



Republic of the Philippines
 Supreme Court
 Manila

SUPREME COURT OF THE PHILIPPINES
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FIRST DIVISION

**MARIANITO PADILLA and
 ALFREDO JAVALUYAS,**
Petitioners,

G.R. No. 214805

Present:

- versus -

SERENO, C.J., Chairperson,
 LEONARDO-DE CASTRO,
 DEL CASTILLO,
 JARDELEZA, and
 TIJAM, JJ.

**UNIVERSAL ROBINA
 CORPORATION,** represented
 by its Senior Vice President,
JOHNSON ROBERT GO,
Respondents.

Promulgated:
DEC 14 2017

X-----X

DECISION

DEL CASTILLO, J.:

This Petition for Review on *Certiorari*¹ assails the April 22, 2014 Decision² of the Court of Appeals (CA) in CA-G.R. CV No. 93260 reversing and setting aside the December 13, 2008 Decision³ of the Regional Trial Court (RTC) of Gapan City, Branch 36, in Civil Case No. 1495 for damages and injunction with preliminary injunction. The trial court declared the obligations of petitioners Marianito Padilla (Padilla) and Alfredo Javaluyas (Javaluyas) to respondent Universal Robina Corporation (URC) extinguished, ordered the release of the real estate mortgages executed by petitioners in favor of URC, and made permanent the Writ of Preliminary Injunction enjoining the extrajudicial foreclosure of petitioners' mortgaged properties.

Factual Antecedents

This case stemmed from a Complaint⁴ for Damages filed by several poultry farmers, namely Eduardo Pineda, Simplicio Ortiz Luis, Jose Bantigue, Azucena

¹ *Rollo*, pp. 5-14.

² *CA rollo*, pp. 241-256, penned by Associate Justice Jane Aurora C. Lantion and concurred in by Associate Justices Vicente S. E. Veloso and Nina G. Antonio-Valenzuela.

³ Records (Folio 2), pp. 543-553, penned by Presiding Judge Arturo M. Bernardo.

⁴ Records (Folio 1), pp. 1-7.

Vergara, Eduardo Guingon and herein petitioners (complainants) against URC on May 26, 1995, before the RTC of Gapan City, Branch 36.

The facts, as culled from the records of the case, are as follows:

For various years, URC, a corporation engaged in the manufacture and sale of various agro-industrial products, sold/supplied on credit day-old chicks and poultry feeds to complainants who, in turn, provided the labor, poultry houses, electricity and water facilities to care and grow these chicks until they are ready for harvest after 50 days, more or less. URC had the option of buying from complainants the full-grown broiler chickens that met the target harvest weight at an agreed price per kilo. Liquidation was made within 15 days after the harvest by setting off the price of the full grown broiler chickens with the amount of purchases made by complainants on credit. Thus, if the purchases on credit were greater than the value of the chickens harvested, complainants paid the balance to URC, but if it were otherwise, complainants received their respective paybacks or earnings.

Documents entitled Continuing Credit Accommodation with Real Estate Mortgage (CCAREM)⁵ were executed by the parties whereby URC agreed to extend a continuous credit accommodation in favor of each complainant, for the latter's purchases of day-old chicks, poultry feeds, and other agricultural products from the former, while each complainant put up a real estate mortgage. The relevant terms and conditions of the CCAREM are as follows:

X X X X

I. AS TO CREDIT ACCOMMODATION –

1. It is agreed upon by the parties that all purchases will be paid not later than sixty (60) days from the date of every purchase. Any purchase not paid or settled within the said period will automatically make all subsequent purchases due and payable even before their due dates.
2. The MORTGAGOR and/or PRINCIPAL will be considered in default if they fail to pay their obligation upon maturity with or without demand and it is agreed that a certified statement by the COMPANY-MORTGAGEE, as to the amount due from the MORTGAGOR and/or PRINCIPAL will be accepted by the latter as conclusive evidence of their obligation.
3. The obligation of the MORTGAGOR and/or PRINCIPAL in case of their default shall earn an interest at the rate of 16% per annum until fully paid.

⁵ Exhibits "P," "1," and "2," Records (Folio 2), pp. 345-346, 383-386, and 387-390, respectively.

