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[G.R. No. L-19937. February 19, 1979]

ASOCIACION DE AGRICULTORES DE TALISAY-SILAY, INC., TRINO MONTINOLA, FERNANDO CUENCA, EDUARDO LEDESMA, EMILIO JISON, NILO LIZARES, NICOLAS JALANDONI and SECRETARY OF LABOR, *plaintiffs-appellees, vs.* **TALISAY-SILAY MILLING CO., INC., and LUZON SURETY CO., INC.**, *defendants-appellants,* **PHILIPPINE NATIONAL BANK and THE SUGAR QUOTA ADMINISTRATOR**, *defendants-appellees.*

[G. R. No. L-21304. February 19, 1979]

REPUBLIC OF THE PHILIPPINES, *petitioner, vs.* **HON. JOSE FERNANDEZ, TALISAY-SILAY MILLING CO., INC. and TALISAY-SILAY INDUSTRIAL COOPERATIVE ASSOCIATION**, *respondents.*

SYLLABUS

1. **REMEDIAL LAW; CIVIL PROCEDURE; JUDGMENT; EFFECT WHERE THE JUDGE CONTINUES TO ACT IN A CASE DESPITE HIS KNOWN RELATIONS WITH THE PARTIES OR COUNSEL BEFORE HIM.** — Where the judge continues to act in a case despite his known relations with the parties or counsel before him, which although not included expressly in law or rule among the disqualifications for him to take cognizance thereof, leaves room for doubt as to his absolute impartiality, the remedy does not lie in the outright invalidation and setting aside of his actuations. The ultimate test this Court has established in such a millieu is for the appellate tribunal to determine from the record whether or not actually the party complaining has been deprived of a fair and impartial trial, and in the affirmative, to correspondingly grant a new trial.

2. **LABOR AND SOCIAL LEGISLATION; SUGAR ACT OF 1952 (R.A. 809); A SOCIAL JUSTICE AND POLICE POWER MEASURE FOR THE PROMOTION OF LABOR CONDITIONS**

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IN SUGAR PLANTATIONS. — Republic Act 809 is a social justice and police power measure for the promotion of labor conditions in sugar plantations hence whatever rational degree of constraint it exerts on freedom of contract and existing contractual obligations is constitutional permissible. Gone are the days when courts could be adhering to the doctrine that interference with contracts can only be justified by exceptional circumstances, for the test of validity today under the due process clause, even in the case of legislation interfering with existing contracts, in reasonableness. In other words, freedom from arbitrariness, capriciousness and whimsicality is the test of constitutionality. In the Philippines, whenever any government measure designed for the advancement of the working class is impugned on constitutional grounds and shadows of doubt are cast over the scope of the State's prerogative in respect thereto, the imperious mandate of the social justice ideal consecrated in our fundamental laws, both the old and the new, asserts its majesty, calling upon the courts to accord utmost consideration to the spirit animating the act assailed, not just for the sake of enforcing the explicit social justice provisions of the article on "Declaration of Principles and State Policies", but more fundamentally, to serve the sacred cause of human dignity, which is actually what lies at the core of those constitutional precepts as it is also the decisive element always in the determination of any controversy between capital and labor.

3. **ID.; ID.; ID.; TEST FOR DETERMINING WHETHER OR NOT SOCIAL JUSTICE HAS BEEN OVEREXTENDED.** — The criterion for determining whether or not social justice has been overextended in any given case is nothing more than the economic viability or feasibility of the proposed law in favor of labor, and certainly not the existence of exceptional circumstances. In other words, as long as capital in industry or agriculture will not be fatally prejudiced to the extent of incurring losses as a result of its enforcement, any legislation to improve labor conditions would be valid, provided the assailed legislation is more or less demanded as a measure to improve the situation in which the workers and laborers are actually found.

4. **ID.; ID.; STANDARD FIXED REGARDING ITS APPLICABILITY IS NOT ARBITRARY.** — Republic Act 809 which provides for bigger shares to the planters in the big milling districts than

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those in the small milling districts does not violate the equal protection clause considering that the more a central produces, the bigger would be its margin of profit which can be correspondingly cut for the purpose of enlarging the share of the planters. Neither does it contravene the said constitutional mandate by not including the workers in the centrals as among component of labor in the apportionment of the fruits of their joint efforts with the planters, because the laborers in the centrals perform work the nature of which is entirely different from that of those working in the farms, thereby requiring the application to them of other laws advantageous to labor. Besides, the laborers in the centrals are being more or less sufficiently taken care of under other existing laws and the prevailing terms and conditions of their employment. Also, Section 3 of the Act shows its concern for the laborers by enjoining the centrals from adopting any measure that would in any manner place the former in a worse position than where they were before the effectivity of the Act.

5. **ID.; ID.; APPLIES EVEN WHERE A MAJORITY OF THE PLANTERS HAVE WRITTEN CONTRACTS WITH THE CENTRAL.** — Any increase in participation given to planters in contracts executed after the approval of Republic Act 809 must be shared with laborers of the planter in the manner provided in Section 9 (which gives 60% of whatever increase the planter would get from the miller) even if by reason of the existence of a majority of planters having contracts with the central, Section 1 would not apply. To construe the Act otherwise would render it unconstitutional because it would manifestly be inconsistent with its basic intent of ameliorating the condition of labor, since it would be possible within the provision of this statute for the planters to secure exclusively for themselves any increase they want, and even more than that specified for them in Section 1 thereof, without being necessarily bound to share the same with their laborers, by the simple expedient of the majority of them signing contracts with the centrals providing for such increase. Furthermore, it is entirely within the purview of the legislative pro-labor-and-pro-social justice intent of Republic Act 809 that any increase the central should concede to the planters by contract executed after the passage thereof is an increase "under the Act" as provided for in Section 9. For, it is an inescapable conclusion that what brought about the increased participation for the planters concerned in the contracts cannot be anything else

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than the feared consequence of the application of Section 1 of the Act. Thus, there can be no doubt that at least in logic and equity, if not in strict law, the said increase come under the provision of Section 9 which refers to "any increase in the participation granted the planters "under this Act."

6. **ID.; ID.; SECTION 1, DOES NOT NECESSARILY ENVISAGE INSEPARABILITY OF ITS APPLICABILITY FROM ENFORCEABILITY OF THE REST OF THE ACT.** — All that Section 1 of Republic Act 809 implies is that the proportions of sharing therein specified would no longer hold in the event a majority of the planters in the district should have written milling contracts with the centrals. In that sense, it cannot be said that the Act impairs the freedom of contract to which the central and the planters are entitled. The language of said section does not however appear to necessarily envisage inseparability of its applicability from the enforceability of the rest of the Act. On the contrary, it is implicit in the separability clause contained in Section 10 of the Act itself that to avoid that the unconstitutionality of any provision of the Act which may result from its application in relation to another provision thereof, such provisions should be accordingly applied independently of each other, specially if by so doing, the objective of the statute can be best achieved.

7. **ID.; ID.; APPLICABILITY OF SECTION 1, SHOULD BE DETERMINED EVERY CROP YEAR.** — The determination of the presence or non-presence of a majority of contract planters contemplated in Section 1 of Republic Act 809 should be made every crop year and not only once, that is, when the Act took effect.

8. **ID.; ID.; CONTRACTS PROVIDING FOR SHARING PROPORTIONS BETWEEN PLANTERS AND MILLERS EXECUTED AFTER ITS EFFECTIVITY ARE ENFORCEABLE; PURPOSE OF THE ACT.** — Contracts providing for sharing proportions between planters and the central, purposely entered into to avoid the ratio of sharing prescribed in Section 1 of Republic Act 809 are valid and enforceable, because it is not the purpose of said Act to prevent the execution of new contracts, even of this would create a majority of contract planters in any district. The obvious objective of the Act is more to induce the centrals to enter written agreements with the planters in their respective districts

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providing for better sharing ratios than the old 60-40 scheme, rather than to fix for them such ratio in the manner prescribed in its Section 1.

9. **ID.; ID.; "PLANTERS," DEFINED.** — A "planter" is one who is entitled to produce sugar on a plantation and to deliver his produce to a sugar mill for milling. The "planter" referred to in Republic Act 809 may be either the owner of the plantation who produces or is entitled to produce sugarcane on his plantation or any lessee, usufructory or person (other than the owner) who has a right to cultivate and to produce sugar thereon, provided that in either case, the planter has the right to deliver the sugar to the Central for milling. (Opinion No. 85, Series of 1954, Secretary of Justice).

10. **ID.; ID.; BASIS FOR DETERMINING NUMBER OF PLANTERS WITHOUT MILLING CONTRACTS IN A DISTRICT.** — Section 1 of Republic Act 809 providing for its applicability in the absence of written milling agreements between the majority of the planters and the millers of sugarcane in any milling district in the Philippines contemplates only the total number of actual planters milling in a given central, such that if the majority of that number have written milling contracts, the provision would no longer apply, regardless of the number of plantations any of such planters cultivate and whether or not all of such plantations are covered by contracts. In determining the number of planters with milling contracts the basis should not solely be the numerical count of the contracts but also the fact that a planter might have executed more than one contract, or that one contract might have bound more than one planter.

11. **ID.; ID.; HEIRS AND LESSEES OF PLANTATIONS OF A DECEASED CONTRACT PLANTER ARE CONTRACT PLANTERS.** — Heirs or lessees of plantations that belonged to the estates of deceased persons can be counted as contract planters even if they did not execute milling contracts with the central themselves, but were simply covered by contracts signed by the decedents themselves or by extension contracts signed by the juridical administrators of the estates. Milling contracts entered into by administrators of estates of decedent should be considered valid until declared invalid in proper proceedings.

