that PD 27 and the implementing rule EO 228 are constitutional. Their constitutionality has been upheld in the landmark case of Association of Small Landowners vs. DAR and reiterated in a long line of cases. That notwithstanding, this Court opines that the application of the formula under PD 27 and EO 228 in arriving at the just compensation in the case at bar is not only unjust, but is also oppressive to the rights of [respondent].

Be it noted that the lands subject matter of this case were taken in 1972, but remained unpaid to this day. The compensation offered by the [herein petitioner] in the amount of P148,172.21 for the remaining lands was based on the land valuation some 20 years ago, at the time of its taking in 1972, pursuant to PD 27. EO 228, series of 1987 declared that the valuation of rice and corn lands covered by PD 27 shall be based on the average gross production determined by the Barangay Committee on Land Production in accordance with Department Memo Circular No. 26, series of 1973 and related issuances and regulation (sic) of the DAR. 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), 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 land owner (sic). Following a literal interpretation of said rule, the price of rice and corn lands today would be based on prices 20 years ago. If such were the case, it would clearly result in an injustice to the landowner. No further argument is needed to illustrate the unjustness of fixing the price of palay at P35.00 per cavan even if the payment will be made now.

The determination of just compensation under PD 27 is not final or conclusive. Determination of just compensation is a judicial prerogative. Section 2 of Executive Order No. 228, however, may serve as a guiding principle, or one of the factors in determining just compensation, but may not substitute the court's own judgment as to what amount should be awarded and how to arrive at such amount. A perusal of the assailed decision shows that in arriving at the just compensation to be paid to the landowner, the lower court strictly applied the provisions of PD 27 and EO 228, anchoring its argument solely on the ground that the lands were

taken pursuant to the said law, and even went on to state that the courts in treating the valuation under PD 27 are bound by the formula set by law and there is not much room for discretion as in the cases under the CARP. To reiterate, the determination of just compensation is a task unmistakably within the prerogative of the courts. In determining just compensation, not only must the courts consider the value of the land, but also other factors as well, in accordance with the particular circumstances of each case. The resolution of just compensation cases for the taking of lands under agrarian reform is, after all, essentially a judicial function.

Pertinent hereto is the recent case of *Land Bank of the Philippines vs. Eli G. Natividad, et al.*, which we partly quote hereunder, viz:

"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.

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 supplementary effect.

x x x x

That just compensation should be determined in accordance with RA 6657, and not PD 27 and 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." [29] (Emphasis ours.)

On the application of the provisions of Republic Act No. 6657, the Court of Appeals further elucidated that:

Moreover, Section 75 of RA 6657 clearly states that the provisions of PD 27 and EO 228 shall only have a supplementary effect. Section 7 of the Act also provides -

"SECTION 7. Priorities. - The DAR, in coordination with the PARC shall plan and program the acquisition and distribution of all agricultural lands through a period of 10 year from the effectivity of this Act. Lands shall be acquired and distributed as follows:

Phase One: Rice and Corn lands under P.D. 27; all idle or abandoned lands; all private lands voluntarily offered by the owners for agrarian reform; . . . and all other lands owned by the government devoted to or suitable for agriculture, which shall be acquired and distributed immediately upon the effectivity of this Act, with the implementation to be completed within a period of not more than four (4) years."

This eloquently demonstrates that RA 6657 includes PD 27 lands among the properties which the DAR shall acquire and distribute to the landless. And to facilitate the acquisition and distribution thereof, Sections 16, 17 and 18 of the Act should be adhered to. In *Association of Small Landowners of the Philippines vs. Secretary of Agrarian Reform*[,] this Court applied the provisions of RA 6657 to rice and corn lands when it upheld the constitutionality of the payment of just compensation for PD 27 lands through the different modes stated in Sec. 18." (sic)[30]

Accordingly, the Court of Appeals disposed of the case in this manner:

WHEREFORE, the appeal is GRANTED. The Decision appealed from is REVERSED and SET ASIDE. The instant case is hereby remanded to the Regional Trial Court, Branch 54, Bacolod City sitting as a Special Agrarian Court (SAC) for the recomputation of the value of the subject lands based on Sections 16, 17 and 18

of RA 6657.[31]

Petitioner moved for the reconsideration[32] of the afore-quoted Decision, but the appellate court denied the same in its assailed Order dated 20 April 2007.

Petitioner, thus, filed the Petition at bar, contending that the Court of Appeals committed serious errors of law in the following instances:

I.

