

EFREN CUNANAN, JUAN GARCIA, ALFREDO GUZMAN, BENJAMIN GUZMAN, AQUILINO LUGTU, LEVY SINAMBAN, LUCAS DEL ROSARIO, PLAINTIFFS-APPELLANTS, VS. ANGELINA SENGSON, SIXTO L. SENGSON, DEF...

G.R. Nos. 56402-03. December 01, 1989

Ponente: PARAS, J.

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PARAS, J.:

This is an appeal from the joint decision rendered by the then Court of Agrarian Relations, Branch II, San Fernando, Pampanga, which dismissed the respective complaints that prayed for shifting the complainants' tenancy relationship to that of leasehold system and ordered the parties to observe the usual 50-50 sharing arrangement after deducting the customarily deductible items.

Two separate complaints for election of leasehold system filed by plaintiff-appellants against their common defendant-landowners Sixto and Angelina Sengson, were jointly heard in respondent court, involving as they do identical causes of action. As stated, the lower court ruled in favor of the landowners. On appeal, it was certified by the Court of Appeals to this Court on a finding that only a pure question of law was involved. The Court of Appeals confined itself to the facts and circumstances of the cases as summarized by the trial court as follows:

"Verified complaints with motion to litigate as pauper were filed, through counsel, by the respective plaintiffs with this court on August 27, 1979 (for CAR Case No. 1851-p' 79 with plaintiffs Efren Cunanan, Juan Garcia, Alfredo Guzman, Benjamin Guzman, Aquilino Lugtu, Levy Sinamban and Lucas del Rosario and for CAR Case No. 1852-p' 79 with plaintiffs Candido Gonzales, Oscar Quinto, Cezar Layag and Arsenio Valencia) who claim to be poor tenants and availed the services of a BALA lawyer who undertook the prosecution of their cases.

"In their complaints they allege that they are the agricultural tenants on a landholding devoted to the production of sugarcane, situated at Barrio Anao, Mexico, Pampanga, and owned by the herein common defendants-spouses; that they opted to elect leasehold system pursuant to Sec. 4, of R. A. No. 3844, as amended, instead of sharehold, having so notified the defendants; that the plaintiffs and the defendants have for several times met in conference for the purpose of fixing the leasehold rentals of their landholdings but no agreement was arrived at; that plaintiffs beginning the agricultural year 1978-1979, at their own expense and exclusive of the defendants, planted their respective landholdings to sugarcane; that the area of their respective landholdings and corresponding harvests for the past three (3) years prior to the filing of their complaint are as follows:

a) EFREN CUNANAN

AGRI. YEAR GROSS IN PICULS/BAG AREA

1976-1977 142.81 piculs 2.88 hec.

1977-1978 138.31 bags

1978-1979 136.06 bags

b) JUAN GARCIA

1976-1977 127.73 piculs 3.08 hec.

1977-1978 131.30 bags

1978-1979 096.35 bags

c) ALFREDO GUZMAN

1976-1977 127.73 piculs 4.44 hec.

1977-1978 243.95 bags

1978-1979 105.85 bags

d) BENJAMIN GUZMAN

1976-1977 198.26 piculs 4.67 hec.

1977-1978 128.64 bags

1978-1979 171.84 bags

e) AQUILINO LUGTU

1976-1977 173.27 piculs 4.37 hec.

1977-1978 271.71 bags

1978-1979 178.28 bags

f) LEVY SINAMBAN

1976-1977 212.83 piculs 5.39 hec.

1977-1978 142.44 bags

1978-1979 240.89 bags

g) LUCAS DEL ROSARIO

1976-1977 131.84 piculs 3.40 hec.

1977-1978 223.44 bags

1978-1979 166.22 bags

h) CANDIDO GONZALES

1976-1977 326.43 piculs 3.75 hec.

1977-1978 141.33 bags

1978-1979 123.75 bags

i) OSCAR GUINTO

1976-1977 052.26 piculs 2.46 hec.

1977-1978 154.23 bags

1978-1979 118.22 bags

j) CESAR LAYAG

1976-1977 022.73 piculs 4.30 hec.

1977-1978 238.33 bags

1978-1979 232.38 bags

k) ARSENIO VALENCIA

1976-1977 208.83 piculs 3.25 hec.

1977-1978 167.00 bags

1978-1979 096.46 bags

and pray the Court that judgment be rendered shifting their tenancy relationship to that of leasehold system and for such other reliefs just and equitable.