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12. ID.; ID.; BASES OF SHOWING PROPORTIONS AMONG THE CENTRAL, PLANTERS AND THE LATTER'S LABORERS WHERE A MAJORITY OF PLANTERS HAVE MILLING CONTRACTS; CASE AT BAR. — Where a majority of the planters in a district have milling contracts and the sharing proportions prescribed in Section 1 of Republic 809 do not apply, the basic plantation share for plantation or parts thereof not covered by written milling contracts shall be the most frequent basic plantation milling share stipulated in valid written milling contracts (Section 5 (b) and 11 (b) of Executive Orders Nos. 900 and 901, Series of 1935). However, where in milling contracts between the planters and the central since crop year 1920-21 the central bound itself to give all planters having contracts with it the highest rate of participation it would ever give to any planter (sort of a most-favored-planter-clause), and the central entered into contracts with eight planters after the effectivity of Republic Act 809, giving the said eight planters higher sharing participation than the most frequent basic plantation share in the district, the latter participation should be applicable to all planters of the districts, with or without contracts. In the latter case, the reference point in determining the ratio of sharing among the central, the planters and the latter's laborers is the provision of Section 9, Republic Act 809.

13. ID.; ID.; MILLING CONTRACTS; ORIGINAL PARTIES THERETO MAY TRANSFER THEIR RIGHTS AND OBLIGATIONS DURING DURATION OF CONTRACTS. — A stipulation in milling contracts entered into during the 1920-21 crop year whereby the central bound itself to automatically grant the planters who had obligated themselves to mill their sugarcane in the factory during the 1920-21 harvest (*a los que se obliguen a moler su cana dulce en la fabrica para la cosecha de* 1920-21) did not refer exclusively to the planters who signed the original contracts for the 1920-21 crop year. It did not deprive the original parties thereto of the prerogative to transfer and transmit their rights and obligations to others during the duration of their contracts. The guarantee of equal treatment implicit in the provision is in line with the characteristic uniformity that pervades among all the component elements of the industry, and in consonance with Article 1311 of the Civil Code which provides that "contracts take effect only between the parties, their assigns and heirs, except in cases where the rights and obligations arising from

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the contract are not transmissible by their nature, or by stipulation or by law."

14. **ID.; ID.; RATIO OF SHARING FIXED THEREIN REFERS TO UNREFINED SUGAR AS WELL AS ALL BY-PRODUCTS AND DERIVATIVES THEREOF.** — Under Section 1 of Republic Act 809, it is clear that the ratio of sharing therein fixed refers not only to unrefined sugar produced by the miller of the sugarcane of the planters but of all the by-products and derivatives thereof, by which is meant the bagasse, press cakes and molasses.

15. **REMEDIAL LAW; CIVIL PROCEDURE; CLASS SUIT; WHEN PROPER.** — A class suit will lie where the factual issues to be determined have to do only with the number of planters there were in the district during the periods in dispute and how many of them had written milling agreements with the central, where it cannot be denied that the same issues were of common interest to all the planters and, in fact to their respective laborers, since it is on the correct resolution thereof that the expected improvement or augmentation of their share in the production of the central would depend; and where the number of planters involved, not to mention the number of laborers to be affected, is so numerous as to make it impracticable to bring them all to court. Moreover, the theory in the United States that a class suit is permissible whenever there is community of interest in the question involved and in the relief sought, even in the absence of community of interest in the subject matter of the litigation, "may be adopted in the Philippines under the present rules which authorize joinder of parties who have common interest in the same question of fact or law where the relief sought arises out of the same transaction or series of transactions."

16. **CIVIL LAW; CONTRACTS; WHEN COURT MAY FIX DURATION OF OBLIGATION.** — The power of the court to fix the duration of an obligation may be exercised only when either of the contracting parties should so request, or should seek to terminate the obligation, but the court cannot motu proprio retro-actively and arbitrarily declare a contract to be terminated several years back when the said judicial declaration is not sought by any of the contracting parties.

17. **CIVIL LAW; SURETYSHIP; LIABILITY OF THE SURETY BOND; WHERE JUDGMENT AGAINST SURETY IS NOT NECESSARY.**

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— Where a disputed portion of the sugar produced in 1954-55 has been sold and the amount realized are turned over to the defendant central under a surety bond conditioned on the court's findings that the planters are entitled to additional participation of their respective production in 1954-1955, the Supreme Court will not render any judgment which can be executed against the surety company where a large portion of money held in escrow by banks for the purpose of the case will go the defendant central and the requirements of justice can be fully satisfied by deducting therefrom whatever amount corresponds to the planters and their laborers.

18. REMEDIAL LAW; PARTIES IN CIVIL ACTIONS; TRANSFEREE *PENDENTE LITE* NEED NOT BE IMPLEADED BY NAME. — A transferee pendente lite under Section 20 of Rule 3 does not have to be included or impleaded by name in order to be bound by the judgment, because the action or suit may be continued for or against the original party or the transferor and still be binding on the transferee.

19. CONSTITUTIONAL LAW; SUPREME COURT; WILL NOT PASS UPON QUESTION OF CONSTITUTIONALITY UNLESS SPECIALLY PLEADED. — As a general rule, the constitutionality of a law will not be considered unless the point is specially pleaded, insisted upon the adequately argued.

APPEARANCES OF COUNSEL

San Juan, Africa, Gonzales & San Agustin for Asociacion de Agricultores, *etc., et al.*

Ernesto N. Cruz & Emilia F. Andres for The Secretary of Labor.

Felipe, Sison, Torres & Associates for Talisay-Silay Milling, Co., Inc.

Tolentino, Garcia & D. R. Cruz for Luzon Surety Co., Inc.

Conrado Medina for Phil. National Bank.

Office of the Solicitor General for The Republic of the Philippines.

Ivan Solidum for Talisay-Silay Industrial Cooperative Association.

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Solicitor General Estelito P. Mendoza, Assistant Solicitor General Jose F. Racela, Jr., and Solicitor Pio C. Guerrero, counsel for petitioner.

DECISION

BARREDO, *J.*:

APPEAL, in G.R. No. L-19937, by the defendants Talisay-Silay Milling Co., Inc. and Luzon Surety Company, from the decision rendered by the Court of First Instance of Manila in Civil Case No. 24128, entitled *Asociacion de Agricultores de Talisay-Silay, Inc. et al. vs. Talisay-Silay Milling Co., Inc. et al.*, on January 26, 1962 as well as from its order dated April 28, 1962 amending the same, which together granted the main reliefs prayed for in the complaint, based on Republic Act 809, and dismissed all of the counterclaims of the defendants; and PETITION, in G.R. No. L-21304, filed by the Solicitor General in behalf of the Republic of the Philippines for *certiorari* and/or *mandamus* to compel respondent judge of the Court of First Instance of Negros Occidental to appoint, in Civil Case No. 6980 of said court, entitled *Republic of the Philippines vs. Talisay-Silay Milling Co., Inc.*, an administrator of respondent Central, which the Government had taken over, pursuant to the provisions of the same Republic Act 809 aforementioned, respondent judge having refused to do so, holding that the take-over of the Central by the Government is unconstitutional. The two cases, although proceeding from different courts and requiring distinct remedies, have been consolidated because they involve closely related or partially identical issues between practically the same parties.

Re: G.R. No. L-19937

THE PROCEEDINGS BELOW

1. *The pleadings and stipulations of fact*

The original basic complaint in this case filed as a class suit on September 23, 1954 named as plaintiffs the Asociacion de

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Agricultores de Talisay-Silay, Inc. and six sugarcane planters, namely, Trino Montinola, Fernando Cuenca, Eduardo Ledesma, Emilio Jison, Nilo Lizares and Nicolas Jalandoni, hereinafter to be referred to, jointly with the Asociacion, as PLANTERS, and as defendant the Talisay-Silay Milling Co., Inc., hereinafter to be referred to as CENTRAL. Later on, on December 20, 1956, an amended complaint was filed to supersede the original one. In the amended complaint, the Secretary of Labor was joined as plaintiff, to represent the laborers favored by the law in dispute, whereas, the Luzon Surety Company and Philippine National Bank were impleaded as defendants. The amended complaint alleged three main causes of action (the second, an alternative one), namely:

Under the first cause of action, the claim of the plaintiffs is that inasmuch as under Republic Act 809, approved on June 22, 1952, it is provided that:

"Section 1. In the absence of written milling agreements between the majority of planters and the millers of sugarcane in any milling district in the Philippines, the unrefined sugar produced in that district from the milling by any sugar central of the sugar-cane of any sugar-cane planter or plantation owner, as well as all by-products and derivatives thereof, shall be divided between them as follows:

"Sixty per centum for the planter, and forty per centum for the central in any milling district the maximum actual production of which is not more than four hundred thousand piculs: *Provided*, That the provisions of this section shall not apply to sugar centrals with an actual production of less than one hundred fifty thousand piculs.

"Sixty-two and one-half per centum for the planter, and thirty-seven and one-half per centum for the central in any milling district the maximum actual production of which exceeds four hundred thousand piculs but does not exceed six hundred thousand piculs;

"Sixty-five per centum for the planter, and thirty-five per centum for the central in any milling district the maximum actual production of which exceeds six hundred thousand piculs but does not exceed nine hundred thousand piculs;

"Sixty-seven and one-half per centum for the planter, and thirty-two and one-half per centum for the central in any milling district

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the maximum actual production of which exceeds nine hundred thousand piculs but does not exceed one million two hundred thousand piculs;

"Seventy per centum for the planter, and thirty per centum for the central in any milling district the maximum actual production of which exceeds one million two hundred thousand piculs.

