

WILFREDO DAVID, PETITIONER, VS. COURT OF APPEALS, JULIO MANALILI, ARCADIO BALAGTAS, MARTIN PASCUAL, RICARTE SUPAN, FIDEL LIWANAG, MATIAS DIZON, NARCISO LUMBA, DANIEL SUPAN AND C...

G.R. Nos. 57719-21. May 06, 1988

Ponente: FERNAN, J.

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FERNAN, J.:

Submitted for determination in this petition for review on certiorari is the issue of whether or not tenants in plantations exclusively devoted to sugarcane production may automatically convert their relationship with the landowner from sharing to leasehold system in the absence of a presidential proclamation sanctioning such change of relationship.

The nine [9] private respondents herein were share tenants of Patricio David in his 36-hectare land in barangays San Pablo and San Agustin in Magalang, Pampanga. Each tenant had a landholding ranging in area from four to five hectares devoted entirely to the production of sugarcane which were ultimately milled and processed into sugar by the Pampanga Sugar Development Company [PASUDECO] in San Fernando, Pampanga.

As dictated by the practice in Central Luzon, the landowner advanced the expenses of production including the subsistence of the tenants. The landowner transacted with the PASUDECO during the milling season. He took charge of transporting the sugarcane from the fields to the millers, recruiting cane cutters to whom he extended cash advances, and procuring farm machineries. He exercised general supervision and control of the farm and had to attend to the needs of the tenants including extending loans to them and providing for the fertilizers used in the plantation.

On their part, the tenants provided labor during the milling season from November to March each year. They were allowed to undertake additional jobs to augment their earnings even if they were also tenants in the landowner's riceland.

Liquidation and accounting usually ensued a few days after the sugarcane had been milled and the landowner and the tenants shared 50%-50% the net proceeds of the sale of the sugarcane. Also shared similarly were the molasses, additional sugar seasonally given by PASUDECO, the bag rebates, incentive bonuses and other benefits granted by the millers.

Effective in the 1979-80 agricultural year, Patricio David leased his sugarland to his son, Wilfredo David. For said year, Wilfredo shared with the tenants the net proceeds of the sugarcane produced on the 50%-50% arrangement.

As early as August 15, 1979, herein private respondents notified Wilfredo David of their intention to elect the leasehold tenancy system starting from agricultural year 1980-81.[1] Wilfredo David objected not only because he had prepared for said agricultural year by applying for a crop loan from the Philippine National Bank but also because he believed that his tenants were financially incapable to undertake the venture. Hence, he allegedly

halted the cutting of the canes which had started sometime in November, 1979.

Through the help of the Bureau of Agrarian Legal Assistance of the then Ministry of Agrarian Reform, private respondents individually filed complaints in the Court of Agrarian Relations in Angeles City. Said complaints, in effect, sought to compel David to shift to the leasehold tenancy system. They prayed for an interlocutory order authorizing the Deputy Sheriff to supervise the harvesting, milling and hauling of the standing crops which would thereafter be shared on a 50%-50% basis. They also proposed a temporary arrangement on the sharing should the case continue before the harvest of the 1980-81 crop.[2]

In his answer to the complaints, David contended that private respondents were not entitled to an automatic conversion to leasehold tenancy because Section 4 of Republic Act No. 3844, as amended, was not applicable to sugarlands inasmuch as the production of sugar was covered by marketing allotments and subject to international commitments. He averred that under a presidential proclamation on September 21, 1979, sugarlands should be managed and cultivated under the corporate farming scheme. He denied having stopped the harvest of the crops but alleged that the Philippine National Bank refused to release portions of the crop loans he had obtained.

The Philippine National Bank, in whose favor Wilfredo David executed a chattel mortgage on September 14, 1979 covering 1,805.76 piculs of "A" and "B" sugar of the 1980-81 crop to secure a loan of P124,000, sought intervention in the case. In its answer in intervention, said bank contended that private respondents were not entitled to elect the leasehold system as a matter of right in view of Section 4 of Republic Act No. 3844. The court disallowed the intervention.

On December 18, 1980, the Court of Agrarian Relations rendered a decision ordering the change of relationship between private respondents and petitioner from share tenancy to the leasehold system starting with agricultural year 1980-81. It also fixed the rentals of each tenant.

Wilfredo David appealed to the Court of Appeals which, in its decision* of July 13, 1981, affirmed the decision of the Court of Agrarian Relations.[3] Hence, the instant petition for review on certiorari stressing the necessity for a ruling on the aforesaid issue in view of the diverse rulings thereon of the Court of Appeals.

Petitioner does not question the correctness of the rentals imposed by the Court of Agrarian Relations. It is not surprising, therefore, that after this case was submitted for decision in this Court, private respondents filed a motion for execution pending appeal based on the provisions of Section 5 of Republic Act No. 5434 and Section 18 of Presidential Decree No. 946. Said Section 18 states that an appeal shall not stay the decision or order of the Court of Agrarian Relations "except where the ejectment of a tenant-farmer, agricultural lessee or tiller, settler, or amortizing owner-cultivator is directed". Accordingly, notwithstanding petitioner's opposition thereto, We granted the motion for execution pending appeal in the resolution of May 31, 1983.[4] Hence, the instant petition zeroes in solely on the legal issue set forth at the beginning of this decision.