WHEN IT RENDERED THE QUESTIONED DECISION RETROACTIVELY APPLYING R.A. NO. 6657 TO A LAND ACQUIRED UNDER P.D. NO. 27/E.O. NO. 228, IN EFFECT DISREGARDING THE AFOREMENTIONED LAWS AND THE SUPREME COURT RULING IN G.R. NO. 148223 TITLED (sic) "FERNANDO GABATIN, ET AL., VS. LAND BANK OF THE PHILIPPINES," (25 NOVEMBER 2005).

II.

WHEN IT FAILED TO TAKE MANDATORY JUDICIAL NOTICE TO (sic) THE GOVERNMENT SUPPORT PRICE (GSP) FOR [PALAY] PRESCRIBED IN P.D. NO. 27/E.O. NO. 228 AMOUNTING TO THIRTY FIVE PESOS (PHP 35.00) FOR ONE (1) CAVAN OF 50 KILOS OF [PALAY].

III.

WHEN IT CONSIDERED P.D. NO. 27/E.O. 228 INFERIOR TO R.A. NO. 6657 NOTWITHSTANDING THE SUPREME COURT RULING IN SIGRE VS. COURT OF APPEALS THAT THESE LAWS OPERATE DISTINCTLY FROM EACH OTHER.

Petitioner challenges the ruling of the Court of Appeals insofar as it retroactively applied Republic Act No. 6657 to the instant case, in spite of the fact that the said law does not provide for any retroactive application. Petitioner argues that the 12 December 2005 Decision of the Court of Appeals runs afoul of the pronouncement laid down in *Gabatin v. Land Bank of the Philippines*. [33] In said case, the Court held that the taking of private lands under the agrarian reform program was deemed effected on 21 October 1972, when the landowners were deprived of ownership over their lands in favor of qualified beneficiaries, pursuant to Executive Order No. 228 and by virtue of Presidential Decree No. 27. Hence, in computing the value of the land for the payment of just compensation to the landowner, the time of taking in 1972 should be made the basis. In such event, petitioner avers that no injustice will be inflicted upon the respondent, inasmuch as the latter is entitled to receive the increment of six percent (6%) yearly interest compounded annually pursuant to DAR A.O. No. 13, Series of 1994. Finally, petitioner contends that, although Section 75 of Republic Act No. 6657[34] states that Presidential Decree No. 27 and Executive Order No. 228 shall have suppletory effect, these two executive issuances are not in any way inferior to Republic Act No. 6657, nor have they been superseded by the statute.

The instant Petition is without merit.

Under Presidential Decree No. 27, Executive Order No. 228[35] and A.O. No. 13, the following formula is used to compute the land value for palay:

$$LV = 2.5 \times AGP \times GSP \times (1.06)^n$$

Where:

LV = Land Value,

AGP = Average Gross Production in cavan of 50 kilos in accordance with DAR Memorandum Circular No. 26, series of 1973,

P35 = Government Support Price for palay in 1972 pursuant to Executive Order No. 228,

n = number of years from date of tenancy up to effectivity date of A. O. No. 13.

On the other hand, Section 18 of Republic Act No. 6657 mandates that the LBP shall compensate the landowner in such amount as may be agreed upon by the landowner, the DAR and the LBP or as may be finally determined by the court as the just compensation for the land. According to Section 17 of Republic Act No. 6657, in determining just compensation, the cost of acquisition of the land, the current value of the 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 farmworkers 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.

In *Gabatin v. Land Bank of the Philippines*,^[36] the formula under Presidential Decree No. 27, Executive Order No. 228 and A.O. No. 13 was applied. In *Gabatin*, the crux of the case was the valuation of the GSP for one cavan of palay. In said case, the SAC fixed the government support price (GSP) of palay at the current price of P400 as basis for the computation of the payment, and not the GSP at the time of the taking in 1972. On appeal by therein respondent Land Bank of the Philippines, the Court of Appeals reversed the ruling of the SAC. The case was then elevated to this Court, wherein therein petitioners set forth, inter alia, the issue of whether just compensation in kind (palay) shall be appraised at the price of the commodity at the time of the taking or at the time it was ordered paid by the SAC. The Court declared that the reckoning period should be the time when the land was taken in 1972, based on the following ratiocination:

We must stress, at the outset, that the taking of private lands under the agrarian reform program partakes of the nature of an expropriation proceeding. In a number of cases, we have stated that in computing the just compensation for expropriation proceedings, it is the value of the land at the time of the taking, not at the time of the rendition of judgment, which should be taken into consideration. This being so, then in determining the value of the land for the payment of just compensation, the time of taking should be the basis. In the instant case, since the dispute over the valuation of the land depends on the rate of the GSP used in the equation, it necessarily follows that the GSP should be pegged at the time of the taking of the properties.