"By actual production is meant the total production of the mill for the crop year immediately preceding."

and considering that, according to them, in the Talisay-Silaymilling district to which they belong, a majority of the planters had no milling contracts, the court should:

"1. Declare the applicability to the Talisay-Silay Mill District of the sharing participation prescribed by Republic Act No. 809 for every crop year starting from the crop year 1952-53;

"2. Adjudicate in favor of plaintiffs PLANTERS and their laborers who are herein represented by plaintiff Secretary of Labor the amounts deposited with the defendant Philippine National Bank , in the account entitled 'In Trust for Talisay-Silay Milling Co., Inc., Asociacion de Agricultores de Talisay-Silay, Inc., and Department of Labor;'[1]

"3. Order the defendant CENTRAL to account for any unsold escrow quedans or the proceeds thereof which have not been deposited with the Philippine National Bank in the above mentioned trust account;

"4. Order defendant CENTRAL and the defendant Luzon Surety Co., Inc. to account for and pay jointly and severally to plaintiffs PLANTERS and their laborers represented by the plaintiff Secretary of Labor the proceeds of the sugar representing the increased participation (7-½%) for the 1954-55 crop year plus legal interest in

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[1] The parties entered into an agreement whereby the escrow quedans were to be issued corresponding to the increase in participation claimed by plaintiffs, the same to be sold only with the consent of the Asociacion or PLANTERS, the Secretary of Labor and the CENTRAL, every year while the case is pending, the proceeds to be deposited in a bank in trust for the Secretary of Labor, the Asociacion or Planters and the Central to be disposed of in the manner the court may eventually decide. The agreement as implemented eventually covered the proceeds of crop years 1952-53, 1953-54 and 1955-56 to 1961-62.

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favor of the plaintiffs PLANTERS, computed on the basis of the average market price during the month within which the sugar was sold;

"5. Order defendant CENTRAL to account for and pay to plaintiffs PLANTERS and their laborers the increased participation in the by-products and derivatives, namely: molasses, bagasse, and filter cake;" (pp. 14-15, Record on Appeal of Central.)

As second and alternative cause of action, the PLANTERS averred that on or before October 24, 1954, the CENTRAL executed contracts with eight planters in which a higher percentage of partition in the sugar and by-products and derivatives produced by the CENTRAL was given to said eight planters than those given to the rest of the planters in the district, that is, 63% to 64%, the latter, whenever the production of the CENTRAL should be 1,200,000 piculs or over, whereas all the others were given only 60%, and inasmuch as under the provisions of the milling contracts between the PLANTERS and the CENTRAL since the crop year 1920-1921, the CENTRAL bound itself to give all planters having contracts with it, the highest rate of participation it would ever give to any planter, (a sort of most-favored-planter clause), the court should:

"1. Declare, in the event that this Honorable Court should rule that the sharing proportion prescribed by Republic Act No. 809 is not applicable to the Talisay-Silay Mill District, that the sharing participation of 63%, or 64% in case the total production of defendant CENTRAL is 1,200,000 piculs or over, in favor of plaintiffs PLANTERS shall be applicable to the Talisay-Silay Mill District starting from the crop year 1954-55 and for every crop year thereafter;

"2. Order the defendant CENTRAL to account for and pay to plaintiffs PLANTERS the proceeds of the sugar and molasses representing the increased participation in favor of said plaintiffs PLANTERS during the past crop years starting from 1954-55 crop year;" (pp. 15-16, *Id.*).

As third cause of action, the PLANTERS alleged that notwithstanding that the applicability of Republic Act 809 to the Talisay-Silay milling district had already been ruled upon by the Sugar Quota Administrator, the Central still refused to abide by said ruling and to cause the release to the plaintiffs

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of the corresponding amounts to which they are entitled, hence they were constrained to engage the services of legal counsel, for which reason they prayed that the court:

"1. Order the defendant CENTRAL to pay the amount of ₱50,000.00 as attorney's fees and litigation expenses incurred by plaintiff ASOCIACION and plaintiffs PLANTERS;

"2. Order the defendant CENTRAL to pay plaintiff ASOCIACION and plaintiffs PLANTERS by way of moral and exemplary damages, such amount as this Honorable Court may deem sufficient to set an example for public good as provided for in Articles 2217 and 2219 of the New Civil Code; " (p. 16, *Id.*).

In the course of the proceedings below which terminated only in 1962, five (5) supplements to the amended complaint were successively filed, year after year, to cover the claims of the PLANTERS and the Secretary of Labor for additional participation corresponding to the crop years, 1957-1958, 1958-1959, 1959-1960, 1960-1961 and 1961-1962.

In the meantime and within the periods fixed in the Rules, the defendant CENTRAL filed its respective answers to the amended complaint and the supplements thereto. In said answers, the CENTRAL alleged in substance the following defenses: (1) that Republic Act 809 is invalid and unconstitutional; (2) that even if said Act were valid, it is not applicable to the Talisay-Silay milling district because the majority of the planters had written milling contracts with the CENTRAL at the time said Act went into effect, and that this situation continued during the crop years 1951-52, 1952-53, 1953-54, and all the subsequent crop years in dispute; (3) that the planters who entered into said milling contracts did so voluntarily and those voluntary contracts may not be altered or modified without infringing the constitutional guarantee on freedom of contracts and the non-impairment clause of the Constitution; and as to those planters who entered into contracts after the effective date of the law, they should be deemed as having voluntarily waived all the rights and benefits that might accrue to them under it; (4) that

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the Act does not contain any expressed or implied provision invalidating the written milling contracts entered into between the CENTRAL and the owners of adherent plantations before its effective date; (5) that the Act sanctions and allows the entering into milling contracts after its effective date, and as a matter of fact a large number of the PLANTERS are also planters in the Hawaiian-Philippine milling district, adjoining the Talisay-Silay milling district, and they had entered into milling contracts with the Hawaiian-Philippine Co. one year and four months after the effectivity of the Act and in their milling contracts they had stipulations regarding sharing participation without regard to the ratios fixed in the Act, and they have abided by those milling contracts and (6) that the arrangement, regarding the issuance of escrow quedans and the deposit of the proceeds of the sale of the disputed increased participation of the planters was agreed to and accepted by the CENTRAL from the Sugar Quota Administrator under duress, because said Administrator would not allow the issuance of any warehouse receipt on the share of the mill unless the CENTRAL agreed to the escrow quedans arrangement; (7) that neither are the PLANTERS entitled to increased participation as claimed by them in their second and alternative cause of action because they do not qualify as the PLANTERS contemplated in their invoked twenty second (Vigesimo Segundo) paragraph of the original milling contract, since what are referred to in that paragraph are only the PLANTERS "*que se obliguen a moler cañadulce en la fabrica para la cosecha* 1920-21"; (8) that the provisions of Republic Act 809 relating to the increased sharing participation of the planters would affect and alter the allocation of exportable sugar to the United States (export A sugar) among Philippine mills and plantation owners, in violation of the Trade Relations Agreement between the Philippines and the United States, and this is precisely what is expected from the application of the law as provided in the second paragraph of Section 8 of the very same Republic Act 809; and (9) that the instant case is not a proper one for a class suit.

The CENTRAL also alleged various counterclaims, briefly stated as follows:

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As *first counterclaim*, it is averred that an examination of the records of defendant CENTRAL's mill site office revealed that during the 1951-52 crop year there was a total of 182 planters adhered to the CENTRAL, and 105 of those planters had milling contracts while 77 did not have; that in said crop year, the CENTRAL started milling on October 18, 1951 and stopped on March 24, 1952, hence even before the effective date of Republic Act 809 the CENTRAL had written milling agreements with a majority of the planters; that during the 1952-53-year the CENTRAL had milling contracts with 118 of the 205 planters; and in 1953-54 crop year it had milling contracts with 132 out of 211 planters, and the said majority of planters who had milling contracts with the CENTRAL had thereafter been maintained, if not actually increased.

As *second counterclaim*, the CENTRAL claims that the most frequent basic plantation milling share in the written contracts is 60% for the planters and 40% for the central in all classes of sugar, and this sharing was applied to the non-contract planters pursuant to Section 5 of Executive Order No. 900 and Section 11 of Executive Order No. 901; that the correct sharing proportion between the CENTRAL and all the planters in the 1951-52, 1952-53, 1953-54, 1954-55, 1955-56, 1956-57 and all succeeding crop years, unless and until voluntarily changed by the parties, should have been and should be 60% for the planters and 40% for the CENTRAL, excepting only few planters with whom the CENTRAL had executed written milling contracts establishing different sharing proportions; and the CENTRAL had the right to demand specific performance by all the contract planters of their respective written milling contracts.

As *third counterclaim*, it is alleged that the CENTRAL, before the recount of those planters having milling contracts, had shared, as a temporary measure, with the planters on the general basis of 55% for the planters and 45% for the miller in export sugar, and 65% for the planters and 35% for the miller in domestic sugar, and a readjustment in the sharing had to be made after the recount, so that the parties had to make mutual restitution for the crop year 1953-54.

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As *fourth counterclaim*, it is insisted that Republic Act 809 is unconstitutional and invalid on the following grounds:

"(a) Contrary to the provisions of Art. VI, Sec. 21(1) of the 1935 Constitution, the Act embraces more than one subject.

"In addition to providing, among other things, for the division of the sugar manufactured at sugar mills, 'as well as all by-products and derivatives thereof', the act amends the minimum wage law by providing that 60% of the proceeds of the increased participation in the sugar and all by-products and derivatives thereof, of the plantation owner or sugar cane planter, shall be paid to his laborers.

