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SPECIAL THIRD DIVISION

[G.R. No. 177404, December 04, 2009]

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. KUMASSIE PLANTATION COMPANY INCORPORATED, RESPONDENT.

[G.R. NO. 178097]

KUMASSIE PLANTATION COMPANY INCORPORATED, PETITIONER, VS. LAND BANK OF THE PHILIPPINES AND THE SECRETARY OF THE DEPARTMENT OF AGRARIAN REFORM, RESPONDENTS.

R E S O L U T I O N

CHICO-NAZARIO, J.:

For resolution is a Motion[1] and Supplement to the Motion[2] filed in these consolidated cases by Kumassie Plantation Co., Inc. (KPCI), seeking reconsideration of our Decision dated 25 June 2009, the dispositive part of which reads:

> WHEREFORE, in view of the foregoing:
>
> 1) The Petition of Land Bank of the Philippines in G.R. No. 177404 is **GRANTED**. The Decision, dated 24 November 2005, and Resolution, dated 30 March 2007, of the Court of Appeals in CA-G.R. CV No. 65923, are **REVERSED and SET ASIDE**. The valuation of the subject land at P41,792.94 per hectare, for a total of P19,140,965.91, by the Land Bank of the Philippines is **APPROVED**, and such amount is **DECLARED PAID IN FULL**; and
>
> 2) The Petition of Kumassie Plantation Company Incorporated is **DENIED**. No costs.[3]

In the said Decision, we reversed the Court of Appeals' ruling on the amount of just compensation to be paid KPCI, pursuant to the compulsory acquisition of its 457-hectare landholding located in Basiawan, Santa Maria, Davao del Sur. We based our decision on the fact that the appellate court, as well as the Regional Trial Court (RTC), failed to consider the factors mentioned in Section 17 of Republic Act No. 6657, and to apply the formula stated in Department of Agrarian Reform Administrative Order (DAO) No. 6, Series of 1992, as amended by DAO No. 11, Series of 1994. In accordance with our rulings in *Land Bank of the Philippines v. Banal*[4] and *Land Bank of the Philippines v. Lim,*[5] we held that the factors laid down in Section 17 of Republic Act No. 6657 and the formula stated in DAO No. 6, Series of 1992, as amended, must be adhered to by courts in fixing the valuation of

lands subject to acquisition under agrarian reform laws. These factors and formula are mandatory and not mere guides that the courts may disregard. Considering that the Land Bank of the Philippines (LBP) applied the factors and formula prescribed by law for the determination of just compensation, we rejected the RTC's valuation of KPCI's land at P100,000.00 per hectare, and approved the valuation made by LBP in the amount of P41,792.94 per hectare.

KPCI is now before us pleading for reconsideration of our decision. It insists that the DAR valuation formula should not bind the courts, as the determination of just compensation is primarily a judicial function. It also claims that the LBP erred in its computation of the just compensation to be paid, since it did not include the *cacao* production of the property as part of its valuation. It further asserts that it should be compensated for the *cacao* trees planted on the land because, even if the same were planted by its lessee, the Philippine Cocoa Estates Corporation (PCEC), the same belong to KPCI under the terms of their lease contract. It prays for the reinstatement of the RTC and the Court of Appeals' decision in the present cases.

Anent the first ground cited by KPCI, suffice it to state that while the determination of just compensation involves the exercise of judicial discretion, such discretion must nonetheless be discharged within the bounds of law.[6] It must be stressed that DAO No. 6, Series of 1992, as amended, partakes of the nature of a statute, as it was issued to carry out the provisions of Republic Act No. 6657. The DAR valuation formula embodied in the said administrative order was devised to implement Section 17 of Republic Act No. 6657. Thus, courts are bound by the formula unless and until the same is invalidated in appropriate proceedings.[7]

With respect to the second ground raised by KPCI, however, there is indeed a cogent reason to reconsider our earlier decision. We have taken a second hard look at the computation made by LBP and found that it mistakenly excluded figures pertaining to the land's *cacao* production.

In computing for the value of the land subject to acquisition, the formula provided in DAO No. 6, Series of 1992, as amended, requires that figures pertaining to the Capitalized Net Income (CNI) and Market Value (MV) of the property be used as inputs in arriving at the correct land valuation. Thus, the applicable formula, as correctly used by the LBP in its valuation, is LV (Land Value) = (CNI x 0.9) + (MV x 0.1).[8]

To arrive at the figure for the CNI of lands planted to a combination of crops, Item II B.5 of the said administrative order provides that the same should be computed based on the combination of actual crops produced on the covered land. The said provision states:

> B.5**.** Total income shall be computed from the combination of crops actually produced on the covered land whether seasonal or permanent.
>
> a. Landholdings planted to permanent crop with another permanent crop/s:

a.1. In case all the permanent crops are productive or fruit-bearing at the time of the ocular inspection, CNI per Hectare is derived by dividing TNI/Hectare by the capitalization rate.

Expressed in equation form:

$$\text{CNI/Ha.} = \frac{\text{TNI/Ha.}}{.12}$$

Where:

$$\text{TNI/Ha.} = \frac{(\text{NI 1} + \text{NI 2} + \ldots\text{NIn})}{\text{Total Area}}$$

NI 1, NI 2 and NIn represent the annual net income of each crop.

Total area is the hectarage of the land where all the crops are commonly planted.

a.2. In case one or more of the permanent crops are productive or fruit-bearing and the other permanent crops are not yet fruit-bearing, CNI shall be the sum of the CNI per Hectare of the productive crop as defined in Item B.5-a.1 and the cumulative cost per hectare of the non-fruit bearing permanent trees as defined in Item B.4.

It is an undisputed fact that the land subject of these consolidated cases was planted to coconuts and *cacao.*[9] Thus, the LBP should have based its computation of the CNI on the combined net incomes from the crops produced on KPCI's land. However, the LBP did not include *cacao* in its computation because there allegedly was "no production data available." Moreover, the LBP justified its non-inclusion of figures pertaining to *cacao* production on the ground that the *cacao* trees were "introduced by the lessees," PCEC.[10]

Under DAO No. 6, Series of 1992, as amended, LBP cannot simply exclude figures pertaining to the land's *cacao* production on the pretext that there was "no production data available." In arriving at a just valuation of the land, the LBP could have obtained the necessary information from various sources, adopted any available industry data or even caused an industry study to be conducted in order to arrive at the proper figures. Items B.1 and B.2 of DAO No. 6, Series of 1992, as amended, are explicit in this point, to wit:

B.1. Industry data on production, cost of operations and selling price shall be obtained from government/private entities. Such entities shall include, but not limited to the Department of Agriculture (DA), the Sugar Regulatory Authority (SRA), the Philippine Coconut Authority (PCA) and other private persons/entities knowledgeable in the concerned industry.