4. The parties agree and stipulate that ownership in the thing purchase[d] will not be transferred to the MORTGAGOR and/or PRINCIPAL until they have fully paid the price.
5. In case the thing purchased should be lost, damaged or destroyed without the fault of the COMPANY-MORTGAGEE, or by reason of fortuitous events or force majeure - like death of day-old chicks or chickens by reason of any sickness, disease, "peste or NCD," theft, robbery, typhoon, fire, flood and others - the risk of loss shall be borne by the MORTGAGOR and/or PRINCIPAL and their liability to pay their obligation to COMPANY-MORTGAGEE is not extinguished. The MORTGAGOR and/or PRINCIPAL are still obligated to pay the day-old chicks, poultry feeds and other products purchased from the COMPANY-MORTGAGEE.

x x x x⁶

The business relationship between URC and complainants continued for years and the CCAREMS were renewed yearly. However, sometime in the year 1993, complainants informed URC of the stunting or slow growth and high mortality rate of the chickens. They claimed that URC supplied them with low quality feeds with high aflatoxin content and class B or junior day-old chicks. Meanwhile, the stunted chickens that failed to meet the standard target weight for harvest were rejected by URC and were condemned (beheaded). As a result, complainants incurred outstanding obligations. URC made several demands for complainants to settle their unpaid obligations under the CCAREMS,⁷ but they refused to pay. Hence, on June 25, 1995, URC filed an application for extrajudicial foreclosure of the real estate mortgages on complainants' respective properties under the CCAREMS.

Proceedings before the Regional Trial Court

On May 26, 1995, complainants filed a Complaint⁸ for damages, docketed as Civil Case No. 1495, with the RTC of Gapan City, Branch 36, against URC. The complainants claimed that they incurred losses and sustained damages from the stunting/slow growth of the chickens as a result of the low quality feeds with high aflatoxin content and class B or junior day-old chicks supplied by URC in evident bad faith. Since the stunting and eventual condemnation/death of the chickens was due to URC's fault, complainants claimed that their obligation to pay URC was extinguished. Complainants thereafter filed an Amended Complaint⁹ to include, as a nominal party defendant, Notary Public Olivia V. Jacoba (Notary Public Jacoba), and, as additional cause of action, the issuance of an ex-parte restraining order and a preliminary injunction prohibiting Notary

⁶ Id. at 345, 383 and 387.

⁷ See collection/demand letters of respondent to petitioners, id. at 393-396.

⁸ Records (Folio 1), pp. 1-7.

⁹ Id. at 22-31.

Public Jacoba from selling their real properties at the scheduled public auction for the extrajudicial foreclosure of the real estate mortgages, claiming that Notary Public Jacoba had no authority to issue the Notices of Auction Sale¹⁰ for lack of a notarial commission.

In its Answer *Ad Cautela*,¹¹ URC alleged that complainants had no cause of action; that the terms and conditions of its agreement with complainants were clearly indicated in the CCAREMs duly signed by them; that it was compelled, under the CCAREM, to foreclose extrajudicially the properties mortgaged when complainants defaulted in their payment; that it never ordered the condemnation of the defective chickens; that the cause of the chicks' stunted growth was complainants' lack of care in the growing of the chicks; and that it supplied the complainants with feeds of good quality. In its Amended Answer,¹² URC further claimed that the venue of complainants' case was improperly laid.

On July 14, 1995, the RTC issued an Order¹³ restraining URC from selling the real properties of complainants. After the hearing on the prayer for preliminary injunction, the RTC, in its Order dated January 18, 1998,¹⁴ issued a Writ of Preliminary Injunction prohibiting the extrajudicial foreclosure of complainants' real properties mortgaged under the CCAREMs upon complainants' filing of an injunction bond. A motion for reconsideration was filed by URC questioning the legal basis of the Writ of Preliminary Injunction, but was, however, denied by the RTC in an Order dated October 7, 1998.¹⁵ Both the January 18, 1998 and October 7, 1998 Orders of the RTC were affirmed by the CA upon appeal by URC, which became final on July 27, 2001.¹⁶

Meanwhile, complainants, except petitioners, withdrew their complaints and opted to settle their respective outstanding obligations with URC under the CCAREMs. They recanted their previous allegation that the stunting growth of the chicks was due to URC's fault and instead attributed the same to local pestilence and oversight on their part in the care of the chicks.¹⁷ Petitioners, on the other hand, insisted on URC's fault, hence, trial proceeded only with respect to them.



¹⁰ Id. at 32-41.

¹¹ Id. at 84-86.

¹² Id. at 201-204.