"(b) The title of the act reads as follows: 'An Act to regulate the relations among persons engaged in the sugar industry', and the subject-matter of Sec. 4 of the act, which, among other things, authorizes the Government of the Philippines to take over a sugar mill, and operate it through an administrator; of Sec. 5, which, among other things, authorizes the Government to take over and administer a sugar plantation; of Sec. 6, which, among other things, fixes the period of duration of the operation of a sugar mill by the administrator; of Sec. 7 which, among other things, establishes the procedure for the appointment of the administrator, and for ascertaining the compensation to be paid for the operation of the sugar mill; of Sec. 8, which, among other things, determines where the compensation to be paid to the sugar mill or plantation owner, or sugar cane planter shall be taken from; and of Sec. 9, which provides that 60% of the proceeds of the increased participation in the sugar crop and all by-products and derivatives thereof of the plantation owner or sugar cane planter shall be paid to his laborers, are not expressed in the title of the act, as is required by Sec. 21(1) of Art. VI of the 1935 Constitution which renders the act, or, at least, said Sections 4, 5, 6, 7, 8 and 9 invalid.

"(c) The act deprives sugar mills, among them, defendant herein, or authorizes the deprivation of said sugar mills of their property (factories), without due process of law, and without just compensation.

"The act authorizes the seizure by the Government of the Philippines of sugar mills upon a mere proclamation issued by the President of the Philippines, and the act does not provide for just compensation therefor to the owners of the sugar mills, or for losses due to mismanagement by the administrator, or other causes not attributable to the owners of the sugar mills.

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"Section 8 of the act provides for compensation to the owners of sugar mills but the same should be paid 'out of the proceeds of the operation which would have corresponded to said central', or, in other words, the compensation to be paid to the owners of sugar mills will be taken from the property of the sugar mills themselves." (pp. 69 to 71, Record on Appeal of Central.)

As *fifth counterclaim*, it is alleged that the plaintiffs' action is clearly unfounded and the CENTRAL was compelled to incur expenses, to protect its rights and interests through the employment of attorneys to represent it in this case, in the total amount of ₱100,000.00.

Defendant CENTRAL prayed for the dismissal of the amended complaint, and, particularly, for a declaration that as to sugar for export to the United States, Republic Act 809, even if it is declared constitutional and valid, became inoperative as of January 1, 1956, the effective date of the Revised Trade Agreement between the Philippines and the United States. It further prayed, under the first counterclaim, to order the Philippine National Bank to turn over to the CENTRAL all the deposits of the proceeds of the sales of the sugar covered by escrow quedans; under the second counterclaim, to order the specific performance by the contract PLANTERS of their respective written milling contracts with the CENTRAL and to adjudge that the sharing proportions between the CENTRAL and its planters, both contract and non-contract, in the sugar and by-products produced, shall be 60% for the PLANTERS and 40% for the CENTRAL in all the crop years referred to in the counterclaim, unless and until voluntarily changed by the parties; to order the Sugar Quota Administrator to adjust the issuance of quedans to the PLANTERS and to the CENTRAL in accordance with the aforesaid sharing proportion, and to instruct his permit agent detailed with the CENTRAL to sign such quedans; under the third counterclaim, to order the PLANTERS concerned and the CENTRAL to make the reciprocal restitutions and readjustments as mentioned in the counterclaim; under the fourth counterclaim, to declare Republic Act 809 unconstitutional and invalid; under the fifth counterclaim, to order the plaintiffs,

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jointly and severally to indemnify the CENTRAL in the sum of ₱100,000.00 for attorney's fees and expenses of litigation.

The plaintiffs filed their answer to the counterclaims of the CENTRAL, denying the material allegations therein, and reiterating that when Republic Act 809 took effect on June 22, 1952 a majority of the planters adhered to the CENTRAL had no written milling contract with it and even after the effectivity of said Act still the majority of the planters did not have milling contracts, and if there were some planters who executed milling contracts after the effectivity of the Act, said additional contracts cannot be counted for the purpose of determining whether or not Republic Act 809 is applicable to the district; denying at the same time that Republic Act 809 is unconstitutional, and praying that defendant's counterclaims be dismissed.

The defendant Sugar Quota Administrator also filed his answer to the CENTRAL's counterclaims, alleging defenses more or less similar to those of the plaintiffs ASOCIACION and PLANTERS.

The Secretary of Labor likewise filed his answer to the counterclaims of the CENTRAL, alleging practically the same defenses as those of the PLANTERS.

The defendant Luzon Surety Co., after its motion to dismiss the complaint was denied by the court, filed an answer and put up as special defenses: that the complaint fails to state a cause of action against it; that there is no privity between it and some of the plaintiffs; that the condition precedent, "in the event that the courts should finally adjudge that said Republic Act 809 is applicable to 1954-55 crop of the Talisay-Silay Mill District and that the planters are entitled to an additional participation . . . the central will pay to each and every planter concerned . . ." had not yet been fulfilled, hence the action of the plaintiffs against it was prematurely brought; that the terms and conditions of the Surety Bond had been materially altered and/or novated without its written conformity, thereby releasing it from liability if there is any. The Luzon Surety Co. also demanded, by way

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of counterclaim, the payment to it by the plaintiffs of the sum of ₱20,000.00 as attorney's fees.[2]

The plaintiffs filed their answer to the counterclaim of the Luzon Surety Co., Inc. denying all the allegations in said pleading.

From time to time between July 30, 1957 and December 5, 1960, the parties filed ten partial stipulations of facts with supporting exhibits, on the basis of which they submitted the case for decision without any presentation of any independent exclusive evidence of any of them.

Meanwhile, on August 31, 1960, plaintiffs filed a Manifestation asking the court to notify the Office of the Solicitor General that the question of constitutionality of Republic Act 809 was raised. In answer thereto, the Solicitor General filed on October 14, 1960, the following Manifestation:

"COMES NOW the undersigned counsel and in compliance with the Order dated September 7, 1960 requiring the undersigned to express

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[2] The reasons for the inclusion of the Luzon Surety Company and the Philippine National Bank as defendants are seated in Paragraph 8 of the amended complaint thus:

"8. That defendant CENTRAL refused and continues to refuse to follow the sharing participation prescribed by Republic Act No. 809. For the crop years 1952-53, 1953-54, 1954-55, 1955-56 and 1956-57, plaintiffs PLANTERS were only given a share of 60% of the production instead of their legal share of 65% for 1952-53, 65% for 1953-54, 67-1/2% for 1955-56, and 65% for 1956-57. The disputed portions of the sugar production for the crop years 1952-53, 1953-54, 1955-56, and 1956-57 were covered by escrow quedans issued in the names of plaintiff ASOCIACION, plaintiff Secretary of Labor and defendant CENTRAL with the understanding that said escrow quedans were to be sold from time to time with the conformity of the three parties mentioned and the proceeds thereof deposited with the Philippine National Bank in an account entitled In Trust for Talisay-Silay Milling Co., Inc., Asociacion de Agricultores de Talisay-Silay and Department of Labor.' The disputed portion for the crop year 1954-55 was, upon agreement of the parties, delivered to defendant CENTRAL subject to the conditions stated in the Luzon Surety Co., Inc. Bond No. 5835, copy of which is hereto attached as Annex 'A' and made an integral part of this Amended Complaint, executed in favor of the plaintiff ASOCIACION and the Sugar Quota Administrator." (Pp. 8-9, Record on Appeal of CENTRAL.)

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their view on the constitutionality of Republic Act No. 809 pursuant to the provisions of Section 23 of Rule 3, of the Rules of Court, to this Honorable Court respectfully allege:

"1. That on April 3, 1957, the undersigned counsel filed in behalf of the Sugar Quota Administrator the pleading entitled, 'Amended Answer of the Sugar Quota Administrator to the Counterclaims of the Defendant Talisay-Silay Milling Co., Inc.' dated April 2, 1957;

"2. That in their answer to the fourth counterclaim, the undersigned counsel have expressed their view on the constitutionality of Republic Act No. 809, and for the purpose of this manifestation is reproduced hereunder:

'TO THE FOURTH COUNTERCLAIM

1. That he reproduces by reference his answer to the allegations reproduced by reference in paragraph 1;

2. That he denies the allegation in paragraph 2 that Republic Act No. 809 violates the constitutional prohibition that 'No bill which may be enacted into law shall embrace more than one subject which shall be expressed in the title of the bill' (Art. VI, Sec. 21 (1), 1935 Constitution), and states in connection therewith that the various sections cited by defendant are germane to the title and general object of the law (*Gov't. v. Hongkong & Shanghai Bank*, 66 Phil. 483);

3. That he denies the allegation in paragraph 2(c) that the Act deprives defendant Mill of its property (factories) or authorizes such deprivation without due process of law and without just compensation, and states as reasons for such denial as follows:

(a) Republic Act No. 809, entitled 'An Act to Regulate the Relations Among Persons Engaged in the Sugar Industry' was to cope with 'The necessity for increasing the share of the planters and laborers in the income derived from the sugar industry x x x' (Explanatory Note to H.B. 1517) and an implementation of the constitutional mandate that 'The Senate shall afford protection to labor x x x and shall regulate the relations between x x x labor and capital in industry and agriculture' (Art. XIV, Sec. 6, 1935 Constitution) and is a proper and valid exercise of police power;

(b) The Act does not provide for nor authorize the seizure of any central but only the transfer or temporary assumption by the government of the administration thereof, (1) 'In the event that any

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central shall be unable to arrive at a milling agreement with a majority of the planters affiliated with it, and shall refuse to mill the sugarcane of such planters in the absence of such an agreement' (Section 4) and (2) such 'prevention, interruption, or cessation of the milling of sugar by the central concerned x x x shall, in the judgment of the President, lead to a deficiency or delinquency in the filing of the entire national quota for any particular year' (Sec. 6, par. 1);

(c) That contrary to defendant's claim, the Act provides for the payment of 'just compensation to be paid for the temporary operation or administration of the same (Central)' (Sec. 7) "with due regard for the costs of operation or administration and such other charges and deductions as the court may deem just and proper' (Sec. 8), although, strictly speaking, in the application of certain laws and regulations enacted pursuant to police power, annoyance and financial loss are not compensable (Malcolm, Philippine Constitutional Law). Provided the means adopted are reasonably necessary for the accomplishment of the end in view, not unduly oppressive upon individuals, and in the interest of the public generally rather than of a particular class, the legislature may adopt such regulations as it deems proper restricting, limiting, and regulating the use of private property in the exercise of its police power (*U.S. v. Toribio*, 15 Phil. 85 cited in *U.S. v. Villareal*, 28 Phil. 390). Persons and property may be subjected to all kinds of restraint and burdens, in order to secure the general comfort, health, and prosperity of the State (*U.S. v. Gomez Jesus*, 31 Phil. 218, cited in *Calalang v. A.D. Williams, et al.*, 40 O.G. 7th Supp. 239)." (pp. 319-323, Rec. on Appeal of CENTRAL.).

