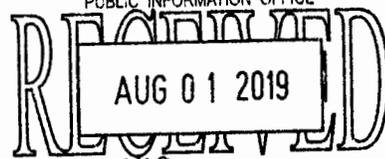




Republic of the Philippines
 Supreme Court
 Manila

SUPREME COURT OF THE PHILIPPINES
 PUBLIC INFORMATION OFFICE



BY: Ysa
 TIME: 2:14

FIRST DIVISION

**JMA AGRICULTURAL G.R. No. 206026
 DEVELOPMENT CORPORATION,**

Petitioner, Present:

-versus-

**BERSAMIN, CJ., Chairperson,
 DEL CASTILLO, Working Chairperson,
 JARDELEZA,
 GESMUNDO, and**

**LAND BANK OF THE CARANDANG, JJ.
 PHILIPPINES,**

Respondent. Promulgated:

JUL 10 2019

X ----- X
DECISION

JARDELEZA, J.:

The factors listed under Section 17 of Republic Act No. (RA) 6657¹ and its resulting formulas provide a uniform framework or structure for the computation of just compensation which ensures that the amounts to be paid to affected landowners are not arbitrary, absurd or even contradictory to the objectives of agrarian reform. Until and unless declared invalid in a proper case, the Department of Agrarian Reform (DAR) formulas partake of the nature of statutes, which under the 2009 amendment became law itself, and thus have in their favor the presumption of legality, such that courts shall consider, and not disregard, these formulas in the determination of just compensation for properties covered by the Comprehensive Agrarian Reform Program (CARP).²

Petitioner JMA Agricultural Development Corporation is the owner of a 106.0416 hectare (ha.) parcel of land in Barangay Payao, Binalbagan town, Negros Occidental covered by Transfer Certificate of Title (TCT) No. T-119604. Petitioner voluntarily offered the property for sale for coverage under the CARP for eventual distribution to qualified farmer-beneficiaries.³

¹ Comprehensive Agrarian Reform Law of 1988.

² *Alfonso v. Land Bank of the Philippines*, G.R. Nos. 181912 & 183347, November 29, 2016, 811 SCRA 27.

³ *Rollo*, pp. 23-24.

The government, through the DAR, initially took 97.1232 ha. of the property. Thus, on July 31, 2002, TCT No. T-119604 was cancelled and TCT No. T-218420⁴ was issued in the name of the Republic of the Philippines and petitioner. On the same day, the portion of the property in the name of the Republic was issued, TCT No. CLOA-10348, in the name of farmer-beneficiaries.⁵

DAR and respondent Land Bank of the Philippines offered petitioner ₱17,500,914.92, the determined value of the covered portion of the property, as compensation. Petitioner rejected the offer for being too low and for failing to reflect the just compensation for the property. According to petitioner, the property is located three kilometers (km.) away from the national road, about 12 km. from the *poblacion* of Payao, and about 9½ km. from the market/trading center. It is a fully-irrigated land devoted to sugarcane production which is accessible by means of tricycle, motorcycle, and cane truck.⁶

Eventually, petitioner withdrew the ₱17,500,914.92 deposited in respondent.⁷

Thereafter, the DAR Adjudication Board (DARAB) conducted summary proceedings for the preliminary determination of just compensation.⁸ On February 28, 2005, the DARAB issued a decision fixing the just compensation for the covered portion of the property at ₱21,584,218.06.⁹

In the meantime, the DAR and respondent acquired an additional 6.3480 ha. of the property that was previously classified as an easement. The additional portion was valued at ₱1,258,761.70. Hence, the total area taken by the government from petitioner's property went up to 103.4712 ha.¹⁰

On April 12, 2005, petitioner filed a petition before Branch 46 of Bacolod City Regional Trial Court, sitting as a Special Agrarian Court (SAC), for the determination and payment of just compensation.¹¹ Petitioner prayed that: (1) just compensation be fixed at ₱252,218.90 per ha., for a total of ₱26,213,791.26; and (2) respondent and DAR be directed to immediately pay said amount to petitioner, less whatever amount it has already received from respondent as initial valuation of the property, in the same proportion of cash and bonds as previously paid.¹²

⁴ *Id.* at 24; 97.1232 ha. belongs to the Republic while 8.9184 ha. belongs to petitioner.

⁵ *Id.*

⁶ *Id.*

⁷ *Id.*

⁸ *Rollo*, p. 25.

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

¹² *Rollo*, p. 27.

