

SECOND DIVISION

[G.R. NO. 185838, February 10, 2014]

**RICARDO V. QUINTOS, PETITIONER, VS. DEPARTMENT OF
AGRARIAN REFORM ADJUDICATION BOARD AND KANLURANG
MINDORO FARMER'S COOPERATIVE, INC., RESPONDENTS.**

RESOLUTION

PERLAS-BERNABE, J.:

Assailed in this petition for review on *certiorari*^[1] is the Decision^[2] dated July 31, 2006 and Resolution^[3] dated December 17, 2008 of the Court of Appeals (CA) in CA-G.R. SP No. 44430 which affirmed with modification the Decision^[4] dated March 20, 1997 of the Department of Agrarian Reform Adjudication Board (DARAB) in DARAB Case No. 1883.

The Facts

Subject of the instant case is a 604.3258 hectare (ha.) land situated in Tayamaan, Mamburao, Occidental Mindoro (subject property), covered by Transfer Certificate of Title (TCT) No. T-11639^[5] in the name of Golden Country Farms, Incorporated (GCFI), which consists of: (a) a 249 ha. mango orchard (mango orchard); and (b) a 355 ha. riceland (riceland).^[6]

GCFI is a domestic corporation organized for the purpose of engaging in poultry and livestock production, processing, and trading.^[7] Petitioner Ricardo V. Quintos (Quintos) is the majority stockholder^[8] of GCFI who managed its properties until 1975 when management was taken over by Armando Romualdez (Romualdez).

Under Romualdez's management, GCFI contracted substantial loans with the Philippine National Bank (PNB) and the Development Bank of the Philippines (DBP),^[9] which were secured by several real estate mortgages over GCFI properties,^[10] including the subject property.^[11] In 1981, Romualdez abandoned the management of the GCFI properties,^[12] after which DBP took over.^[13] Sometime during the same year, certain people started to plant palay on the subject property, eventually covering the riceland.^[14]

After the EDSA revolution, the possession and management of the GCFI properties were returned to GCFI. However, in July 1987, the properties were sequestered by the Presidential Commission on Good Government,^[15] albeit, eventually cleared. In the meantime, PNB and DBP transferred their financial claims against GCFI to the Asset Privatization Trust (APT).^[16]

For GCFI's continuous failure to pay its loans, PNB and DBP initiated extra-judicial foreclosure proceedings against the GCFI properties, which were, however, enjoined

by the Regional Trial Court of Makati, Branch 134 (RTC) at Quintos's instance.^[17]

In 1989, APT Officer-in-Charge Cesar Lacuesta (Lacuesta) entered into a verbal agreement with 53 members of private respondent Kanlurang Mindoro Farmers' Cooperative, Inc. (KAMIFCI), allowing the latter to tend the standing mango trees, induce their flowering, and gather the fruits at P300.00 per tree, the payment of which was to be remitted to Quintos.^[18]

Subsequently, Quintos reacquired the possession and management of the GCFI properties, including the subject property, through a Memorandum of Agreement dated February 26, 1992 between him and APT, which was further approved by the RTC.^[19]

Thereafter, Quintos was informed by APT of the notice from the Department of Agrarian Reform^[20] (DAR) placing the riceland under compulsory acquisition pursuant to the Comprehensive Agrarian Reform Program (CARP) of the government.^[21] This prompted Quintos to file a petition for exemption before the Office of the DAR Secretary (exemption case). In the main, Quintos cited the Court's ruling in *Luz Farms v. Secretary of the Department of Agrarian Reform*^[22] (*Luz Farms*) wherein it declared as unconstitutional the inclusion of lands devoted to commercial raising of livestock, poultry, and swine under the CARP. To this end, Quintos claimed that GCFI was organized for the primary purpose of buying, selling, importing, exporting, improving, preparing, processing, producing, dealing, and trading-in cattle, swine, poultry, stock, meat, dairy products, etc., warranting the exemption of its properties, including the subject property, from CARP coverage.^[23]

In an Order^[24] dated October 5, 1993 (October 5, 1993 DAR Order), then DAR Secretary Ernesto D. Garilao (DAR Secretary) ruled that the exemption enumerated in *Luz Farms* applies only to poultry, livestock, or swine farms existing as of June 15, 1988, the effectivity date of Republic Act No. (RA) 6657,^[25] otherwise known as the "Comprehensive Agrarian Reform Law of 1988." Thus, considering that GCFI had ceased operations as such before the said date, or in May 1988, and that the subject property continued to be devoted to agricultural uses, including rice production and operation of groves of mango trees, the DAR Secretary denied Quintos's petition for exemption, and ordered the Regional Director to place under CARP coverage^[26] the area actually cultivated to the extent of 558.9657 has.^[27]

The Proceedings Before the PARAD

Meanwhile, on October 12, 1992, KAMIFCI filed an action for the peaceful possession and enjoyment of the subject property (tenancy case) against Quintos before the Office of the Provincial Adjudicator (PARAD) of San Jose, Occidental Mindoro, asserting its rights under an agricultural leasehold tenancy agreement it purportedly entered into with Lacuesta. In his answer, Quintos denied the personality of KAMIFCI as a registered cooperative as well as the existence of any tenancy agreement covering the subject property.^[28]

On November 3, 1993, the PARAD rendered a Decision^[29] (November 3, 1993 PARAD Decision), holding that there was a verbal lease tenancy agreement entered into by Lacuesta with the 53 KAMIFCI members with respect to the mango orchard, and such was binding upon APT and GCFI^[30] notwithstanding the Certification^[31]

dated August 25, 1993 issued by APT denying Lacuesta's authority to enter into any tenurial relation and to issue GCFI official receipts. As such, the PARAD directed the reinstatement of the 53 KAMIFCI members previously tending the mango trees during the 1990 to 1991 and 1991 to 1992 seasons, and ordered them to pay the corresponding consideration of P300.00 per mango tree per season. The PARAD likewise held that the riceland had already been placed under CARP coverage and acquired for disposition by the DAR.^[32] Accordingly, it enjoined Quintos or any person acting in his behalf from disturbing the peaceful occupation of the farmer occupants in the subject property. Aggrieved, Quintos appealed to the DARAB.