¹³ Id. at 44.

¹⁴ Id. at 150-154.

¹⁵ Id. at 176.

¹⁶ See CA Decision dated June 9, 2000 and Entry of Judgment, Records (Folio 2), pp. 287-292 and 293, respectively.

¹⁷ See complainants' Motions to Withdraw Complaint, Records (Folio 1), pp. 120-122, Records (Folio 2), pp.241-243, 268-278, 296-298; and TSN, April 15, 2005, pp. 4-5.

During the hearing, petitioners testified that they were contract growers of URC by virtue of CCAREMs signed by them;¹⁸ that as per their agreement with URC, they would take care and grow the chicks supplied by URC for more or less forty-five (45) to fifty (50) days;¹⁹ that sometime in May 1993, they noticed that the chicks, which they described as “small and runts” and “*maliit at bansot*,” were not growing normally;²⁰ that they reported the matter to URC which prompted the latter to send a representative who later told them that the cause of the stunting growth of the chickens was the purported defective feeds supplied by URC;²¹ and that URC decided to condemn/discard those chickens that did not satisfy the standard target weight for harvest.²² Petitioners added that since the slow growth of the chicks was caused by URC’s fault, their obligation was extinguished.²³

URC, on the other hand, presented as witness William Lim (Lim) who testified that he was the National Sales Manager of URC, and as such, was responsible for the monitoring of sales activities and delivery of chicks and poultry feeds to the company’s customers.²⁴ He testified that URC entered into continuing credit accommodation contracts with complainants, by virtue of CCAREMs,²⁵ wherein URC, under a buy back arrangement, would sell on credit chicks to complainants, who, in turn, would grow the chicks according to their own management without URC’s intervention. URC would thereafter offer to buy back the full-grown broiler chickens at an agreed price.²⁶ In 1993, URC was compelled to investigate several complaints regarding the slow growth of the chickens, which investigation revealed that the cause of the stunted growth was some viral infection causing respiratory problems among the chickens and not due to defective feeds as falsely alleged by complainants.²⁷ Lim denied that the feeds supplied by URC were defective since it passed quality control²⁸ or that URC ordered the condemnation of the chickens, explaining that only complainants, as owner thereof, can dispose of the same.²⁹ Since URC only harvested those chickens that met the standard weight and since the value of the full grown ones was not enough to pay for the amount of chicks and poultry feeds purchased from URC, complainants incurred outstanding obligations prompting URC to initiate foreclosure proceedings when complainants refused to pay on demand.³⁰

As rebuttal evidence, petitioners presented Eduardo Del Pilar (Del Pilar), a former employee of URC who performed the functions of Dressed Chicken

¹⁸ TSN, September 14, 1995, pp. 7 and 13.

¹⁹ TSN, April 15, 2005, pp. 9-10; TSN, August 18, 2006, p.10.

²⁰ TSN, April 15, 2005, pp. 11-12.

²¹ TSN, July 23, 2004, pp. 3-5; TSN, April 15, 2005, pp. 14 and 18-20; TSN, August 18, 2006, p. 11.

²² TSN, September 14, 1995, p. 16; TSN, April 15, 2005, p.22.

²³ TSN, September 14, 1995, pp. 8-9 and 16.

²⁴ TSN, January 21, 1997, pp. 3-4.

²⁵ Id. at 5-6.

²⁶ TSN, January 21, 1997, p. 7; TSN, March 23, 2007, p. 17.

²⁷ TSN, January 21, 1997, pp. 7-8; TSN, February 28, 1997, pp. 21-22.

²⁸ TSN, February 28, 1997, pp. 20-21; TSN, March 23, 2007, p. 26.

²⁹ TSN, July 18, 1997, p. 7; TSN, March 23, 2007, p. 32.

³⁰ TSN, March 23, 2007, pp. 26-31.

