

**BACOLOD-MURCIA MILLING CO., INC., PETITIONER, VS.
INTERMEDIATE APPELLATE COURT AND ANGELA ESTATE, INC.,
RESPONDENTS.***G.R. No. 64019, August 12, 1992*

Ponente: NOCON, J.

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Petitioner Bacolod-Murcia Milling Co., Inc. (BMMC, for brevity) assails in this petition for review on certiorari the decision dated December 20, 1978 of the Court of Appeals in AC-G.R. CV No. 39196-R which modified the award in favor of respondent Angela Estate, Inc. (AEI, for brevity) by the Court of First Instance of Negros Occidental in Civil Case No. 4650.

The facts of the case are as follows: AEI is the owner of the sugar plantation No. 3-228, also known as "Hacienda Helvetia", situated in the Bacolod-Murcia Mill District. Said plantation was adhered to BMMC's sugar mill by virtue of a milling contract executed sometime in 1916 between BMMC and AEI's predecessor-in-interest, Gonzaga & Co. Said contract was to be in force for 30 years beginning with crop year 1920-1921, and provided that the resulting product would be divided in the ratio of 45% for the mill and 55% for the planters.

The milling contract was amended sometime in 1936, whereby the planters' share was increased to 60% and the contract's duration extended to 45 years. Further concessions to the planters were granted by BMMC's Board of Directors when it adopted a resolution on August 20, 1936 known as "Acta No. 11, Acuerdo No. 1" which increased the planters' share of the sugar and molasses produced over and above the 60% share that the planters are entitled to under the amended milling contract, subject to certain conditions. Paragraph 9 of the aforesaid resolution stated, to wit:

9.a A que si durante la vigencia de este Contrato de Molienda Enmendado, las centrales azucareras, de Negros Occidental cuya production anual de azucar centrifugado sea mas de una tercera parte de la production total anual de todas las centrales azucarera de Negros Occidental, concedieran a sus plantadores mejores condiciones que las estipulados en el presente contrato, entonces esas mejores condiciones se concederan y por el presente se entenderan concedidas a los plantadores que hayan otorgado este Contrato de Molienda Emendado.[1]

AEI became the owner of the plantation beginning crop year 1953-1954. On June 2, 1958, AEI instituted the present action against BMMC, docketed as Civil Case No. 4650, seeking to compel the latter to increase the former's share of the sugar produced from its cane, invoking paragraph 9 of "Acta No. 11". AEI claimed that during crop year 1956-1957, three sugar centrals in Negros Occidental had combined production of more than one-third of all the centrifugal sugar produced by all the sugar centrals in Negros Occidental and that these sugar centrals granted their adhered planters shares bigger than that stipulated in BMMC's amended milling contract. The complaint was later amended to include claims covering crop years 1958-1959 through 1962-1963.

BMMC resisted AEI's claim, alleging that paragraph 9 of "Acta No. 11" never became operative in view of the

non-fulfillment of the conditions found in paragraph 11 thereof, which provided, to wit:

11.a Estas enmiendas surtirán todos sus efectos desde que todos los dueños de haciendas o terrenos en los que están colocadas las vías férreas principales del Molino, hayan otorgado e inscrito en el Registro de Títulos de esta Provincia el Contrato de Molienda Enmendado, y entonces, estas enmiendas, beneficiarán también a aquellos plantadores que habían otorgado el Contrato de Molienda Enmendado con anterioridad a la vigencia de estas enmiendas.

Entendiéndose que después de que se hayan cumplido ciertas condiciones convenidas entre el Sr. R Nolan, uno de los abogados de la compañía, y el Sr. Alfredo Montelibano, Presidente de la Asociación se suprimirán el párrafo 11 arriba transcrito las palabras siguientes: 'Estas enmiendas surtirán todos sus efectos desde que todos los dueños de haciendas o terrenos en los que están colocadas las vías férreas principales del Molino, hayan otorgado e inscrito en el Registro de Títulos de esta Provincia, el Contrato Molienda Enmendado y entonces' en la palabra 'estas' que siga a la palabra 'entonces' se cambiara la letra 'e' minúscula por una letra 'E' mayúscula.'[2]

BMMC further contended that the reports of the Sugar Quota Administrator on which AEI premised its claim was hearsay and therefore inadmissible, and that paragraph 9 referred to individual, not combined, annual production of the sugar centrals giving better conditions to their planters.

In reply, AEI invoked the doctrine of *res judicata*, citing the decision of this Court in the case of *Montelibano vs. Bacolod Murcia Co., Inc.*,^[3] which had involved crop years 1951-1952 to 1955-1956. BMMC disputed the applicability of said doctrine.