2. *The incident of the alleged disqualification of the judge.*

Before deciding the case, on October 12, 1961, the trial judge brought to the attention of the parties that he had engaged, on January 25, 1960, the services of Attorney Jose L. Africa, of the law firm of counsel for plaintiffs, to represent him in Civil Case No. 42036, also of the Court of First Instance of Manila, entitled *Felipe Cuaderno Sr. vs. Carmelino G. Alvendia, et al.*, in which he was a party defendant, and that he wanted to hear from the parties whether they had any objection to his deciding this case. The defendant CENTRAL prayed, on October 23, 1961, that the presiding judge inhibit himself. On the other hand, the Sugar Quota Administrator, the Philippine National Bank, the Secretary of Labor and the PLANTERS manifested

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that they had no objection to the presiding judge rendering the decision. Upon the ground that the majority of the lawyers expressed no objection to his deciding the case, on November 21, 1961, the presiding judge issued an order stating that he considered himself duty-bound to proceed taking cognizance of the case and that unless restrained by an order of a Superior Court within 20 days, he would proceed to render a decision on the merits. The motion for the reconsideration of said order was denied.

3. *The original decision of the trial court.*

On January 20, 1962, the trial court rendered a decision upholding the constitutionality of Republic Act 809, upon the ground that its enactment is a legitimate exercise of the police power of the State, and declaring that said law is applicable to the Talisay-Silay milling district, because from the record it appears that the majority of the planters in the district did not have milling contracts with the CENTRAL. Accordingly, plaintiffs-appellees were adjudged to be entitled to the disputed portions of all the sugar milled at the CENTRAL and all the corresponding by-products and derivatives, starting from the crop year 1952-1953 up to crop year 1960-61. No pronouncement was made as regards the PLANTERS' alternative cause of action.

With particular reference to the sugar produced in the crop year 1954-1955, the lower court ordered the CENTRAL and the Luzon Surety Company, Inc., jointly and severally, to pay the plaintiffs-appellees the sum of ₱949,856.53 with interest thereon at the rate of 3% per annum from the time said amount was delivered to the Central in the year 1955 until the same is fully paid. It further ordered the Philippine National Bank to deliver to the plaintiffs-appellees all the amounts deposited with the said Bank as proceeds of the sugar in dispute corresponding to the crop years 1952-1953 up to 1960-1961, as well as the proceeds of the sale of the by-products and derivatives corresponding to the same crop years. Correspondingly, the Sugar Quota Administrator was ordered to be guided by the court's decision in the distribution of the sugar and by-products and derivatives produced in the Talisay-Silay mill district beginning

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with the agricultural year 1961-1962. The CENTRAL was further sentenced to pay the plaintiffs-appellees the sum of fifty thousand pesos (₱50,000.00) as attorney's fees, plus costs.

4. *The amended decision.*

On May 4, 1962, upon two motions for reconsideration of practically the same tenor, one filed by the PLANTERS and the other by the Secretary of Labor, the lower court amended its decision ". . . in the case that the increase in the planters' share of the sugar and the by-products of sugarcane produced during the agricultural year 1959-1960 should be 10%, thereby entitling the plaintiffs to 70% of the sugar production and by-products for that year and the defendant Sugar Central to 30% of said sugar production." The decision was also amended so that a portion of the decision would read: "The Court further orders the Philippine National Bank to deliver to the plaintiffs all the amounts with said bank as proceeds of the sugar in dispute corresponding to the following years: 1952-1953, 1953-1954, 1955-1956 up to 1960-1961. The defendant Talisay-Silay Milling Company, Inc. is hereby ordered to deliver to the plaintiffs their share in accordance with the proportion indicated in this decision, taking into account the increased proportion of the planters' share corresponding to the agricultural years 1952-1953 up to 1960-1961." The decision was further corrected, changing the name "Agustin P. Locson" appearing in the decision to "Agustin T. Locsin." Hence, this appeal.

5. *The other incidents in the course of this appellate proceeding.*

(a) On September 12, 1962, plaintiffs-appellees filed a motion praying that the CENTRAL be directed to issue quedans covering the 1962-63 sugar production in the proportion of 60% for the PLANTERS, 32-½% for the CENTRAL, and 7-½% in "escrow quedans" in the joint name of the ASOCIACION, the CENTRAL and the Secretary of Labor, to be disposed of only by unanimous action of the three parties and the proceeds of the sale of said "escrow quedans" to be deposited with the Philippine National Bank under Savings Account No. 151250 in trust for said entities as in the previous crop years, or, in the alternative, that the

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movants be allowed to take the disputed 7-½% upon filing of a bond to be fixed by the Court. This motion was reiterated on April 27, 1963, May 25, 1963 and August 10, 1963. Later, on September 7, 1963, a supplemental motion was filed in order to include a similar prayer regarding the 1963-64 production. On September 26, 1963, the Court issued the following resolution:

"In G.R. No. L-19937, Asociacion de Agricultores, etc. vs. Talisay-Silay Milling, etc., acting on appellee's supplemental petition dated September 7, 1963, the Court directed the appellant Central to issue escrow quedans covering the 7-½% of the sugar production for 1962-963 (presently stored in its warehouse, 89,000 piculs of sugar) in the joint name of the Asociacion de Agricultores de Talisay-Silay, Inc., the Talisay-Silay Milling Co. and the Secretary of Labor, said escrow quedan to be disposed only by unanimous action of said three parties, and the proceeds of the sale, if any, to be deposited with the Philippine National Bank under Savings Account No. 151250 in trust for said entities, as in the previous crop years.

"With the understanding that this order having been issued only for the preservation and/or timely marketing of the said sugar crop, does not decide the question whether it could or should be included in this appealed litigation or should be disposed of in the Civil Case No. 7104 of the Negros Occidental Court entitled '*Talisay-Silay Industrial, etc. vs. Talisay-Silay Milling Co., etc.*' which defendant-appellant mentioned in its latest 'Manifestation.'"

(b) On October 31, 1963, plaintiffs-appellees filed a supplement to the aforementioned petition dated September 2, 1963 asking the Court to resolve the matter referring to the 1963-64 production, which had been left out, claiming at the same time that the disputed portion should be 10%. The CENTRAL filed its opposition on the ground that it was no longer the operator of the mill, the same having been leased for three crop years the Talisay-Silay Industrial Cooperative Associacion (hereinafter referred to as TASICA), beginning with the crop year 1963-1964. As a matter of fact, the disputed portions of the crop years 1962-63 and 1963-64 were already the subject of litigation in Civil Case No. 7104 of the Court of First Instance of Negros Occidental, entitled "*Talisay-Silay Cooperative Asociacion vs. Talisay-Silay Milling Co., Inc.*,"

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an action of interpleader filed by TASICA asking that the CENTRAL and the PLANTERS be made to litigate between themselves in regard to the disputed portion of those crop years' productions. The Secretary of Labor filed a motion on November 5, 1963 supporting the motion of plaintiffs-appellees. On November 7, 1963, the Court resolved that "the Court's resolution of September 26, 1963 in connection with the 7-½ percent of the sugar production for 1962-1963 shall be applicable and extended to the same portion of the sugar crop year 1963-64 under the same terms and conditions." It will be noted that the PLANTERS referred to the disputed portion as amounting to 10%, whereas Our resolution mentioned only 7-½%. According to the PLANTERS, although the total production in the Talisay-Silay mill that year was less than 1,200,000 piculs, there should be added to it what were milled by some of the planters in the Bacolod-Murcia and Ma-ao sugar centrals and with said addition, the total would exceed 1.2M piculs. We reserved the resolution of that issue until the decision of the case.

(c) On December 16, 1963, the TASICA filed a special appearance questioning Our jurisdiction over the incident, contending that it was the lessee of the central of appellant milling company and miller beginning with the crop year 1963-1964, and inasmuch as the pleadings in the trial court covered only up to crop year 1961-62, the subsequent crop years should be the subject of another case, and, further, that since it is not a party herein, it could not be legally subjected to any resolution issued by the Court in this case. An opposition and counterpetition was filed by the PLANTERS and the Secretary of Labor on December 21, 1963. The Court resolved, on December 23, 1963, to defer action on that matter of jurisdiction until the case is considered on the merits.