Checker, Live Broiler Chicken Checker, and Materials Coordinator.³¹ According to Del Pilar, he attended a meeting called by the management of URC wherein it was discussed that the cause of the stunted growth was the poultry feeds supplied by URC. During that meeting, URC also ordered the condemnation of the stunted chickens.³² On cross-examination, he stated that he was ordered by Lim to witness the condemnation and in the process, prepared/issued the corresponding condemnation reports.³³

On December 13, 2008, the trial court rendered a Decision,³⁴ the dispositive portion of which reads:

WHEREFORE, premises considered, judgment is rendered:

- a) declaring the obligations of Alfredo Javaluyas and Marianito Padilla to Universal Robina Corporation under the latter's statements of account both dated 03 January 1997, in the amount of Php624,872.04 and Php727,317.59 respectively, extinguished;
- b) making the Writ of Preliminary Injunction, enjoining the URC to desist from foreclosing extrajudicially the properties mortgaged by Alfredo Javaluyas and Marianito Padilla permanent;
- c) ordering defendant Universal Robina Corporation:
 - 1) to release the real estate mortgages executed by Alfredo Javaluyas and Marianito Padilla in its favor;
 - 2) to pay the sum of Php50,000.00 as attorney's fee; and
 - [3] to pay the cost of suit.

SO ORDERED.³⁵

In declaring petitioners' contractual obligation with URC as extinguished, the trial court found the CCAREMs as unconscionable and against public policy for being a contract of adhesion which contained terms that were heavily weighed in favor of URC. It held that what the parties entered into was actually a growing agreement whereby petitioners, as contract growers, took care and grew the broiler chicks supplied by URC which retained ownership of the chicks. The delivery of the chicks to petitioners did not transfer its ownership to them nor make the relationship of the parties one of a buy back arrangement considering that the contract growers had no right to sell the broiler chickens to others except to URC and that URC controlled the operation and growing of the chicks by exclusively

³¹ TSN, September 14, 2007, pp. 6-7 and 21.

³² Id. at 16-17.

³³ TSN, November 9, 2007, pp. 24-29.

³⁴ Records (Folio 2), pp. 543-553; penned by Presiding Judge Arturo M. Bernardo.

³⁵ Id. at 553.



supplying poultry feeds and agricultural products, as well as by giving orders of condemnation. As the owner of the broiler chicks/chickens, URC should bear the loss. At the same time, the trial court found petitioners not guilty of negligence in the care of the chicks as to hold them liable for the loss. Since neither of the parties was shown to be at fault by preponderance of evidence, the RTC held that each had to bear their respective losses and accordingly was not entitled to damages against each other.

Proceedings before the Court of Appeals

URC appealed to the CA, assailing the trial court ruling that it entered into a growing agreement with petitioners; that it retained ownership of the broiler chickens; that the CCAREMs were unconscionable and against public policy; and that the obligations of petitioners were extinguished. It also claimed that the trial court erred in ordering the release of the real estate mortgages executed by petitioners; in making permanent the writ of injunction; and in ordering it to pay attorney's fees and the cost of suit.

On April 22, 2014, the CA rendered a Decision³⁶ granting URC's appeal. The CA held that petitioners' acquiescence to the terms and provisions of the CCAREMs made it a binding agreement between the parties that should govern and delineate their respective rights and obligations. Under the CCAREM, URC shall only be accountable if the loss, damage, or destruction of the subject livestock was due to its fault, which, in this case, was not proven. In ruling in favor of URC, the CA held that there was no credible evidence, except mere self-serving claims, that URC supplied contaminated poultry feeds which affected the growth of the broiler chicks. No veterinarians or nutritionists were presented to prove petitioners' claims. The CA therefore ruled that petitioners should bear the loss of the broiler chickens and are liable to pay URC their outstanding obligations plus interest and attorney's fees in accordance with the provisions of the CCAREM.

The CA struck down for being improper the foreclosure sale made at the instance of Notary Public Jacoba who lacked the necessary notarial commission. However, in recognizing URC's right to avail of the remedy of foreclosure as provided under the CCAREM, the CA lifted the permanent injunction issued by the trial court to allow URC to initiate other foreclosure proceedings against the mortgaged properties of petitioners.

The CA further denied URC's claim for exemplary damages since there was no showing that petitioners exhibited bad faith in dealing with URC.

³⁶ CA *rollo*, pp. 241-256; penned by Associate Justice Jane Aurora C. Lantion and concurred in by Associate Justices Vicente S. E. Veloso and Nina G. Antonio-Valenzuela.

The dispositive portion of the Decision reads:

WHEREFORE, the Appeal is GRANTED. The Decision dated 13 December 2008 of Branch 36, Regional Trial Court (RTC) of Gapan City is hereby REVERSED and SET ASIDE.