Respondent countered that it had complied with the applicable computation of petitioner's property using the relevant formula under existing valuation guidelines:

$$\text{Land Value (LV)} = [\text{Capitalized Net Income (CNI)} \times 0.90] \\ + [\text{Market Value per Tax Declaration (MV)} \times 0.10]^{13}$$

According to respondent, per the tax declaration of the property, its market value is ₱1,350,000.00 while its assessed value is ₱480,600.00. Since petitioner failed to submit its own production data, respondent used the industry-wide data supplied by the Sugar Regulatory Administration (SRA), in accordance with DAR Administrative Order (AO) No. 5, series of 1998¹⁴ and Joint Memorandum Circular (JMC) No. 15, series of 1999¹⁵ issued by DAR and respondent. Pursuant thereto, the average production for sugar¹⁶ should be taken 12 months prior to the date of inspection, which occurred on May 25, 2001.¹⁷

Respondent argued that in determining just compensation, the loss that "must be approximated, if not ascertained, necessarily depends on the actual production and the income enjoyed by the landowner from the subject landholding at the time of the taking, the reckoning of which is based on the period prescribed by law for the acquisition of the land."¹⁸ Respondent further argued that the value of the land declared by the owner, its assessed value, and market value should not be far off from its equivalent value based on actual state, use, and production, which approximates the actual loss of the landowner.¹⁹ Thus, respondent arrived at the following valuation for the property:

<u>Land Use</u>	<u>Area (Ha.)</u>	<u>Price/Hectare</u>	<u>Land Value</u>
Sugarland	93.0752	P185,712.85	P17,285,260.00 ²⁰

¹³ *Id.* at 25.

¹⁴ Revised Rules and Regulations Governing the Valuation of Lands Voluntarily Offered or Compulsorily Acquired Pursuant to Republic Act No. 6657.

¹⁵ Valuation Guidelines for Lands Planted to Sugarcane.

¹⁶ DAR AO No. 5, par. II(B), provides in part:

AGP = Annual Gross Production corresponding to the latest available 12-months' gross production immediately preceding the date of FI [Field Investigation].

SP = The average of the latest available 12-months' selling prices prior to the date of receipt of the CF [Claim Folder] by LBP [Land Bank of the Philippines] for processing, such prices to be secured from the Department of Agriculture (DA) and other appropriate regulatory bodies or, in their absence, from the Bureau of Agricultural Statistics. If possible, SP data shall be gathered for the barangay or municipality where the property is located. In the absence thereof, SP may be secured within the province or region.

¹⁷ *Rollo*, p. 26.

¹⁸ *Id.*

¹⁹ *Id.*

²⁰
$$\text{LV} = (\text{P}195,306.28 \times 0.90) + (\text{P}99,372 \times 0.10) \\ = \text{P}175,775.65 + \text{P}9,937.20 \\ = \text{P}185,712.85 \times 93.0752 \text{ ha.} \\ = \underline{\text{P}17,285,260.66}$$

Hda. Road	0.3751	185,712.85	69,660.89 ²¹
Multi-family dwelling	3.6729	P39,748.80	P145,993.[37] ²²
[TOTAL]	97.1232		P17,500,914.[26] ²³

The SAC ruled in favor of petitioner in its August 20, 2010 Decision,²⁴ viz.:

WHEREFORE, in the light of the foregoing, and in the interest of justice and equity, Judgment is rendered fixing the just compensation of petitioner's 103.9327-hectare CARP-covered sugarland at P252,218.90 per hectare, or a total of P26,213,791.26, and directing respondents to pay petitioner the amount of P26,213,791.26 minus whatever amount petitioner has already received from respondent Land Bank of the Philippines as initial valuation for its land, in the same proportion of cash and bonds as previously paid.

SO ORDERED.²⁵

Citing *Land Bank of the Philippines v. Chico (Chico)*,²⁶ the SAC ruled that for the purpose of determining just compensation, what should be considered is the value of the property at the time the title over it was transferred to the government.²⁷ Respondent and DAR erred, therefore, in using the valuation of the property at the time of the inspection (May 25, 2001) instead of on July 31, 2002, the date when title over the property was transferred to the farmer-beneficiaries. The SAC found that there was a difference between the price of sugar on May 25, 2001 and on July 31, 2002.²⁸

Hence, using the data in the certificate issued by the SRA and Sofronio L. Cordova, Officer-in-Charge, Office of the Manager 1, Sugar Regulation and Enforcement Division,²⁹ as well as the Negros Occidental Provincial Tax Ordinance No. 02-002 entitled "An Ordinance Enacting a Schedule of Current and Fair Market Value of Agricultural and Urban Lands, etc.,"³⁰ the SAC made the following computation:

$$\text{A. CNI Sugar} = [\text{Annual Gross Production (AGP) sugar} \times \text{Selling Price (SP) of sugar} \times 26\%] / 12\%$$

²¹ LV = P185,712.85 x 0.3751 ha.
= P69,660.89

²² LV = (MTVD x 2)
= P19,874.40 x 2
= P39,748.80 x 3.6729 ha.
= P145,993.37

²³ *Rollo*, p. 26.