"In answer to the plaintiffs' complaint, the defendants allege inter alia, that they admit the plaintiffs as their tenants on their sugar land situated at Barrio Anao, Mexico, Pampanga, but alleged to have no knowledge as to the actual area tenanted by each of the plaintiffs; that they have no knowledge of any notice sent by plaintiffs of their intention to shift their tenancy relationship to that of leasehold system; that what the defendant understood about their conference with the plaintiffs was with respect to the claims of plaintiffs over the previous landholder of the landholding in question and not on the supposed election of leasehold or the fixing of rentals of plaintiffs' landholdings; that it is not true that plaintiffs shouldered all the expenses of production in their respective landholdings, but they resulted to high-interest loans if only to show that they are capable of shouldering their expenses of production, although they are not as they are paupers; that they offered to pay their share in the expenses of production but the plaintiffs refused to accept their offer.

"As special and affirmative defenses, defendants allege that no formal notice as required by law was complied with by the plaintiffs; that plaintiffs are not qualified to undertake leasehold system as they are paupers; that no separate proclamation has as yet been made by the government pursuant to the provision of Sec. 4, R.A. 3844, as amended, and that their produce for the last three (3) years prior to the filing of their complaints do not reflect their actual produce. Defendants pray that plaintiffs' complaint be dismissed for lack of merit.

"Before the answer, upon motion by plaintiffs, the Court issued an interlocutory order placing under court supervision, thru this Court's Deputy Sheriff, Mr. Anastacio C. Dizon, the harvesting, hauling and to some extent and for purposes of determining only the gross harvests, the milling thereof at the PASUDECO, San Fernando, Pampanga, and also to effect a temporary liquidation thereof after deducting from the gross proceeds the necessary and usual expenses incurred in their production which shall be returned to the plaintiffs, by delivering 50% of the respective net proceeds to the plaintiffs, 25% to the defendants, and the remaining 25% to be deposited with the Clerk of Court of this Court subject to its further disposition.

"The issues having been joined, hearing on the merits were scheduled but for reasonable grounds were postponed several times until the parties agreed to subject both cases for decision on stipulation of facts in view of two cases of similar nature (Francisco Mallari, et. al. v. Felix Panganiban, et. al., CAR Case No. 1717-p' 76 and Ismael Gutierrez, et. al. v. Celestino Manalili, et. al., CAR Case No. 1823-p' 78) then already decided by this Court.

"The stipulation of facts as conscientiously reached by the parties is embodied in the Order of this Court dated July 16, 1980, and quoted as follows:

'1. That the parties in these cases are on share tenancy basis on their respective landholdings which are exclusively devoted to sugarcane production;

'2. That according to defendants, the plaintiffs had opted to shift from sharehold to leasehold effective agricultural year 1979-80, with the exception of Oscar Guinto, Efren Cunanan and Arsenio Valencia who have not put in writing their desire to shift to leasehold; that, likewise of those who have signified their intention to shift to leasehold, the defendants refused to abide. Plaintiffs' counsel, however, contends that the persons named who have not signed the notices of election of leasehold sought the assistance of said counsel (Atty. Reyes) to assist them in the sending of notices of leasehold, and actually they have signified their intention to shift to leasehold was signed by them, and which notice is on the record. Both counsels, for purposes of court evaluation, have jointly marked this alleged notice of election of agricultural relations dated October, 1978, as Exhibit X as exhibit for both parties.

'3. That the defendants used to advance the expenses of production which were deducted upon liquidation of the produce;

'4. That the PASUDECO is the miller of the sugar cane production in these two cases with whom the defendants has a milling contract, which is still subsisting, the same to expire on the agricultural year, 1985-1986;

'5. That the liquidation sheets of the plaintiffs marked respectively, as follows: for Efren Cunanan liquidation sheet for 1976-1977 as Exhibit A; liquidation sheet for 1977-78 as Exhibit A-1, and 1978-79 as Exhibit A-2; for Juan Lagman, liquidation sheet for 1976-77 as Exhibit B; 1977-78 as Exhibit B-1, and 1978-79 as Exhibit B-2; for Alfredo Guzman, liquidation sheet for 1976-77 as Exhibit C, 1977-78 as Exhibit C-1 and 1978-79 as Exhibit C-2; for Benjamin Guzman, liquidation sheet for 1976-1977 as Exhibit D, 1977-78 as Exhibit D-1 and 1978-79 as Exhibit D-2; for Aquilino Lugtu, liquidation sheet for agricultural year 1976-77 as Exhibit E, 1977-78 as Exhibit E-1 and 1978-79 as Exhibit E-2; for Levy Sinamban, liquidation sheet for agricultural year 1976-77 as Exhibit F, 1977-78 as Exhibit F-1 and 1978-79 as Exhibit F-2; for Lucas del Rosario, liquidation sheet for 1976-77 as Exhibit G, 1977-78 as Exhibit G-1 and 1978-79 as Exhibit G-2; for Candido Gonzales, liquidation sheet for 1978-79 as Exhibit I; for Cezar Layag, liquidation sheet for 1978-79 as Exhibit J; for Arsenio Valencia, liquidation sheet for 1976-77 as Exhibit K; 1977-78 as Exhibit K-1 and 1978-79 as Exhibit K-2 are admitted as correct;