ACCORDINGLY, this Court hereby:

1. DECLARES plaintiff-appellee Marianito Padilla liable to pay defendant-appellant Universal Robina Corporation the following amounts: (a) ₱368,009.10 as principal; (b) ₱213,844.97 as interest; and (c) ₱145,463.52 as attorney's fee;
2. DECLARES plaintiff-appellee Alfredo Javaluyas liable to pay defendant-appellant Universal Robina Corporation the following amounts: a) P272,069.26 in principal; (b) P213,844.97³⁷ as interest; and (c) P145,463.52³⁸ as attorney's fee;
3. LIFTS the Permanent Injunction issued by Branch 36, Regional Trial Court (RTC) of Gapan City on the Foreclosure of plaintiffs-appellees' Real Estate Mortgage. However, the foreclosure sale of TCT Nos. NT-186419, P-108280, and NT-191940; and TCT No. 196756 made with the participation of Notary Public Olivia-Velasco Jacoba is declared VOID and of NO EFFECT;
4. DENIES defendant-appellant's claim for exemplary damages for lack of merit.

SO ORDERED.³⁹

Petitioners filed a Motion for Reconsideration⁴⁰ of the CA Decision, arguing that they have proven by preponderance of evidence that the cause of the stunted growth of the broiler chickens was the low-quality poultry feeds supplied by URC. They averred that Del Pilar's testimony as regards the admission by URC of its fault in supplying defective feeds, as well as the failure of respondent URC's lone witness to deny this admission, were enough evidence to prove their cause. This motion for reconsideration was, however, denied by the CA in its Resolution⁴¹ of September 17, 2014.

Issue

Hence, this present Petition on the sole ground that:



³⁷ Petitioner Alfredo Javaluyas' liability on the amount of interest on the principal at 13% per annum should be ₱227,828.37, not ₱213,844.97; see Records (Folio 2), p. 410.

³⁸ Petitioner Alfredo Javaluyas' liability in terms of attorney's fee at 25% of the total amount sued stands at ₱124,974.41, not ₱145,463.52; see Records (Folio 2), p. 410.

³⁹ CA *rollo*, pp. 255-256.

⁴⁰ *Id.* at 260-268.

⁴¹ *Id.* at 281-282.

THE HONORABLE COURT OF APPEALS ERRED WHEN IT RULED THAT THE LOSS, DAMAGE OR DESTRUCTION OF THE SUBJECT LIVESTOCKS WAS NOT DUE TO URC'S FAULT.⁴²

Petitioners aver that the testimony of Del Pilar, a disinterested witness, on what actually transpired during a meeting conducted by URC when the latter, through Lim, admitted that the stunted growth of the broiler chicks was due to the poultry feeds it supplied, should be given weight and credence. Not having been denied by Lim when he was presented as witness, this positive testimony and admission deserves great weight to establish the fault or negligence of URC. Hence, their obligation was already extinguished due to URC's admission of fault.

Our Ruling

The Petition is unmeritorious.

At the outset, it must be stated that the CCAREMs executed and signed by the parties govern their rights and obligations considering that the validity of its provisions was not assailed by petitioners.

The threshold issue is whether or not there is sufficient evidence to establish URC's fault or negligence for the defective/stunted growth of the broiler chickens as would extinguish petitioners' obligation under the CCAREM. Paragraph 5 of the CCAREM provides that:

In case the thing purchased should be lost, damaged or destroyed without the fault of the COMPANY-MORTGAGEE, or by reason of fortuitous events or force majeure – like death of day-old chicks or chickens by reason of any sickness, disease, “peste or NCD,” theft, robbery, typhoon, fire, flood and others – the risk of loss shall be borne by the MORTGAGOR and/or PRINCIPAL and their liability to pay their obligation to COMPANY-MORTGAGEE is not extinguished. The MORTGAGOR and/or PRINCIPAL are still obligated to pay the day-old chicks, poultry feeds and other products purchased from the COMPANY-MORTGAGEE.⁴³

Based on the foregoing, URC is accountable only if the loss, damage, or destruction of the broiler chickens was due to its fault, otherwise, petitioners should bear the loss and their obligation to pay the day-old chicks and poultry feeds purchased from URC is not extinguished.

“[I]t is basic rule in civil cases that the party making the allegations has the burden of proving them by a preponderance of evidence. The parties must rely on

⁴² *Rollo*, p. 8.

⁴³ Records (Folio 2), p. 345.

the strength of their own evidence and not upon the weakness of the defense offered by their opponent.”⁴⁴ The Court finds that petitioners failed to prove by preponderance of evidence their claims against URC as to extinguish their obligation under the contract.