²⁴ *Id.* at 41-51.

²⁵ *Id.* at 50-51.

²⁶ G.R. No. 168453, March 13, 2009, 581 SCRA 226.

²⁷ *Rollo*, p. 46.

²⁸ *Id.* at 46-47.

²⁹ *Id.* at 47.

³⁰ *Id.* at 49.

$$= [(128.50 \text{ kilograms [kgs.] x 35\%)} + (96.50 \text{ x 65\%)} \times \text{P}959.33 \times 0.26] / 0.12$$

$$= [(44.9750 + 62.725) \times \text{P}959.33 \times 0.26] / 0.12$$

$$= [107.70 \text{ kgs.} \times \text{P}959.33 \times 0.26] / 0.12$$

$$= \underline{\text{P}223,859.65}$$

B. AGP for molasses = $[107.70 \times 32\text{kg/TC}] / 1.73$ (Average Molasses per ton cane)

$$= \underline{1,992.13 \text{ tons}}$$

C. CNI Molasses = $[\text{AGP} \times \text{SP} \times 70\% \text{ (planter's share)}] / 12\%$

$$= [1,992.13 \times [\text{P}3,207.50] \times 0.70] / 0.12$$

$$= \underline{\text{P}37,273.58}$$

D. Total capitalized net income for sugar and molasses = CNI sugar + CNI molasses

$$= \text{P}223,859.65 + \text{P}37,273.58$$

$$= \underline{\text{P}261,133.23}$$

E. MVTD = Market Value x Regional Consumer Price Index (RCPI) Adjustment Factor

$$= \text{P}130,000.00 \times 1.323$$

$$= \underline{\text{P}171,990.00}$$

F. LV = $(\text{CNI} \times 0.90) + (\text{MVTD} \times 0.10)$

$$= (\text{P}261,133.23 \times 0.90) + (\text{P}171,990 \times 0.10)$$

$$= \text{P}235,019.90 + \text{P}17,199.00$$

$$= \underline{\text{P}252,218.90 \text{ per hectare}}^{31}$$

Using the determined land value per hectare, the SAC held that the total amount that should be paid to petitioner is $\text{P}26,213,791.26$.³²

Respondent filed a petition for review before the Court of Appeals (CA), which the appellate court granted.³³ The CA agreed with the just compensation fixed by respondent at $\text{P}17,776,182.33$.³⁴ The amount covered the 103.9327 ha. portion of the property taken from petitioner, including the

³¹ *Id.* at 48-49.

³² *Id.* at 49.

³³ *Id.* at 23-36; penned by Associate Justice Gabriel T. Ingles with the concurrence of Associate Justices Pampio A. Abarintos and Melchor Q.C. Sadang.

³⁴ *Id.* at 36, 91-92.

value of the legal easement subsequently acquired by the DAR at ₱269,417.36, and the value of the canal at ₱5,849.95.³⁵

The CA held that the SAC erred in applying *Chico* because it is not on all fours with this case.³⁶ The SAC should have applied the formula under DAR AO No. 5. Under the order, the AGP should be based on the latest available 12-month's gross production immediately preceding the date of the field inspection. As for the SP, it is the average of the latest available 12-month's selling prices prior to the date of receipt of the claim folder by respondent for processing. Hence, the SAC should have used the figures as of May 25, 2001, the date of inspection, instead of the figures as of July 31, 2002, the date when title was transferred to the farmer-beneficiaries.³⁷

Petitioner asked the CA to reconsider its Decision. The CA, however, denied petitioner's motion. Consequently, petitioner filed this petition before us, raising the sole issue of whether the CA correctly determined the amount to be paid to petitioner as just compensation.

We deny the petition.