In the instant case, the said taking of the properties was deemed effected on 21 October 1972, when the petitioners were deprived of ownership over their lands in favor of qualified beneficiaries, pursuant to E.O. No. 228 and by virtue of P.D. No. 27. The GSP for one cavan of palay at that time was at P35. Prescinding from the foregoing discussion, the GSP should be fixed at said rate, which was the GSP at the time of the taking of the subject properties.^[37] (Emphases ours.)

Since *Gabatin*, however, the Court has decided several cases in which it found it more equitable to determine just compensation based on the value of said property at the time of payment, foremost of which is *Land Bank of the Philippines v. Natividad*,^[38] cited by the Court of Appeals in its Decision assailed herein.

In *Natividad*, the parcels of agricultural land involved were acquired from their owners for purposes of agrarian reform on 21 October 1972, the time of the effectivity of Presidential Decree No. 27. Still, as late as the year 1993, the landowners were yet to be paid the value of their lands. Thus, the landowners filed a petition before the trial court for the determination of just compensation. The trial court therein ruled in favor of the landowners, declaring that Presidential Decree No. 27 and Executive Order No. 228 were mere guidelines in the determination of just compensation. Said court likewise fixed the just compensation on the basis of the evidence presented on the valuation of the parcels of land in 1993, not the value thereof as of the time of acquisition in 1972. Therein petitioner Land Bank of the Philippines sought a review of the Decision of the trial court before this Court. This

Court found that the petition for review of therein petitioner Lank Bank of the Philippines was unmeritorious, to wit:

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.

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 supplementary effect, conformably with our ruling in *Paris v. Alfeche*. [416 Phil. 473.]

Section 17 of RA 6657 which is particularly relevant, providing as it does the guideposts for the determination of just compensation, reads as follows:

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.

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.[39] (Emphases ours.)

In *Meneses v. Secretary of Agrarian Reform*,[40] the Court applied its ruling in *Natividad*. The landowners in *Meneses* were likewise deprived of their property in 1972, which land has since been distributed and titles already distributed to farmer-beneficiaries in accordance with the provisions of Presidential Decree No. 27 and Executive Order No. 228. However, up to the year 1993, no payment or rentals were made for the land. Thus, the landowners filed a complaint for determination and payment of just compensation. The trial court ruled that since the land was taken from the owners on 21 October 1972 under the Operation Land Transfer pursuant to Presidential Decree No. 27, just compensation must be based on the value of the property at the time of taking. The appeal by the landowners to the Court of Appeals was dismissed. The landowners, thus, elevated the case to this Court. On the issue of the payment of just compensation, the Court adjudged:

The Court also finds that the CA erred in sustaining the RTC ruling that just compensation in this case should be based on the value of the property at the time of taking, October 21, 1972, which is the effectivity date of P.D. No. 27.

Respondent correctly cited the case of *Gabatin v. Land Bank of the Philippines* [444 SCRA 176], where the Court ruled that "in computing the just compensation for expropriation proceedings, it is the value of the land at the time of the taking (or October 21, 1972, the effectivity date of P.D. No. 27), not at the time of the rendition of judgment, which should be taken into consideration." x x x.

It should also be pointed out, however, that in the more recent case of *Land Bank of the Philippines vs. Natividad*, [458 SCRA 441] the Court categorically ruled: "the seizure of the landholding did not take place on the date of effectivity of P.D. No. 27 but would take effect on the payment of just compensation." x x x.

Under the circumstances of this case, the Court deems it more equitable to apply the ruling in the Natividad case. x x x.

x x x x

As previously noted, the property was expropriated under the Operation Land Transfer scheme of P.D. No. 27 way back in 1972. More than 30 years have passed and petitioners are yet to benefit from it, while the farmer-beneficiaries have already been harvesting its produce for the longest time. Events have rendered the applicability of P.D. No. 27 inequitable. Thus, the provisions of R.A. No. 6657 should apply in this case.[41]

In the even more recent case, *Lubrica v. Land Bank of the Philippines*,[42] the Court also adhered to Natividad, viz:

The Natividad case reiterated the Court's ruling in *Office of the President v. Court of Appeals* [413 Phil. 711] that the expropriation of the landholding did not take place on the effectivity of P.D. No. 27 on October 21, 1972 but seizure would take effect on the payment of just compensation judicially determined.