It bears stressing that both the RTC and the CA found no evidence of fault or negligence on the part of URC. The CA affirmed the finding of the trial court that there was no basis to the allegation that the stunted growth of the broiler chickens was caused by the purported low-quality poultry feeds supplied by URC. Suffice it to say that factual findings of the trial court, when adopted by the CA, are binding and conclusive on this Court.⁴⁵ Besides, this Court has already ruled that the finding of negligence is a question of fact which it cannot look into as the Court is not a trier of facts.⁴⁶

In any event, the Court finds no compelling reason to deviate from the finding of the lower courts inasmuch as it is supported by the evidence and records of the case. It was held, in the case of *Nutrimix Feeds Corporation v. Court of Appeals*,⁴⁷ that the manufacturer or seller of animal feeds cannot be held liable for any damage allegedly caused by the product in the absence of proof that the product was defective. The defect of the product requires evidence that there was no tampering with, or changing of the animal feeds.⁴⁸ The Court explained that “[i]n the sale of animal feeds, there is an implied warranty that it is reasonably fit and suitable to be used for the purpose which both parties contemplated.”⁴⁹

In this case, URC maintains that it is unlikely that it supplied its customers with defective poultry feeds because if it were, it would not have passed quality control.⁵⁰ Further, there is evidence showing the possibility of tampering with the poultry feeds in the hands of the poultry farmers. On cross-examination, Lim testified in this manner:

Court:

Q So, there was no instance where the growers ever bought feeds from other sources?

A There [were] instances [when] they bought other ingredients from other source[s], sir.

Q I am asking you feeds not ingredients.

A It is added to the feeds, sir, so it becomes part of the feeds.

⁴⁴ *Otero v. Tan*, 692 Phil. 714, 729 (2012).

⁴⁵ *Allied Banking Corporation v. Lim Sio Wan*, 573 Phil. 89, 101 (2008).

⁴⁶ *Pacific Airways Corporation v. Tonda*, 441 Phil. 156, 162 (2002).

⁴⁷ 484 Phil. 330, 343 (2004).

⁴⁸ *Id.* at 344.

⁴⁹ *Id.* at 343.

⁵⁰ TSN, February 28, 1997, pp. 20-21; March 23, 2007, p. 26.

Court:

In this case, did you find [that] the plaintiff added ingredients to the feeds?

A There [were] instances, sir.

Court:

Did you personally see that they mix[ed] or add[ed] some ingredients to the feeds that you suppl[ied]?

A Yes, sir.

Court:

Where is your proof?

A I saw it personally, sir.⁵¹

In light of the ruling in *Nutrimix*, it is incumbent on petitioners to establish the liability of URC on the basis of breach of implied warranty. No evidence, however, was adduced. They even failed to dispute Lim's testimony that the feeds passed quality control and of the possibility that other ingredients from other sources were mixed to the feeds. As correctly observed by the CA, there was nothing in the records, except self-serving claims, which proves that URC delivered low-quality feeds tainted with high aflatoxin and other harmful components. There were no veterinarians/nutritionists or any other credible evidence presented by petitioners to confirm that the poultry feeds supplied by URC were contaminated or affected the growth of the broiler chicks. The documentary evidence proffered by petitioners, to wit: 1) Notices of Auction Sale⁵² of the properties mortgaged under the CCAREMs, 2) Certifications⁵³ of the Clerks of Court of RTC Gapan and Cabanatuan City stating that Notary Public Jacoba had no notarial commission, and 3) Condemnation Mortality Rate Reports⁵⁴ showing the number of disposed/condemned broiler chickens, do not prove any liability on URC of its alleged supply of defective feeds.

Petitioners, however, insist that the cause of the stunted growth of the broiler chicks was the defective poultry feeds supplied by URC, and that URC caused the condemnation of the chickens, based on the alleged admission made by Lim during a meeting called by the URC management. In addition, they aver that Lim never denied this purported admission when he was presented in court.

The Court is not persuaded.

For one, nowhere in the testimonies of Del Pilar was it categorically stated that Lim admitted that URC delivered defective feeds. While he testified that it was Lim who ordered the condemnation of the stunted chickens,⁵⁵ it was the

⁵¹ TSN, January 21, 1997, pp. 14-15.

⁵² Records (Folio 1), pp. 32-41.

⁵³ Id. at 42-43.