While both the SAC and the CA applied the formula for computing the LV stated in DAR AO No. 5 and JMC No. 15, they used different data in computing the AGP and the SP, which are factors in determining the CNI. The SAC used the data culled from petitioner's evidence with regard to the date of the transfer of title of the property to respondent, or on July 31, 2002. The SAC explained that it used July 31, 2002 as the reckoning date because it was the time of taking. As for the CA, it agreed with the data used by respondent. For the AGP, the data used was as of the time that the field inspection was conducted, while for the SP, the date of receipt of the claim folder. The CA explained that the reckoning periods for these data are what DAR AO No. 5 and JMC No. 15 prescribe. We agree with the CA.

In the process of determining the just compensation due the landowners, the SAC must take into account several factors enumerated in Section 17 of RA 6657, to wit:³⁸

Sec. 17. Determination of Just Compensation. – In determining just compensation, the cost of acquisition of the land, the current value of like properties, its nature, actual use and income, the sworn valuation by the owner, the tax declarations, and the assessment made by government assessors shall be considered. The social and economic benefits contributed by the farmers and the farmworkers and by the Government to the property, as well as the non-payment of taxes or loans secured from any government

³⁵ *Id.* at 32.

³⁶ *Id.* at 35.

³⁷ *Id.* at 32-33.

³⁸ *Allied Banking Corporation v. Landbank of the Philippines*, G.R. No. 175422, March 13, 2009, 581 SCRA 301, 310.

financing institution on the said land shall be considered as additional factors to determine its valuation.³⁹

These factors have been translated into a basic formula in DAR AO No. 5 which was issued pursuant to the DAR's rule-making power to carry out the object and purposes of RA 6657, as amended.⁴⁰ DAR AO No. 5 precisely "filled in the details" of Section 17, RA 6657 by providing a basic formula by which the factors mentioned therein may be taken into account. The SAC was at no liberty to disregard the formula which was devised to implement the said provision.⁴¹

It may be true on the one hand that the SAC may relax the application of the DAR formulas, but this rests on the condition that it clearly explains its reasons for doing so.⁴² In this case, by not conforming with the data DAR AO No. 5 provides, the SAC effectively deviated from the formula. The SAC explains its Decision in this wise:

In the recent case of Land Bank of the Philippines, vs. Chico, G.R. No. 168453, March 13, 2009, the Supreme Court found it more equitable to determine just compensation based on the value of the property at the time of payment, not at the time of taking.

It clearly appears that respondents' valuation of petitioner's subject property was based on their inspection report dated May 25, 2001, and not on the valuation of the subject property as of July 31, 2002 (supra).

The Court so holds that to arrive at the correct and fair valuation of petitioner's subject property, all the inputs and data for the determination of the just compensation of petitioner's land should be those inputs and data existing as of July 31, 2002 when petitioner's ownership of its property was already transferred to the farmer-beneficiaries, thus effectively dispossessing petitioner of its property.

Obviously, there is a whale of a difference between the sugar production, price of sugar and molasses, etc. of petitioner in May, 2001 from its production in July, 2002. It is a known fact in the sugar industry that prices of sugar vary weekly, depending upon the law of supply and demand, whether domestically or in the world market. Consequently, petitioner's average sugar and molasses production should have been computed as of the end of the sugar agricultural crop-year 2001 to 2002, and not twelve (12) months prior to May 12, 2001 as computed by respondents. A sugar agricultural crop-year usually starts in September of the current year and ends in August of the following year. It is likewise a known fact in the sugar industry that millgate

³⁹ Section 17 of RA 6657 was later amended by RA 9700.

⁴⁰ See *Land Bank of the Philippines v. Banal*, G.R. No. 143276, July 20, 2004, 434 SCRA 543, 549-550.

⁴¹ *Landbank of the Philippines v. Celada*, G.R. No. 164876, January 23, 2006, 479 SCRA 495, 507.

⁴² *Alfonso v. Land Bank of the Philippines*, *supra* note 1 at 76.

prices of sugar increase as the supply of the sugarcane for milling purposes decreases.⁴³ (Underscoring in the original.)

We are not persuaded by the SAC's explanation. The CA correctly held that *Chico* is not on all fours with the instant case. Indeed, we allowed the determination of just compensation at the time of payment in *Chico* due to the unique circumstances obtaining in said case. However, those circumstances, such as the failure of the DAR to submit claim folders, are not present in this case. Moreover, we held in the same case that the SAC "took into consideration the important factors enumerated in Section 17 of [RA] 6657 which, in turn, are the very same criteria that make up the DAR formula."⁴⁴

In subsequent cases, we continued to uphold the application of the DAR formulas. In particular, in *Land Bank of the Philippines v. Department of Agrarian Reform*,⁴⁵ we ruled that the formula for the SP given by the DAR must be followed, viz.:

As clearly stated in DAR AO No. 5, the SP for purposes of computing the CNI, must be the *average of the latest available 12-months selling prices prior to the date of receipt of the claim folder by LBP, to be secured from the DA, Bureau of Agricultural Statistics or other appropriate regulatory bodies*. Thus, the selling price of P9.00 submitted by private respondent sourced from the NFA (March-August and September-February without indicating the year) and private buyer (March and October 2001) cannot be used as it was not the average obtained within the period referred to in DAR AO No. 5 (July 2000 to May 2001). x x x

We declared in *Land Bank of the Philippines v. Celada* that the DAR was tasked to issue the rules and regulations to carry out the "details" of Section 17 of R.A. No. 6657. It can be safely presumed that the fluctuations in the selling price of palay were already taken into consideration since only the average of these available prices within the 12 months prior to the receipt of the CF, will be used in computing the CNI. x x x⁴⁶ (Italics in the original; underscoring supplied; citations omitted.)

Clearly, we have already recognized the soundness of the formula given by the DAR even if not all of its components are taken as of the date of taking. The SAC therefore erred in disregarding the formula. It incorrectly assumed that the DAR, in coming up with the formula, did not take into consideration the fluctuation or differences in the price of sugar.

Notably, in its comment before the CA, petitioner agreed that respondent "adhered [to] and followed the provisions of DAR AO 5 and JMC

⁴³ *Rollo*, pp. 46-47.

⁴⁴ *Land Bank of the Philippines v. Chico*, *supra* note 26 at 243.

⁴⁵ G.R. No. 171840, April 4, 2011, 647 SCRA 152.

⁴⁶ *Id.* at 167-168.

15,”⁴⁷ while also arguing that LBP’s computation is “only the initial valuation the DAR is mandated to offer”⁴⁸ to petitioner and not the just compensation that it is entitled to receive under the law. By its own admission, therefore, petitioner does not appear to contest the verity of the data used by respondent in its computation.

We reiterate that the DAR formula should have been strictly followed since the deviation from it is unwarranted in this case. It cannot be dismissed on the ground that it is only an initial valuation of the property. Again, as we have stated in *Alfonso v. Land Bank of the Philippines*:⁴⁹

Until and unless declared invalid in a proper case, the DAR formulas partake of the nature of statutes, which under the 2009 amendment became law itself, and thus have in their favor the presumption of legality, such that courts shall consider, and not disregard, these formulas in the determination of just compensation for properties covered by the CARP. When faced with situations which do not warrant the formula’s strict application, courts may, in the exercise of their judicial discretion, relax the formula’s application to fit the factual situations before them, subject only to the condition that they clearly explain in their Decision their reasons (as borne by the evidence on record) for the deviation undertaken. It is thus entirely allowable for a court to allow a landowner’s claim for an amount higher than what would otherwise have been offered (based on an application of the formula) for as long as there is evidence on record sufficient to support the award.⁵⁰ (Emphasis supplied; citations omitted.)

Finally, in accordance with our ruling in *Land Bank of the Philippines v. Phil-Agro Industrial Corporation*,⁵¹ legal interest of 12% *per annum* must be imposed on the just compensation due petitioner from the time of taking, or on July 31, 2002. Beginning July 1, 2013, the interest imposed shall be 6% *per annum* until fully paid.

WHEREFORE, the petition is **DENIED**. The September 7, 2012 Decision and February 19, 2013 Resolution of the Court of Appeals in CA-G.R. SP No. 05626 are **AFFIRMED** with the **MODIFICATION** that the just compensation due petitioner JMA Agricultural Development Corporation shall be subject to a legal interest of 12% *per annum* from the time of taking, or on July 31, 2002. Beginning July 1, 2013, the interest imposed shall then be 6% *per annum* until fully paid.

SO ORDERED.

⁴⁷ *Rollo*, p. 64.

⁴⁸ *Id.* Emphasis omitted.

⁴⁹ *Supra* note 2.

⁵⁰ *Id.* at 78-79.

⁵¹ G.R. No. 193987, March 13, 2017, 820 SCRA 149.


FRANCIS H. JARDELEZA
Associate Justice

WE CONCUR:


LUCAS P. BERSAMIN
Chief Justice
Chairperson


MARIANO C. DEL CASTILLO
Working Chairperson
Associate Justice


ALEXANDER G. GESMUNDO
Associate Justice


ROSMARI D. CARANDANG
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, it is hereby certified 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.


LUCAS P. BERSAMIN
Chief Justice