Likewise, in the recent case of *Heirs of Francisco R. Tantoco, Sr. v. Court of Appeals* [489 SCRA 590], we held that expropriation of landholdings covered by R.A. No. 6657 take place, not on the effectivity of the Act on June 15, 1988, but on the payment of just compensation.

In the instant case, petitioners were deprived of their properties in 1972 but have yet to receive the just compensation therefor. The parcels of land were already subdivided and distributed to the farmer-beneficiaries thereby immediately depriving petitioners of their use. Under the circumstances, it would be highly inequitable on the part of the petitioners to compute the just compensation using the values at the time of the taking in 1972, and not at the time of the payment, considering that the government and the farmer-beneficiaries have already benefited from the land although ownership thereof have not yet been transferred in their names. Petitioners were deprived of their properties without payment of just compensation which, under the law, is a prerequisite before the property can be taken away from its owners. The transfer of possession and ownership of the land to the government are conditioned upon the receipt by the landowner of the corresponding payment or deposit by the DAR of the compensation with an accessible bank. Until then, title remains with the landowner.

Our ruling in *Association of Small Landowners in the Philippines, Inc. v. Secretary of Agrarian Reform* [175 SCRA 343] is instructive, thus:

It is true that P.D. No. 27 expressly ordered the emancipation of tenant-farmer as October 21, 1972 and declared that he shall "be deemed the owner" of a portion of land consisting of a family-sized farm except that "no title to the land owned by him was to be actually issued to him unless and until he had become a full-fledged member of a duly recognized farmer's cooperative." It was understood, however, that full payment of the just compensation also had to be made first, conformably to the constitutional requirement.

When E.O. No. 228, categorically stated in its Section 1 that:

All qualified farmer-beneficiaries are now deemed full owners as of October 21, 1972 of the land they acquired by virtue of Presidential Decree No. 27 (Emphasis supplied.)

it was obviously referring to lands already validly acquired under the said decree, after proof of full-fledged membership in the farmers' cooperatives and full payment of just compensation. x x x.[43]

The instant case involves a closely similar factual milieu as that in Natividad and Meneses. The DAR acquired the subject property in 1972 through its Operation Land Transfer Program, pursuant to Presidential Decree No. 27. Since then, the subject property has already been distributed to the farmer-beneficiaries who, since then, have exclusively possessed the same and harvested its produce. Eventually, the Emancipation Patents were issued in the beneficiaries' favor. Even after the lapse of 23 years - from 1972, when the DAR took the subject land

property, until 1995, when respondent filed its Petition before the SAC - the full payment of just compensation due respondent has yet to be made by petitioner. These circumstances, the same as in *Natividad and Meneses*, make it more equitable for the SAC to determine the just compensation due the respondent for the remainder of the subject property using values at the time of its payment.

WHEREFORE, in light of the foregoing, the Petition for Review under Rule 45 of the Rules of Court is hereby DENIED. The assailed Decision dated 12 December 2005 and the Resolution dated 20 April 2007 of the Court of Appeals in CA-G.R. CV No. 73774 are hereby AFFIRMED in toto. Costs against petitioner.

SO ORDERED.

Ynares-Santiago, (Chairperson), Austria-Martinez, Nachura, and Leonardo-De Castro,[*] JJ., concur.

[*] Per Special Order No. 546, Associate Justice Teresita J. Leonardo-De Castro is designated to sit as an additional member of this division in view of the retirement of Associate Justice Ruben T. Reyes.

[1] Rollo, pp. 24-58.

[2] Penned by Associate Justice Ramon M. Bato, Jr. with Associate Justices Isaias P. Dicdican and Apolinario D. Bruselas, Jr., concurring; rollo, pp. 10-18.

[3] Id. at 7-8.

[4] Penned by Judge Demosthenes L. Magallanes; id. at 141-147.

[5] 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.

[6] Records, pp. 98-149.

[7] Rollo, pp. 123 and 251.

[8] The Deed of Absolute Sale between the parties was not attached to the records of this case, but the sale is not disputed by any of the parties herein; id. at 351.

[9] The letter was actually addressed to Mr. Juancho G. Aguirre who was designated therein as the Vice President of the Ayungon Agricultural Corporation (id. at 122). In its Memorandum before this Court, however, respondent states that the said letter was sent to them (id. at 352).