Meanwhile, the Office of the President (OP) rendered a Decision^[33] dated February 21, 1995 (February 21, 1995 OP Decision) in the exemption case, ruling that the cessation of poultry and livestock activities on the GCFI properties, including the subject property, a month prior to the effectivity of RA 6657, does not *a priori* convert the properties to agricultural lands. In this relation, the OP concluded that the act of the DAR in declaring the said properties as covered by the CARP without affording GCFI the opportunity to contest the supposed conversion was arbitrary and confiscatory.^[34] Hence, it set aside the October 5, 1993 DAR Order, and granted the petition for exemption, except with respect to the mango orchard, the coverage and compulsory acquisition of which was deferred pursuant to Section 11^[35] of RA 6657.

The DAR filed a motion for reconsideration which was, however, denied with finality in a Resolution^[36] dated December 20, 1995 for being filed out of time. Because of this, the February 21, 1995 OP Decision became final and executory.

The DARAB Ruling

On March 20, 1997, the DARAB rendered a Decision^[37] in the tenancy case, respecting the findings and conclusions made in the February 21, 1995 OP Decision. It also (a) declared that the farmers in the "palayan area" covering 355 has. (*i.e.*, the Riceland) may qualify as farmer-beneficiaries in the mango orchard as may be determined by the Municipal Agrarian Reform Officer; (b) held that Certificates of Land Ownership Award (CLOAs) should be generated immediately and distributed to qualified farmer-beneficiaries; and (c) affirmed the directive for Quintos not to disturb the peaceful possession and cultivation of the farmers in the mango orchard.

Dissatisfied, Quintos appealed to the CA, claiming that GCFI never consented to any tenancy relationship with the KAMIFCI members. It also argued that Lacuesta could not have established a valid tenancy relation with the KAMIFCI members covering the mango orchard on account of APT's: (a) admission and acknowledgment that GCFI remains the owner of the subject property, which means that, APT cannot exercise any of the attributes of ownership until foreclosure thereof is effected; and (b) denial of Lacuesta's authority to enter into any tenurial agreement with any individual or farmers' cooperative for the use/lease of the subject property.^[38]

Quintos further contended that the immediate generation of CLOAs is improper without payment of just compensation and affording GCFI the opportunity to exercise its right of retention.^[39]

The CA Ruling

On July 31, 2006, the CA rendered a Decision,^[40] holding that the tenancy agreement entered by APT with the 53 KAMIFCI members on the mango orchard was binding upon GCFI since all its business concerns and transactions were coursed through APT at that time. It, however, declared as premature the generation of CLOAs in favor of the farmer-beneficiaries pending exercise of the landowner's right of retention and absent payment of just compensation. Considering that the February 21, 1995 OP Decision had already attained finality, the CA no longer tackled the issues posed with respect to the riceland.

Unperturbed, Quintos filed a motion for partial reconsideration^[41] which was denied in a Resolution^[42] dated December 17, 2008. In addition, the CA directed the DAR to conduct the appropriate survey to ascertain the actual surface area of the mango orchard. Hence, the instant petition.

The Issue Before the Court

The essential issue for the Court's resolution is whether or not the CA correctly sustained the validity of the tenancy agreement purported in this case.

The Court's Ruling

The petition is meritorious.

Tenancy is a legal relationship established by the existence of particular facts as required by law.^[43] For a tenancy relationship to exist between the parties, the following essential elements must be shown: (a) the parties are the landowner and the tenant; (b) the subject matter is agricultural land; (c) there is consent between the parties; (d) the purpose is agricultural production; (e) there is personal cultivation by the tenant; and (f) there is sharing of the harvests between the parties.^[44] *All the above elements must concur in order to create a tenancy relationship.* Thus, the absence of one does not make an occupant of a parcel of land, a cultivator or a planter thereon, a *de jure* tenant entitled to security of tenure under existing tenancy laws.^[45]

The burden of proof rests on the one claiming to be a tenant to prove his affirmative allegation by substantial evidence. His failure to show in a satisfactory manner the facts upon which he bases his claim would put the opposite party under no obligation to prove his exception or defense. The rule applies to civil and administrative cases.^[46]

In this relation, it bears stressing that the right to hire a tenant is **basically a personal right of a landowner**, except as may be provided by law.^[47] Hence, **the consent of the landowner should be secured prior to the installation of tenants.**^[48]

In the present case, the PARAD, the DARAB and the CA all held that a tenancy relationship exists between GCFI and the 53 KAMIFCI members who were allegedly installed as tenants by APT, the "legal possessor" of the mango orchard at that time. Records are, however, bereft of any showing that APT was authorized by the property's landowner, GCFI, to install tenants thereon. To be sure, APT only assumed the rights of the original mortgagees in this case, *i.e.*, PNB and DBP, which, however, have yet to exercise their right to foreclose the mortgaged properties due to the RTC's order enjoining the same. It is settled that a mortgagee does not