

CARLOS DAYRIT, PETITIONER, VS. THE HONORABLE COURT OF APPEALS, AND CORNELIO SANTOS, RESPONDENTS.

G.R. No. 57675. June 30, 1988

Ponente: PARAS, J.

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PARAS, J.:

This is a petition for review of the decision of the Court of Appeals[*] dated June 26, 1981, affirming the decision of the then Court of Agrarian Relations of Angeles City, Branch II, Fifth Regional District, in CAR Case No. 1691-P, allowing the change of tenancy relationship between the petitioner and private respondent from share tenancy to the leasehold system.

The antecedent facts as revealed by the records are as follows:

The private respondent is the share tenant of the petitioner in his land exclusively devoted to planting and harvesting of sugar cane situated in Barangay San Francisco, Magalang, Pampanga, with an area of approximately three hectares. Petitioner and private respondent share in the proceeds of the sales of the sugar and other by-products such as molasses, and other monetary benefits and additional sugar given by the millers, "equal 50%-50% sharing" after deducting from the gross the different items of expenses of production.

In July 1977, the private respondent verbally notified the petitioner of his election of the leasehold system starting with the agricultural year 1979-1980, which was to begin in November 1980. The notice was in compliance with the one-month requirement of Section 14 of RA No. 1199.

On October 31, 1979, the private respondent filed a complaint with the then Court of Agrarian Relations of Angeles City, praying for an order allowing the change of his tenancy relationship from share tenancy to leasehold system and for the fixing of the lease rentals on his landholding, invoking Section 14 of RA No. 1199. The petitioner opposed the complaint, contending that in the absence of a separate proclamation by the President, allowing tenants in sugarlands to change from crop-sharing to leasehold, private respondent could not opt to effect such change.

On January 5, 1981, the Court of Agrarian Relations[**] rendered a decision ordering and allowing the change of tenancy relationship to leasehold system. The trial court also ruled that the private respondent can automatically change from crop sharer to leasehold without the necessity of an executive proclamation.

The petitioner appealed to the Court of Appeals which affirmed the judgment of the Court of Agrarian Relations.

Hence, the instant petition.

In the resolution of August 20, 1981, the Special First Division of this Court required the respondents to comment on the petition (Rollo, p. 22). Private respondent filed his comment on June 23, 1982 (Rollo, p. 26), while the petitioner, in compliance with the resolution of January 5, 1984 (Rollo, p. 45) filed his reply to the comment of the private respondent on April 5. (Rollo, p. 47).

In the resolution of April 12, 1984, this Court required the Solicitor General to file a comment on the reply of the petitioner (Rollo, p. 56), which comment was filed on June 22, 1984 (Rollo, p. 68).

In the resolution of June 28, 1984, the petition was given due course and the parties were required to file simultaneously their respective memoranda (Rollo, p. 83). The memorandum for the private respondent was filed on August 2, 1984 (Rollo, p. 87) while the memorandum for the petitioner was filed October 23, 1984 (Rollo, p. 111).

The only issue in this case is whether or not tenants on sugar plantations exclusively devoted to sugar production could elect leasehold system pending the issuance or even in the absence of a separate proclamation issued by the President, pursuant to Section 4 of Republic Act No. 3844, as amended.

The Solicitor General contends that the right to change the tenancy contract from one of share tenancy to leasehold, effective the agricultural year following the notice of intention to change, is granted by Section 14 of R.A. 1199, which reads:

"Sec. 14. Change of System. — The tenant shall have the right to change the tenancy contract from one of share tenancy to the leasehold tenancy and vice versa 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 may be exercised at the expiration of the period of the contract. In the absence of any written contract, the right may be exercised at the end of the agricultural year. In both cases the change to the leasehold system shall be effective one agricultural year after the tenant has served notice of his intention to change upon the landholder." (Rollo, p. 72)

Petitioner countered that the aforecited provision of law has been repealed by Section 4, R.A. 3844 (Agricultural Land Reform Code) as amended, and the leasehold system of tenancy in sugar industries cannot as yet be effected without a separate proclamation to be issued by the President of the Republic of the Philippines as provided in the said law, which reads:

"Sec. 4. Abolition of Agricultural Share Tenancy. — Agricultural share tenancy, as herein defined, is hereby declared to be contrary to public policy and shall be abolished; Provided, that existing share tenancy contracts may continue in force and effect in any region or locality, to be governed in the meantime by the pertinent provisions of Republic Act numbered eleven hundred and ninety-nine, as amended, until the end of the agricultural year when the National Land Reform Council proclaims that all the government machineries and agencies in that region or locality relating to leasehold envisioned in this Code are operating, unless such contracts provide for a shorter period or the tenant sooner exercises his option to elect the leasehold system. Provided, further, That in order not to jeopardize international commitments, lands devoted to crops covered by marketing allotments shall be made the subject of a separate proclamation that adequate provisions, such as the organization of cooperatives marketing agreements, or other similar workable arrangements, have been made to insure efficient management on all matters requiring synchronization of the agricultural with the processing phases of such crops; Provided, furthermore, That where the agricultural share tenancy contract has ceased to be operative by virtue of this Code, or where such a tenancy contract has been entered into in violation of the provisions of this Code and is, therefore, null and void, and the tenant continues in possession of the land for cultivation, there shall be presumed to exist a leasehold relationship under the provisions of this Code, without prejudice to the right of the landowner and the farmer tenant to enter into any other lawful contract in relation to the land formerly under tenancy contract, as long as in the interim the security of tenure of the former tenant under Republic Act Numbered Eleven hundred and ninety-nine, as amended, and as provided in this Code, is not impaired: Provided, finally, That if a lawful leasehold tenancy contract was entered into prior to the effectivity of this Code, the rights and obligations arising therefrom shall continue to subsist until modified by the parties in accordance with the provisions of this Code."

According to the petitioner, automatic conversion to leasehold under the aforecited law refers only to palay and/or

corn lands and the same law expressly exempts land that are devoted to crops covered by marketing allotments, i.e., sugarlands and up to the present there has been no separate proclamation issued by the President of the Republic (Rollo, pp. 112-113).

On the other hand, the private respondent insists that it is not automatic conversion that is being sought but the exercise of the individual option to change to leasehold after complying with the required notice requirement for the intention to change under Section 4 of R.A. 3844 (Rollo, p. 93).

Further, private respondent argues that the land reform agencies recognize the right of the share tenants in lands devoted to crops other than rice and corn to shift to leasehold even before any separate proclamation could be issued by the President. This is precisely why the Government in its land reform program has endeavored to establish support and allied agencies to provide technical assistance and financial support to farmers so that those who may venture to shift to leasehold system could be weaned away from the umbilical cord that ties them to their landholders pending the full implementation of the total prescription of share tenancy in all agricultural ventures.

The issue in this case has already been settled by this Court in the case of Wilfredo David vs. Court of Appeals, et al., G.R. Nos. 57719-21, promulgated on May 6, 1988.

Under identical facts, Republic Act No. 6389 (September 10, 1971) which later amended Section 4 of Republic Act No. 3844, by providing for an "automatic conversion" from agricultural share tenancy to agricultural leasehold, was held to be applicable to sugarland tenants.

Specifically, this Court ruled:

"While it is true that there have been no presidential proclamations to the effect that measures have been adopted to insure efficient management of the agricultural and processing phases of crops covered by marketing allotments, it would be nothing short of regressive to deny sugarland share tenants of their right to elect the leasehold system. Considering the policy of the government as enunciated in Section 4 of the Code as amended, which mandates the automatic inversion of share tenants to leaseholders, individual sugarlands should not be discriminated against. Hence, any share tenant in sugarlands may, in accordance with law, exercise his option to change his relationship with the landowner into the leasehold system. However, all sugarland tenants who do not avail of said option may still be subject to existing lawful arrangements with the landowner in the absence of the presidential proclamation adverted to in Section 4." (Wilfredo David v. C.A., *supra*)

PREMISES CONSIDERED, the decision of the Court of Appeals promulgated on June 26, 1981 is hereby AFFIRMED.

SO ORDERED.

Yap, C. J., Fernan, Narvasa, Melencio-Herrera, Cruz, Feliciano, Gancayco, Padilla, Bidin, Sarmiento, Cortes, and Medialdea, JJ., concur.

Gutierrez, Jr., J., on leave.

Griño-Aquino, J., No part. She was a signatory of the decision under review.

[*] CA, Tenth Division, penned by Justice Simeon M. Gopengco, with the concurrence of Justices Oscar R. Victoriano and Carolina Griño-Aquino.

[**] Hon. Cesar V. Alejandria, Trial Judge, rendered the decision.

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