(d) On March 20, 1964, the manager of TASICA invalidated the escrow quedans covering the disputed 7-½ percent of the crop year 1963-64, for which reason the PLANTERS filed a petition on March 25, 1964 to hold TASICA in contempt of court and to declare without force and effect the invalidation made by it of the escrow quedans. On May 18, 1964, the Court likewise resolved to defer action thereon until this case is decided on the merits.

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(e) On April 6, 1964, the Secretary of Labor filed an urgent motion asking the Court to declare illegal and violative of Our resolution of November 7, 1963 the act of TASICA of allowing the diversion of Talisay-Silay canes to the Bacolod-Murcia Milling Co., Inc. and to issue a restraining order or writ of preliminary injunction prohibiting said diversion. The PLANTERS joined said petition on April 15, 1964. After hearing the parties on May 27, 1964, on the same date, the Court resolved to deny the prayer for preliminary injunction, since, anyway petitioners may just the same protect their interests by producing or compelling the production of the milling record of any sugar that might be so diverted.

(f) Since the resolution of November 7, 1963 remained unimplemented, on August 21, 1964, the PLANTERS filed a petition praying for an order directing TASICA and/or the Sugar Quota Administrator to issue quedans covering the disputed portion of the production for the crop year 1963-1964. On September 28, 1964 We ordered the issuance of escrow quedans in the joint names of the ASOCIACION, the Secretary of Labor, and TASICA, and the sugar covered by the quedans to be sold upon the unanimous consent of the three parties and the proceeds to be deposited with a new bank in trust for all said parties, without prejudice to resolving later the questions of jurisdiction and of the sharing-participation for the crop year 1963-64.[2-a]

(g) Upon petition of the PLANTERS, on June 2, 1965, the Court likewise directed the issuance of escrow quedans covering the disputed portion of the production for the crop year 1964-65 in the joint names of the ASOCIACION, TASICA, and the Secretary of Labor, to be disposed of under the same conditions as the disputed portion of the preceding crop year.

(h) Similarly, upon petition also of the PLANTERS, on May 25, 1966, We ordered the issuance of escrow quedans covering

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[2a] Accordingly, the proceeds were deposited half and half with the Philippine Commercial and Industrial Bank and the Pacific Banking Corporation respectively, and subsequently, those of crop years referred to in the following paragraphs (g) to (i) were likewise deposited in said banks.

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the disputed portion of the sugar production for the crop year 1965-1966 under the same conditions as the disputed portion of the preceding year.

(i) In a resolution of February 8, 1967, the Court resolved merely to note the contents of the manifestation of the PLANTERS praying for the disposal of the disputed portion of the production for the crop year 1966-1967 and to consider the controversy relative thereto when the case is decided on the merits.

(j) There are other motions and manifestations and oppositions and counter-motions filed by the parties, but they all deal basically with the issues of (1) whether or not this Court has jurisdiction to resolve matters related to the crop years subsequent to that of 1960-1961 covered by the decision of the trial court and the supplemental pleadings submitted before said decision and (2) whether or not this Court has acquired jurisdiction over TASICA for the purposes of this case.

Upon motions filed by each of them, Attys. Roman Ozaeta (now deceased), Jose E. Romero (also already deceased), and Enrique Belo, and the law firm of Tañada, Teehankee and Carreon, were allowed to appear as *amici curiae* in this case. The Court has duly considered the points they have discussed and the arguments they have advanced and is appreciative of their valuable assistance.

Long after these cases had been submitted for resolution and when We were already finalizing Our decision, all of a sudden, on June 30, 1978, the appellees' counsel filed a motion praying for another oral argument, which was subsequently joined by private counsel appearing for the laborers. Over the opposition of appellant CENTRAL, the Court granted said motion and set the hearing on September 6, 1978 but this was first postponed to October 10, 1978 and later reset on November 17, 1978, after which, the PLANTERS filed in addition to their Memorandum in Amplification of Oral Argument dated November 17, 1978, a motion and manifestation dated December 1, 1978, while on the other hand, the CENTRAL filed a supplemental

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memorandum dated December 2, 1978. At the hearing, the new counsel for the CENTRAL, Assemblyman Emmanuel Pelaez, formally withdrew the CENTRAL's first and second assignments of error in its brief relative respectively to the alleged disqualification of the trial judge and to the challenge against the constitutionality of Republic Act 809. This withdrawal was reiterated in the CENTRAL's supplemental memorandum dated December 2, 1978 which added its sixth assignment of error among those it is withdrawing. Considering, however, that actually, such withdrawal of the first and second assignments of error was made after the case had long been submitted for decision, and anyway the two issues concerned have already been sufficiently discussed by the previous counsels of the parties, as well as by the *amici curiae*, both orally and in writing, the Court has opted to nevertheless pass on the assignments of error referred to, in view of the transcedental importance of said issues, particularly those vis-a-vis the constitutional provisions on social justice and freedom of contract and the police power of the state to regulate the relations among the three main elements of the sugar industry in the Philippines, the planters, the millers and the laborers. As will be explained later, We are also disregarding the withdrawal of the sixth assignment of error.

The case was deemed resubmitted for decision as of December 2, 1978.

OPINION

The CENTRAL has assigned seven errors allegedly committed by the trial court. The Luzon Surety Company has assigned two. On the other hand, the plaintiffs-appellees, aside from refuting the assignments made by the appellants, have made a counter-assignment of three alleged errors. To simplify and abbreviate discussion, and considering that the supposed errors of the trial court counter-assigned by appellees are inseparably related to some of the errors alleged by appellant Central, We shall resolve appellees' counter-assigned errors together with the errors assigned by the Central to which they respectively correspond.

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I

The CENTRAL's first assigned error is as follows:

"THE JUDGE *A QUO* WHO, NOTWITHSTANDING THE PENDENCY OF THIS CASE BEFORE HIM, ENGAGED ATTY. JOSE AFRICA OF THE PLANTERS AS HIS OWN LAWYER, GRAVELY VIOLATED THE CANONS OF JUDICIAL ETHICS AND SERIOUSLY ERRED IN AFTERWARDS INSISTING THAT IT STILL WAS HIS BOUNDEN AND UNAVOIDABLE DUTY TO CONTINUE TO PRESIDE IN AND DECIDE THIS CASE;

(1)Because, in soliciting, contracting, and/or accepting the services of Atty. Jose Africa of the planters as his own lawyer, the Judge *a quo* had most improperly placed himself under obligation to said counsel for the planters, who, in the ordinary course of nature and the ordinary habits of life, would presumably not accept and, much less, demand payment for his services rendered to the Judge;

(2)Because, in accordance with the spirit and intent of our law, as interpreted by this Honorable Court in the case of Gutierrez vs. Santos (G.R. No. L-15824), the judge *a quo* and client of Atty. Jose Africa of the planters had thereby disqualified himself to further preside and render judgment in this case;

(3)Because, in accordance with recognized jurisprudence, also cited and relied upon by this Honorable Court in the same case, 'due process of law required a hearing before an impartial and disinterested tribunal'; that 'second only to the duty of rendering a just decision is the duty of *doing it in a manner that will not arouse any suspicion as to its fairness and the integrity of the Judge'; and 'that no Judge shall preside in a case in which he is not wholly free, disinterested, impartial and independent.*'

And in relation to this alleged error, the CENTRAL prays:

"That Judge Carmelino Alvendia be declared legally disqualified, within the intention and meaning of Section 1, Rule 126 of the Rules of Court (Rule 137 of the Revised Rules of 1964) and that therefore his decision and all proceedings in this case be declared null and void."

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The issue thus posed is doubtless interesting and important. But in the peculiar premises of the instant case, We do not deem it necessary to run once more thru the whole gamut of jurisprudence here and elsewhere elucidating on the high ethical principles that should guide a judge in every case where, because of known relation he has with any of the parties or counsel before him, which although not included expressly in any law or rule among the disqualifications for him to take cognizance thereof, may yet leave room for doubt as to his absolute impartiality. Suffice it to say that if for one reason or another not amounting to evident bad faith and deliberate malintention, a judge in such a situation continues to act — for undeniably, there are men endowed with impregnable integrity who can unquestionably rise above the feared compulsions of otherwise suspicious circumstances — the remedy does not lie in the outright invalidation and setting aside of his actuations. The ultimate test this Court has established in such a mileu is for the appellate tribunal to determine from the record whether or not actually the party complaining has been deprived of a fair and impartial trial, and in the affirmative, to correspondingly grant a new trial. (*Dais vs. Torres*, 57 Phil. 897.)

Indeed, in the case at hand, it is not imperative to rule on any possible bias on the part of the trial judge. As We have indicated earlier, this case was submitted for decision of the trial court on the basis exclusively of various agreed stipulations of facts of the parties, accompanied by corresponding undisputed documents. No oral evidence was presented by any of them. There was, therefore, no possibility that the trial judge had either admitted or rejected any piece of evidence improperly or in violation of any rule over the objection of anyone of them. Neither do We have to accord the usual deference given by appellate courts to any of his findings of fact on account of his having been better situated to appreciate the credibility of any witness. The complete record of the agreed stipulations of the parties and the pertinent accompanying documents are before Us for our own first hand examination, consideration and appreciation. We are entirely free to draw our own conclusions from them without any regard to what appear in the appealed

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decision. Needless to say, the rulings on questions of law therein are completely open to our review. In the last analysis, therefore, no substantial prejudice to the right of the parties to a just, fair and legal determination of the issues herein can be caused by rejecting appellant Central's prayer for annulment of the decision under review. On the contrary, with the time that has passed since this appeal came to this Court and in view of the unusually long list of exhibits attached to the stipulations (from Exhibit A to Exhibit RRRRRR, with subsidiary numbers) it would be most impractical and unfair to all concerned for Us to send this controversy back to the trial court, just so all of these stipulations and exhibits may be the subject of another decision by a different judge, who will have to study them all over again before he renders his decision, which inevitably will have to be appealed to Us, and no one knows how many years again such repetitive procedure will take. Accordingly, the CENTRAL's prayer for annulment must be, as it is hereby, overruled.