⁵⁴ Records (Folio 2), pp. 340-343.

⁵⁵ TSN, November 9, 2007, pp. 24-25.



Satellite Farm Manager of URC's Satellite Poultry Farm (not Lim) who discussed the problems regarding the feeds. The testimony of Del Pilar is summarized as follows:

Court:

Q As a Live Broiler Checker for a long time, do you know what could have caused this stunted growing of the chickens of these Contract Growers?

A What was discussed in the Office is regarding the feeds, sir.

Q Who discussed the problem regarding the feeds?

A The *Satellite Farm Manager*, sir. And [the feeds] was the subject matter, the Satellite Manager of [Universal Robina Corporation] [who] also [had] a poultry, and when they used other brand of feeds[,] the chicken [grew], sir.

Q What are these Satellites?

A [Universal Robina Corporation] rented empty poultry and they put their chickens there, sir.

Q In other words, this Satellite Poultry [was] practically managed by Universal Robina Corporation?

A Yes, sir.

Q And this Satellite Poultry [also] suffered stunted growing of their chicken?

A Yes, sir.

Q And it was discussed in the Office that the one problem that caused the stunted growth was the feeds?

A Yes, sir.

Q How did it happen that you were present during that discussion?

A There was a meeting called by the management and I was included there in the meeting, and the condemnation [of the chickens] was ordered, sir.

Q Now, they discussed about the problem [of] the stunted growth, you said the problem is the feeds, do you know what feeds they are referring [to]?

A The Robina feeds, sir.

Q The same feeds provided by the Universal Robina Corporation to the Contract Growers?

A Yes, sir.⁵⁶

x x x x

Cross-Examination

Atty. A. Garcia:

Q Mr. witness, you mentioned that you knew that the problem is the feeds because you heard it being discussed in the company, is that correct?

A Yes, sir.



⁵⁶ TSN, September 14, 2007, pp. 16-17.

Q Were you able to confirm it?

A Yes, sir.

Q How did you confirm it, Mr. witness?

A I talked with the *farm manager*, sir. They used other feeds for the chicken and the chickens grew well, sir.

Q So, in other words, Mr. witness, you were not able to witness this because it was only told to you?

A Yes, sir.

Q In other words, Mr. witness, since you were not able to see the chickens, you were not able to confirm it?

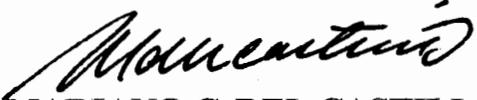
A Yes, sir.⁵⁷

Lim was URC's Sales Manager and Del Pilar was clearly not referring to him but to URC's Satellite Farm Manager. This alleged admission on the part of URC's Satellite Farm Manager as revealed by Del Pilar, however, is undeniably hearsay because it was not based on the witness' personal knowledge but on the knowledge of some other person who was never presented on the witness stand.⁵⁸ Parenthetically, Del Pilar's testimony regarding the Satellite Farm Manager's admission can be admitted merely for the purpose of establishing such utterance but not to establish its truth.⁵⁹ Hence, Del Pilar's testimony did not sufficiently establish the truth of the claim that the feeds supplied by URC were defective, which could have affected the growth of the broiler chickens.

In fine, petitioners failed to prove by preponderance of evidence the fault or negligence of URC. For this reason, petitioners can be held liable for their unsettled obligations under the CCAREMs they executed in favor of URC.

WHEREFORE, the Petition for Review on *Certiorari* is **DENIED**. The assailed Decision of the Court of Appeals dated April 22, 2014 in CA-G.R. CV No. 93260 is **AFFIRMED**.

SO ORDERED.


MARIANO C. DEL CASTILLO
Associate Justice

⁵⁷ TSN, November 9, 2007, pp. 34-35.

⁵⁸ *People v. Cui*, 372 Phil. 837, 850 (1999); *People v. Sarmiento*, 159-A Phil. 615, 623 (1975).

⁵⁹ *American Express International, Inc. v. Court of Appeals*, 367 Phil. 333, 340 (1999).

WE CONCUR:



MARIA LOURDES P. A. SERENO

Chief Justice

Chairperson



TERESITA J. LEONARDO-DE CASTRO

Associate Justice



FRANCIS H. JARDELEZA

Associate Justice



NOEL GIMENEZ TIJAM

Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



MARIA LOURDES P. A. SERENO

Chief Justice