While the case was still pending, AEI filed another case, docketed as Civil Case No. 7985, against BMMC for its additional share over and above the 60% basic share for crop years 1963-1964 and 1964-1965, again invoking paragraph 9 of "Acta No. 11". BMMC raised the same defenses as in Civil Case No. 4650.

After trial on the merits, the lower court in Civil Case No. 4650 promulgated its decision on September 26, 1966, in favor of AEI, ordering BMMC to grant the former additional shares of sugar over and above the basic 60% share for crop years 1951-1952 to 1955-1956, inclusive, but excluding claims for crop years 1957-1958 to 1962-1963. Both parties appealed to the Court of Appeals, where the case was docketed as CA-G.R. No. 39196-R.

While the case was pending in the Court of Appeals, judgment was rendered on September 26, 1974 in Civil Case No. 7985 in favor of AEI for its increased share for crop years 1963-1964 and 1964-1965. BMMC appealed to the Court of Appeals, where the case was docketed as CA-G.R. No. 56570-R. On September 6, 1978, the Court of Appeals rendered its decision in CA-G.R. No. 56570-R, reversing the decision of the trial court and dismissing the complaint. AEI brought the case to this Court by way of a petition for review on certiorari, entitled *Angela Estate, Inc. vs. Bacolod-Murcia Milling Co., Inc.* and Court of Appeals (hereinafter referred to as the *Angela Estate case*), and docketed as G.R. No. L-49261. On September 26, 1986, We affirmed the decision of the Court of Appeals,^[4] and said decision has since become final and executory.

Meanwhile, in CA-G.R. No. 39196-R, the Court of Appeals modified the judgment rendered in favor of AEI by deleting the awards made for crop years 1951-1952 up to 1955-1956, while awarding the money value of the increased shares for crop years 1956-1957 to 1962-1963. After its motion for reconsideration was denied, BMMC brought this case to Us on a petition for review on certiorari.

We find the petition impressed with merit.

The issues raised in this case are similar to the ones raised in the *Angela Estates case*, both of which involve (1)

the correct interpretation of paragraphs 9 and 11 of "Acta No. 11"; and (2) whether the conditions set forth in said paragraphs have been met.

The Court of Appeals did not rule upon the correct interpretation of paragraph 9, though the same was raised as an assignment of error by BMMC. We agree with BMMC that the condition in paragraph 9 should have been interpreted to mean that there should be at least one central whose annual production is more than one-third of the total production of all the sugar centrals in Negros Occidental, and which gives better sharing participation to its planters. In the Angela Estate case, this Court held:

We agree with the petitioner that paragraph 9 is so 'literally clear' that it leaves no room for interpretation. However, We do not subscribe to its interpretation that the production of several centrals which give better concessions to planters must be considered together to reach one-third of the total production of centrifugal sugar in the province.

The use of the phrase 'las centrales azucareras' indicate that each of the sugar mills was bound to grant better terms to the planters should the stipulated conditions to met [sic]. Those individual sugar mills taken together had to be referred to as a plurality. The word 'centrales' was used primarily to express the intention of the contracting parties to cover all the sugar centrals in the province. Hence, 'las centrales azucareras' should be understood in its distributive sense, that is any or every or each sugar central. This interpretation is clearly explained by the Court of Appeals when it said that:

"What the provisions obviously intends is to impose it as an obligation on appellant to give increased participation to its planters only when any one or more sugar central(s) would extend additional share in the consideration of their individual and separate production, each extended to the planters, more in the spirit of generosity, but conditioned very reasonably on one or more sugar centrals, each producing individually more than 1/3 of the total production of centrifugal sugar of all sugar centrals in the province, conceding the increased participation of their planters. Then, and only then, regardless of its rate of production in any given year, appellant bound itself also to extend the same increased participations to its planters." (Italics supplied)

We fully agree with the interpretation given by respondent Court of Appeals. Its interpretation is more logical and appropriate than the submissions of petitioner, especially when it is considered that:

"(1) The pertinent clause of the subject provision does not say "the sugar centrals whose combined or aggregate annual production should be more that one-third' etc. but simply 'the sugar centrals whose annual production be more that one-third,' etc.