II

Secondly, the Central, thru counsel, Atty. Vicente Hilado, assails the trial court's negative resolution of the constitutional issues raised by it. According to the Central:

"THE JUDGE *A QUO* AND CLIENT OF ATTY. JOSE AFRICA OF THE PLANTERS ERRED IN NOT DECLARING REPUBLIC ACT 809 UNCONSTITUTIONAL AND NULL AND VOID;

> "(1) Because *Police Power is a law of necessity*' which can be exercised by the State only when necessary to protect the interest of the people in general; but not just to favor, and increase the profits of a particular group or groups of sugarcane planters and their own laborers, at the expense of the sugar centrals; in clear violation of the constitutional prohibition against class legislation and denial of the equal protection of the laws;
>
> "(2) Because it seems to us most illogical and unreasonable to assume that the sugar industry in any milling district could not be saved, unless the planters therein *are given special protection and treatment, so as to increase their profits*; while the same industry in other milling districts could very well be

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saved *without giving the planters therein equal protection and treatment to increase their own profits*;

"(3) Because it seems to us equally illogical and unreasonable to assume that the sugar industry in any milling district could very well be saved *without giving the planters therein such special protection and treatment to increase their profits, when Fifty-one (51) out of every One hundred (100) of them have written milling contracts with the miller in their district*;

"(4) Because, it seems to us likewise illogical and unreasonable to assume that the interest of the people in general requires that *only the laborers of the planters in the milling districts where the majority of their employers have no written milling contracts with the miller in their district* should, at the expense of the Central, be so favored and so discriminatory given higher and additional compensations *over and above the minimum wage fixed by law for all other laborers in the country*; but not those in districts where the majority of their employers have such milling contracts with the miller in their district;

"(5) Because it seems to us also illogical and unreasonable to assume that the interest of the people in general requires that the planters (big or small) in the bigger milling districts be given higher participations or shares in the sugar produced from their sugarcane than the planters (big or small) in the smaller milling districts." (Pp. c-d, Central's Brief.)

Joining the Central in this posture are the *amici curiae*, the late Justice Roman Ozaeta and Ambassador Jose E. Romero and Atty. Enrique M. Belo. On the other hand, aside from Justice Marceliano Montemayor and the law office of San Juan, Africa and Benedicto, counsel for the plaintiff-appellee association and the sugar planters, Attys. Paciano Villavieja and Porfirio Villanueva of the Department of Labor and the other *amici curiae*, the law office of Tañada, Teehankee and Carreon, have presented to the court the opposite view.

We have carefully considered the pros and cons forcefully and brilliantly discussed by this array of learned legal luminaries, and it must be stated that their respective scholarly and illuminating dissertations on the various constitutional questions

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herein raised have considerably made the work of the Court much easier.

— A —

REPUBLIC ACT 809 IS A SOCIAL JUSTICE AND POLICE POWER MEASURE FOR THE PROMOTION OF LABOR CONDITIONS IN SUGAR PLANTATIONS, HENCE WHATEVER RATIONAL DEGREE OF CONSTRAINT IT EXERTS ON FREEDOM OF CONTRACT AND EXISTING CONTRACTUAL OBLIGATIONS IS CONSTITUTIONALLY PERMISSIBLE

Despite very strongly persuasive arguments to the contrary of the distinguished lawyers supporting the position of the centrals, the Court has arrived at the conclusion that Republic Act 809 was conceived and enacted as a social legislation designed primarily to ameliorate the condition of the laborers in the sugar plantations, and the fact that at the same time the planters would also be benefited by it does not detract from if it does not add to such basic purpose of the Act. We do not deem it necessary to make here an extended historical account of how the statute came into being. The following observations of the trial court which, as the record reveals, are more or less basically accurate should suffice, to Our mind, to project the social spirit that animated the legislature:

"Moreover, Republic Act No. 809 seeks to reduce the inequality in the benefits being received by the Central and the laborers. It should be noted that under Section 9 of the law, 60% of the increased participation shall be given to the laborers and 40% for the planters. The application of the Act would go a long way towards promoting better relations between the laborers on one side and the planters and the Central on the other side.

"The almost yearly recurrence of strikes in the farms by the laborers has for its root cause discontent generated by the inadequate earnings of the laborers. Theirs is a miserable lot for they do not earn enough to give their families the minimum needed to maintain a decent living in a civilized society, not to mention the expenses necessary for the education of their children.

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"On the other hand, the planters are not without their problems. They have to bear the expenses of cultivation of the land which includes the cost of the seeds and fertilizer. They have to pay their taxes. They have to assume the unforeseen risks incident to raising and producing the sugar cane like drought, locusts and the like. And when the sugar cane is about ready for milling, there is the added danger of fires which not infrequently reduce the harvest to an amount which is not enough to cover the expenses in producing the cane.

"Considering that the share of the Central is entirely its own, and that the share of the planters includes that of the laborers and, therefore, has to be divided between them, a small increase in the percentage of distribution of the yearly crop depending upon an increased production is, in the opinion of the Court, just and equitable.

"Years ago, when the sugar industry was just being developed and modernized, with the introduction in the Philippines of machinery to replace the crude and antiquated means of extracting sugar from the cane, it was necessary to induce capitalists to invest big sums in building sugar centrals. Their capital has already been recuperated plus allowance for reasonable earnings yearly. At present, the only expenses of the Central consists of the maintenance of its equipment, the replacement of worn out parts, the fuel consumed during the milling season and the salaries of personnel. Certainly, the Centrals are now in a position to contribute to the burden of producing the cane and to solve the perennial labor problems caused by the discontent of laborers arising from their meager income. This problem is a constant threat to the very existence of the sugar industry.

"Realizing this danger to the biggest industry of the country, the late President Quezon caused a survey of the causes of the discontent of the laborers and the recurrent trouble in the sugar regions. The report submitted by the late Mr. Justice Moran after he investigated the books of the Centrals and those of the planters, advocated very strongly the necessity of a new and better sharing plan for the sugar planters.

"A bill similar to House Bill No. 1517 which finally became Republic Act No. 809 was passed by Congress in 1951, but the same was vetoed by the President. Members of both houses of the Legislative approved Republic Act No. 809 because they found it necessary to save the country's biggest industry. When the welfare of the public is at stake, the state may, in the exercise of its police power, enact legislation which may cause harm or injury to a certain class of the inhabitants

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as long as it benefits the greater majority. The welfare of the people is the supreme law." (Decision of Lower Court, pp. 409-412 of the Central's Record on Appeal.)

The primary purpose of the law to insure that the sugar plantation workers are paid just wages is, indeed, stated by the authors themselves of the law in the explanatory note of their bill, H. No. 1517 thus:

"The necessity for increasing the share of the planters and the laborers in the income derived from the sugar industry for its stabilization is not a new question but an admitted fact even before the outbreak of World War II.

"On February 23, 1938, President Quezon appointed Justice Manuel V. Moran to make a study of the 'distribution of sugar resulting from the milling of sugar-cane between the centrals and the planters with a view to ameliorating the condition of the planters' laborers,' and after an exhaustive investigation covering several months, Justice Moran filed his report on April 30, 1939, recommending an increase in the participation of sugar planters, even in violation of existing milling contracts, contending that such a law is constitutional as a valid exercise of the police power of the state. The National Sugar Board created by Executive Orders Nos. 157 and 168, which made another investigation of the sugar industry, in its report to the President of the Philippines on August 2, 1939, confirmed practically the findings of Justice Moran." (Appellees' Brief, pp. 73-74.)

One particular legislative incident should dispel all doubts about the overriding intent of Congress in approving the Act, which, although by its title, appears to be only to regulate the relations among the persons engaged in the sugar industry, is in fact to improve the living conditions of the laborers in the farms. Section 10 of the original bill, H. No. 1517, reads this wise:

"SEC. 10. Effective upon the approval of this Act, the daily wage of sugar farm workers shall be in accordance with the following scale:

"(a) In milling districts where the participation between planters and central is 60% for the planters and 40% for the central, the sugar farm laborers shall receive a minimum daily wage equivalent to 10% of the average market price of export sugar per picul of the preceding

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year, as declared by the Bureau of Commerce, including free lodging; but in no case shall sugar farm laborers be paid a daily wage of less than ₱1.20 and free lodging.

"(b) In milling districts where, under the provisions of section one hereof, the participation of the planters is over 60%, the sugar farm laborers shall receive in addition to the minimum daily wage provided for in paragraph (a) of this section, an additional rate of ₱0.10 per every 1% increase in participation beyond 60%."

Evidently, this provision was inserted in the bill to give it the social ingredient without which President Quirino felt any regulation fixing the sharing proportion between only the millers and the planters would be unconstitutional, not only for impairing contractual obligations, but for in effect denying altogether to said parties the freedom to contract, hence his veto of the original bill. Even then, when the bill reached the Senate, the consensus among the senators was that it was imperative that the laborers be given a proportionally bigger benefit than what the planters were to get from the latter's increased share proposed in the House Bill. The records of the Senate deliberations on this point showing how Section 9 as it now appears was molded unmistakably support Our conclusion, On p. 549 *et seq.* of the Congressional Record, Second Congress of the Republic of the Philippines, Third Regular Session, Vol. III, Nos. 36-37, March 17 & 18, 1952, it is recorded thus:

"Senator MONTANO. Mr. President, I have another amendment to offer, but before I do so I wish to make a statement.