Private respondents anchor their arguments on the provisions of Republic Act No. 1199,[5] as amended, which states:

"SEC. 14. Change of System. - The tenant shall have the right to change the tenancy contract from one of share tenancy to leasehold tenancy and vice-versa and from one crop sharing arrangement to another of the share tenancy. If the share tenancy contract is in writing and duly registered, the right to change from one crop sharing arrangement to another or from one tenancy system to another may be exercised at least one month before the beginning of the next agricultural year after the expiration of the period of the contract. In the absence of any registered written contract, the right may be exercised at least one month before the agricultural year when the change shall be effected."

and on the following provisions of Republic Act No. 3844[6] which, as originally enacted on August 8, 1963,

stated:

"SEC. 4. Abolition of Agricultural Share Tenancy. - Agriculture 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 former 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 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."

Republic Act No. 6389[7] later amended Section 4 thereby providing for an "automatic conversion" to agricultural leasehold from agricultural share tenancy which is declared as contrary to public policy. The amendment retains the proviso on crops covered by marketing allotments.

Sugarlands are not mentioned as among the areas covered by the Agricultural Land Reform Code. Neither are they included in the exempted lands which, as enumerated in Section 35 of said Code, include fishponds, saltbeds and those principally planted to citrus, coconuts, cacao, coffee, durian and other similar permanent trees.

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 conversion of share tenants to leaseholders, individual sugarland tenants 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.

In this connection, We quote with approval the Court of Appeals decision which states:

"The policy and the law are clear. Share tenancy is contrary to public policy and must be abolished. Any interpretation of the law which tends to prolong any share tenancy relationship can be indulged in only when such an interpretation is inescapable and may not be avoided. But where it is possible to construe an abolition of share tenancy, then such a construction must perforce be adopted.

"A careful consideration of the decision appealed to us in these cases shows that the lower court did not err. There is no showing that the defendant-appellant's view is clearly and unmistakably supported by the statute

and, therefore, that the policy to abolish share tenancy for the plaintiffs may be judicially halted and stayed.

"The only basis for the appellant's appeal is the second proviso in Section 4 of Republic Act 3844 that 'x x x lands devoted to crops covered by marketing allotments shall be made the subject of a separate proclamation by the President x x x.'

"There are various reasons why we adopt a strict construction against exemptions to leasehold tenancy.

"Where the language of a statute is fairly susceptible to two or more constructions, that should be adopted which will most tend to give effect to the manifest intent of the lawmaker and promote the object for which the statute was enacted and a construction should be rejected which would tend to render abortive other provisions of the statute and to defeat the object which the legislator sought to attain by its enactment (Ty Sue vs. Hord, 12 Phil. 485).

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"There is absolutely no showing from the facts of this case that the crops harvested from the appellant's landholding are covered by marketing allotments or that to convert the tenancy relationships in this case from an outmoded and more oppressive system to one of leasehold would jeopardize any international commitments.

"The Philippines no longer depends on the marketing allotment or quota which our sugar industry was committed to fill for the American market. Sugar is now sold in the world open market, about half under long term contracts which protect against the violent fluctuations of prices characteristic of the sugar trade and the other half in shorter term arrangements to get the best possible prices at any given time. In both cases, however, sugar is traded not in terms of quotas or marketing allotments but in free and open competition with the rest of the world's sugar." [8]

Another development worth mentioning is the fact that to give more teeth to the policy of automatic conversion of share tenancy to the leasehold system, Presidential Decree No. 1425 was issued to strengthen the prohibition against agricultural share tenancy by providing penalties for violation thereof. We may add that more recent developments portend the transformation of tenants to owner-farmers. Under the 1987 Constitution, a comprehensive rural development and agrarian reform shall be promoted. Accordingly, President Corazon C. Aquino issued on July 22, 1987 Proclamation No. 131 instituting a comprehensive agrarian reform program, and Executive Order No. 229 providing the mechanisms for the implementation of the said program. Both issuances state that all public private agricultural lands shall be covered by an agrarian reform program.

In the instant case, We can do no less than to apply a liberal interpretation of the Agricultural Land Reform Code to give full force and effect to its clear intent which, under Section 2[2] and [6] of said Code, is "to achieve a dignified existence for the small farmers" and to make them "more dependent, self-reliant and responsible citizens, and a source of genuine strength in our democratic society." [9]

WHEREFORE, the instant petition for review on certiorari is hereby denied. No costs.

SO ORDERED.

Yap, C.J., Narvasa, Melencio-Herrera, Cruz, Paras, Feliciano, Gancayco, Padilla, Bidin, Sarmiento, and Cortes, JJ., concur.
Gutierrez, Jr., and Griño-Aquino, JJ., tok no part.

[1] Exhibit B

[2] CAR Cases Nos. 1696-1704

[**] Hugo E. Gutierrez, Jr., ponente. Rodolfo A. Nocon and Carolina Griño-Aquino, JJ., concurring

[3] CA-G.R. Nos. SP-12130-38-CAR

[4] Rollo, p. 193

[5] Agricultural Tenancy Act

[6] Agricultural Land Reform Code

[7] September 10, 1971

[8] CA Decision, pp. 20-25

[9] Catorce v. Court of Appeals, G.R. No. 59762, May 11, 1984, 129 SCRA 210, 215

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