"(2) Although in the clause the term 'sugar centrals' is in the plural form, its context makes it obvious that it is intended to convey the singular term 'any sugar central whose annual production . . . be more than one-third' etc. The plural was used evidently [only] because there might be more than one sugar central whose individual annual production was more than one-third." [5]

Inasmuch as AEI has not shown that the condition found in paragraph 9, i.e., that there was at least one sugar central whose annual production was more than one-third of the sugar produced by all the centrals in Negros Occidental, and that this central had given better concessions to its planters, had occurred, AEI is not entitled to the increased shares it demanded from BMMC.

With regard to paragraph 11, We hold that Court of Appeals erred in ruling that there was substantial compliance with the said first condition of said paragraph. As We have said in the Angela Estate case:

Paragraph 11, which sets forth the prerequisites before a planter can enjoy increased participation, was incorporated in Acta No. 11 for a definite purpose. By requiring that all lands on which the milling company's railway lines traverse, whether planted to sugar or not, must sign the milling contract and cause its registration

in the Registry of Deeds, the milling company is assured of a continuous right of way and a steady supply of canes during the milling season (Exh 7, Folder of Exhibits, pp. 124 & 131).

We share the Court of Appeals' view that the condition imposed in paragraph 11 should be considered as 'joint and collective' obligations of all the owners of haciendas or lands on which the principal railroad tracks of respondent are located. The necessity for such collective obligation cannot be overemphasized considering that a continuous supply of sugarcane is the very lifeline not only of the milling company but also of the planters. As aptly stated by the respondent court, --

'In the first place, as earlier adverted to, there is no proof, against the denial of appellant that appellee's milling contract had been registered. The purpose of this requirement goes into the essence of the contract or agreement in that registration is the best assurance of the continued enjoyment of the right of way even against third persons to whom the land may be sold or transferred, as explained by appellant's witness, Atty. Juan B. Solidum. The Resolution which was passed on the appellant's Board of Directors sole benevolent initiative, would require, in consideration of the increased share conceded to all its planters, not just one or some of them, but all the said planters collectively to see to it that all of them execute and register their milling contracts. The obligation imposed on the planters is, therefore, intended to be a joint and collective one, if the purpose of the concession is to be truly achieved which was the very consideration for the concession or grant of additional shares to the planters. The condition that all the owners of all the haciendas or lands on which are located, constructed or maintained the principal railroad tracks of appellant must (1) adhere all such haciendas or lands under the "Contrato de Molienda" and (2) register such contract with the Register of Deeds was accepted by appellee was imposed under paragraph 11 of the Resolution, in its Answer to Defendant's Requests for Admission." It was, therefore, improper, for lack of legal warrant, for the court a quo to consider the compliance by appellee alone, even without that of the rest of the planters of appellant, as 'substantial performance,' sufficient to place appellant under obligation to grant the additional share to appellee." [6]

Besides, there is nothing in the record that would indicate that AEI itself had registered the milling contract with the Register of Deeds.

In view of the foregoing, AEI's claim for additional milling for crop years 1956-1957 through 1962-1963 can not be granted.

WHEREFORE, the decision appealed from is hereby REVERSED and SET ASIDE and the instant complaint DISMISSED.

SO ORDERED.

Narvasa, C.J., (Chairman), Padilla, and Regalado, JJ., concur.

[1] As translated in English, paragraph 9 reads:

"That upon a motion duly seconded, the Board, in consideration of a petition of the planters made by a committee appointed by the same, agrees to amend the amended milling contract by means of the following:

x x x

"9. That if during the existence of this Amended Milling Contract, the sugar centrals of Negros Occidental whose annual production of centrifugal sugar be more that one third (1/3) of the total annual production of all the sugar centrals of Negros Occidental, should grant to their planters better conditions that those stipulated in the present contract, then these better conditions shall be granted and by these presents are understood granted to the planters

who may have signed this Amended Milling Contract”

See decision of the Court of Appeals, p. 11; Rollo of CA-G.R No. 39196-R, p. 288.

[2] Freely translated in English:

“1. That all the owners of the haciendas or lands over which the principal railroad lines of the defendants are located should have entered into and registered in the Registry of Deeds for the Province of Negros Occidental the corresponding Amended Milling Contract; and

“2. The said requirement of the execution and registration of the Amended Milling Contract may only be dispensed with if certain conditions entered into between Mr. R. Nolan, one of the lawyers of the company, and Mr. Alfredo Montelibano, President of the Association, shall be complied with.”

See decision of the Court of Appeals, p. 12; Rollo of CA-G.R. No. 39196-R, p. 289.

[3] L-15092, 115 Phil. 27.

[4] 144 SCRA 482.

[5] 144 SCRA, at 491-992.

[6] 144 SCRA, at 492-293.

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