'6. That the subject landholdings are exclusively devoted to sugar production and classified as such;

'7. While the subject landholdings had sugar quota allotments before 1967 or during the time that Sugar Quota Allotment was still required. (sic) Thereafter, when the sugar quota system was abolished, the same are no longer subjected to quota allotment;

'8. all phases of management of the sugar production are undertaken by the defendants with the plaintiffs as industrial partners supplying their own carabao and plow, sharing with certain expenses of production such as fertilizer, cane points, cane planters, cutting and hauling;

'9. There is no dispute about previous liquidations as they were conducted to the mutual satisfaction of the parties, except that the following plaintiffs before they opted for leasehold were indebted to the defendants, to wit: Aquilino Lugtu in the amount of P11,823.46 and was able to pay P3,000.00 out of his share from the produce for 1979-80; likewise, plaintiff Oscar Guinto is indebted in the amount of P8,578.93 and was able to pay the amount of P1,000.00 out of his share from the produce for 1979-80, leaving a balance of P7,578.93; Candido Gonzales is indebted in the amount of P819.08 which amount he paid in full last April 28, 1980, out of his produce for 1979-1980 agricultural year; Benjamin Guzman is indebted in the amount of P7,102.93 and was able to pay

P2,000.00 out of his share from the produce for 1979-80;

'10. That at present, since sugar quota allotment was abolished, all sugar productions from subject landholdings are under reserve for purposes of export or domestic use at the discretion or subject to disposal by the PNB through the National Sugar Trading Administration (NASUTRA).

'11. Up to now, the separate proclamation by the President required in Sec. 4, R.A. 3844, has not yet been made; and

'12. The only principal issue left to be resolved is whether or not for purposes of sugar production the plaintiffs have the right to shift from sharehold to leasehold. As a minor issue: Is the establishment of sugar cooperatives still required among sugar producers? Plaintiffs say no; defendants say they are necessary. (Original Record, pp. 63-68).'"

On the basis of the said stipulation of facts, the trial court rendered the joint decision against the appellants, the dispositive portion of which reads:

"WHEREFORE, premises considered, the respective complaints are hereby DISMISSED, ordering the parties to observe the usual 50-50 sharing arrangement after deducting the customarily deductible items, henceforth as well as during the pendency of this case when plaintiffs unilaterally shifted to leasehold.

"No costs." (Rollo, pp. 30-31)

Hence, the present appeal.

The only issue in this case is whether or not the plaintiffs-appellants, tenants of defendants-appellees on sugar plantations exclusively devoted to sugar production, have the right to shift from sharehold to leasehold in their respective farmholdings pending the issuance or even in the absence of a separate proclamation issued by the President, pursuant to Section 4 of R.A. No. 3844, as amended.

The plaintiffs-appellants contend that Section 35 of R. A. No. 3844, as amended, does not include sugarlands in its enumeration of agricultural lands exempted from leasehold. They also assert that it is an expressed public policy in the Land Reform Program that share tenancy shall be abolished and agricultural leasehold system instituted in its place, preparatory to ultimate ownership. Hence, the defendants?landowners have no choice but to give in to the legal demands of the plaintiffs-appellants for shifting of their tenancy relationship from sharehold to leasehold over their respective landholdings.

On the other hand, the defendants-appellees maintain that sugar cane plantations are not covered by the leasehold land reform program of the government, hence, plaintiffs-appellants cannot legally and validly change their present system of tenancy with the defendants-appellees from sharing to leasehold.

It is further argued by the defendants-appellees that under section 4, R. A. No. 3844, as amended, leasehold cannot as yet be applied to sugarlands until and unless the President of the Philippines shall issue a separate proclamation to this effect.

The appeal is impressed with merit.

On all fours with the case at bar is the case of *Dayrit v. Court of Appeals*, 163 SCRA 256, promulgated on June 30, 1988, which reiterated the ruling on *Wilfredo David v. Court of Appeals, et al.*, G. R. Nos. 57719-21, promulgated on May 6, 1988, holding that 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, is 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. Consider the policy of the government as enunciated in Section 4 of the Code as amended, which mandates the automatic conversion 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 did not avail of said option may still be subject to existing lawful arrangements with landowner in the absence of the presidential proclamation adverted to in Section 4." (Wilfredo David v. Court of Appeals, supra).

PREMISES CONSIDERED, the decision appealed from is hereby REVERSED and SET ASIDE.

SO ORDERED.

Padilla, Sarmiento, and Regalado, JJ., concur.

Melencio-Herrera, J., (Chairman), on leave.

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