[10] Petitioner arrived at this figure by, first, multiplying 34.8397 (the total area transferred, in hectares) by P8,000 (the price per hectare of the land). The resulting product will then be equal to P278, 717.6 (the land value). [34.8397 x P8,000 = P278, 717.60].

From the above product, the amount of P94,766.69 (lease rentals paid by the farmer-beneficiaries to the landowner) will be deducted. The difference will then be equal to P183,950.91 (the total net land value). [P278, 717.6 - P94,766.69 = P183,950.91].

Finally, from the above difference, the amount of P35,778.70 (payments made by Land Bank for the first two parcels of land) will be deducted. The resulting difference will then be equal to P148,172.21 (balance). [P183,950.91 - P35,778.70 = P148,172.21].

[11] The Comprehensive Agrarian Reform Law of 1988.

[12] Section 2, Republic Act No. 6657.

[13] 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 PRESIDENTIAL DECREE NO. 27; AND PROVIDING FOR THE MANNER OF PAYMENT BY THE FARMER-BENEFICIARY AND MODE OF COMPENSATION TO THE LANDOWNER (17 July 1987).

[14] PROVIDING FOR THE MECHANISM FOR THE IMPLEMENTATION OF THE COMPREHENSIVE AGRARIAN REFORM PROGRAM. (22 July 1987).

[15] Land Bank of the Philippines v. Heirs of Angel T. Domingo, G.R. No. 168533, 4 February 2008, 543 SCRA 627, 640.

[16] Rollo, p. 123.

[17] Id. at 124-126.

[18] RULES AND REGULATIONS GOVERNING THE GRANT OF INCREMENT OF SIX PERCENT (6%) YEARLY INTEREST COMPOUNDED ANNUALLY ON LANDS COVERED UNDER PRESIDENTIAL DECREE NO. 27 AND EXECUTIVE ORDER NO. 228; id. at 237-238.

[19] The amount of P388,487.73 was added to P148,172.21; id. at 128-129.

[20] Records, pp. 2-8.

[21] Id. at 110-117.

[22] Respondent arrived at the amount of P2,763,622.50 by using the following formula provided for in A. O. No. 13 and E. O. No. 228, namely:

$$LV = (2.5 \times AGP \times P35) \times (1.06)^n$$

where:

LV = Land Value,

AGP = Average Gross Production in cavan of 50 kilos in accordance with DAR Memorandum Circular No. 26, series of 1973,

P35 = Government Support Price for palay in 1972 pursuant to E. O. No. 228,

n = number of years from date of tenancy up to the effectivity date of A. O. No. 13.

Thus,

$$LV = (2.5 \times AGP \times P35) \times (1.06)^n$$

$$= (2.5 \times 45 \times P35) \times (1.06)^{22}$$

$$\mathbf{LV = P97,822.50}$$

The above result was multiplied by 30 (number of hectares of land covered by the title still unpaid for. Thus:

$$P97,822.50 \times 30 = P2,763,622.50 \text{ (Records, p. 114).}$$

[23] The computation is as follows:

$$\begin{aligned} LV &= (2.5 \times 45 \text{ cavans} \times \text{GSP}) \times (1.06)^{\frac{1}{2}} \\ &= (112.5 \text{ cavans} \times \text{GSP}) \end{aligned}$$

[24] Rollo, p. 147.

[25] Records, pp. 383-385.

[26] Id. at 390-391.

[27] Rollo, pp. 183-187.

[28] Id. at 188-189.

[29] Id. at 15-17.

[30] Id. at 17.

[31] Id. at 18.

[32] Id. at 74-90.

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

[34] SEC. 75. Suppletory Application of Existing Legislation. -The provisions of Republic Act No. 3844 as amended, Presidential Decree Nos. 27 and 266 as amended, Executive Order Nos. 228 and 229, both Series of 1987; and other laws not inconsistent with this Act shall have suppletory effect.

[35] Under Section 2, E.O. No. 228, the value of rice and corn lands is determined as follows:

Sec. 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), the government support price for one cavan of 50 kilos of palay on October 21, 1972, or Thirty-One Pesos (P31), 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.

[36] Supra note 33.

[37] Id. at 190-191.

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

[39] Id. at 451-452.

[40] G.R. No. 156304, 23 October 2006, 505 SCRA 90.

[41] Id. at 100-102.

[42] G.R. No. 170220, 20 November 2006, 507 SCRA 415.

[43] Id. at 422-423.

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