"This is a joint amendment of Senators Puyat, Delgado and myself, but before offering it, I wish to state that it was my intention to file an amendment that reads as follows:

'The proceeds of any increase in the participation granted the planters under this Act over and above their present share shall accrue to the exclusive benefit of the laborers of the said planters in terms not only of wages but also of living conditions, and said proceeds shall be placed under the control and administration of the Department of Labor.'

"However, since legislation not only is the ultimate result of logical presentation and argument but also of compromise, the gentleman

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from Bulacan, Senator Delgado, and the gentleman from Pampanga, Senator Puyat, have expressed their desires to support an amendment similar in nature only of lesser impact to the planters. So, therefore. I am offering this joint amendment of Senators Puyat, Delgado and myself:

"On page 7, strike out the whole of Section 10 from line 4 to line 18 and in lieu thereof, insert the following:

'THE PROCEEDS OF ANY INCREASE IN THE PARTICIPATION GRANTED THE PLANTERS UNDER THIS ACT OVER AND ABOVE THEIR PRESENT SHARE SHALL BE DIVIDED BETWEEN THE PLANTER AND HIS LABORERS IN THE PLANTATION IN THE FOLLOWING PROPORTION: SIXTY PER CENTUM OF THE INCREASED PARTICIPATION FOR THE LABORERS AND 40 PER CENTUM FOR THE PLANTERS, THE DISTRIBUTION OF THE SHARE CORRESPONDING TO THE LABORERS SHALL BE MADE UNDER THE SUPERVISION OF THE DEPARTMENT OF LABOR'.

x x x x x x x x x

"Senator MONTANO. Mr. President, I shall proceed now to make a statement on the amendment presented by Senators Puyat, Delgado and myself, Mr. President, if there was any reason adduced in support of the measure under consideration fixing the new arrangements in the division of the produce in the sugar plantation and centrals, there was no argument more potent, more convincing than the supposed benefit that labor would ultimately reap from these new arrangements. Even the explanatory note to the bill under consideration lays proper stress on this phase of the issue before the Congress today, that is, that the proponents of the present amendment desire to improve the lot of the planters by an increased share in the crop so that they will then be in a position to pay more to their laborers in the farm.

"In consonance with this belief, we the proponents of this amendment have seen fit to present a modification to the bill in the sense that any and all increases that will accrue to the planters by virtue of the bill, shall be divided in such proportion as to give 60 percent to the laborers and 40 per cent to the planters. Before presenting this amendment, I made a preliminary statement to the effect that it was my intention to present an amendment which would give to labor in the plantations all the benefits that would accrue to

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planters by virtue of the passage and approval of this bill. That was my intention, gentlemen, because it is a known fact, it is a common belief in this country, that of all agricultural planters, the sugar planters are the most benefited not only by the legislations already passed by Congress but by the progress of the sugar industry.

"(*En este momento el Presidente Protempore ocupa la presidencia, por designacion de la Mesa*).

"*PREGUNTAS DEL SEN. OSIAS.*

"Senator OSIAS, Mr. President, may the gentleman be interrupted at this point for a question? Will the gentleman kindly yield?

"The PRESIDENT *PRO TEMPORE*. The gentleman may yield, if he so desires.

x x x x x x x x x

"Senator OSIAS. I just want to follow the trend of thought of the gentleman, which I think is in the right direction. But may I know from him the share that is alloted by this amendment to the planters and the laborers?

"Senator MONTANO. Sixty per cent of any increase is alloted to the laborers and forty per cent to the planters.

"Senator OSIAS. May I announce that in due time I shall submit an amendment to the amendment to make it 50-50. That is just an announcement, and I thank the gentleman for having permitted me to interpellate him.

"Senator MONTANO. (Continuing) Mr. President,,of all the people in this country who live by cultivating the soil, the sugar planters, especially those in the province of Negros, are known to be the most prosperous. There are even claims among those who oppose the bill, that there is no necessity for the present plant to increase the participation of the planters. There as a time when the whole country witnessed sugar planters and sugar barons from Negros who lived luxuriously, and remembering this, many of our countrymen believe that their present claim that they cannot even pay their laborers decently has no basis in fact. The original bill Mr. President and gentleman, despite the claim that it will benefit labor, does not in fact do that, because the said bill provides that in those plantations where the increased share of the planters does not exceed 65 per

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cent, labor shall not receive any benefit from the increased participation of the planters because, in those plantations the minimum wage law which already benefits labor shall govern. The original text of the bill is no other than that the laborers shall participate only in the increase where the participation given to the planters is over and above 65 per cent.

"Gentlemen, there is a potent group which comes to Congress and pleads for an increase in the planters' participation in the sugar crop, under the pretext of giving more participation to labor, but with this bill, gentlemen of the Senate, the Congress is miserably misled because if these planters do not receive more than 5 per cent above the basic 60 per cent, the laborers will not receive any benefit from that increased participation of the planters.

"Mr. President, I am glad that the gentleman from La Union, who announced his intention to file an amendment to my amendment by reducing the share of labor from 60 per cent to 50 per cent, will give his kind support to an amendment that will truly benefit labor and the sugar planters. I am glad, but at the same time, I regret that such a distinguished gentleman, and future presidential candidate, shall double the reasonable 10 per cent reduction in the 60-40 sharing — 60 for labor and 40 for capital — and make it 50 for labor and 50 for planters. I respect the opinion of the gentleman from La Union, and I am certain that he has a reason for announcing that he would present an amendment making 50-50 the proportion which is proposed at 60-40 in this amendment.

"Mr. President and gentlemen — I am now especially addressing myself to the gentleman who announced that he would file such an amendment, because this 10 per cent might represent the difference between a reasonable standard of living or misery for the laborers, but the 10 per cent deducted from the share of the planters, especially when the planters come from Negros, will not diminish their luxurious standard of living. So, I plead now, Mr. President and gentlemen, that if the gentleman from La Union really wishes to support the noble purpose behind our amendment, he should do it without reducing the minimum 60 per cent proposed to be given to labor to 50 per cent, because as I said, that 10 per cent might represent the difference between misery or an ameliorated lot for the farm laborers.

"Mr. President, I thank you.

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"*MANIFESTACIONES DEL SEN. OSIAS.*

"Senator OSIAS. Mr. President.

"The PRESIDENT *PRO TEMPORE*. Gentleman from La Union.

"Senator OSIAS. When I rose to object an inquiry to the gentleman from Cavite, who is sponsoring this amendment, I did so because I wanted to be enlightened on the reasons that motivated the presentation of this amendment. At the time, I recalled that when this bill under consideration was first presented, there was no minimum wage law. During the period that had elapsed from the presentation of the original bill to the present — through the various tortous processes that it had to undergo and finally its veto by the Chief Executive — a minimum wage law which is very advantageous to labor and wage earners had been taken into consideration.

"Mr. President, the fundamental consideration that prompted me to give my vote and support to this measure affecting the sugar industry was that, while admitting that there should be no conflict between central owners on the one hand and planters from the other, in the event that there is an unavoidable conflict between these two, my heart instinctively and by conviction goes out to the support of the planters because, they are the owners of the land, and I consider the ownership of land in our country as one of the last bulwarks, if not the last, of democracy in the Philippines.

"In the course of my brief sponsorship during this session, Mr. President, I stated that I would give my vote and support to this bill, because my thoughts and actuations in this august body in matters of this nature have always been to consider always human rights above property rights.

"This amendment seeks, as it does, to benefit not only the planters but also the laborers. I want to announce that I desist from my original intention to present an amendment to the amendment, and that I shall vote for this amendment offered by the gentlemen from Cavite, Pampanga and Bulacan.

"*MANIFESTACIONES DEL* SEN. PUYAT

"Senator PUYAT. Mr. President.

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"The PRESIDENT *PRO TEMPORE*. Gentleman from Pampanga and Manila.

"Senator PUYAT. Mr. President and gentlemen of the Senate: As a co-author of this amendment, I plead earnestly for its approval, if for no other reason than that the approval Or this amendment will be a belated act of justice in favor of the laborers working in an industry which has made thousands of people millionaires, and which industry at the same time, allows its laborers to subsist on wages of 30 to 40 centavos a day. It is a sad commentary on any economic system where the upper class becomes richer and yet the foundation of the industry — labor — remains in that miserable economic state in which it started. And if we will carry out the spirit of this bill, Mr. President, if we have to be consistent, may I comment that while we are trying to improve the position of the planter, the other factor in production, the laborer, is overlooked. So I say, if we wish to be consistent, we have to take care of that bigger section of the economic field which precisely is the basis of the industry.

"Mr. President, I am a planter, but at the same time it is known that I am the son of a man who started in life as a laborer. Thus, I understand the position of both the planter and the laborer. And I say that, to a planter one or two thousand pesos more will not make much difference. Yet to an ordinary laborer, an increase of twenty or thirty centavos in his daily wages will mean a bigger meal, a better homes, better opportunities for education and an improvement in health for his children. On the basis of this human consideration, Mr. President, I plead that these countless anonymous laborers who have made the sugar industry what it is today, be given this slight increase in their participation.

"I thank you, Mr. President.

"*PREGUNTAS DEL* SEN. PRIMICIAS

"Senator PRIMICIAS. Mr. President will the gentleman may yield?

"THE PRESIDENT *PRO TEMPORE*. The gentleman may yield, if he so desires.

"Senator PUYAT. I can never refuse the gentleman from Pangasinan, Mr. President.

"Senator PRIMICIAS. I wish to state at the outset that I am in favor of this amendment, but one thing strikes me. The amendment,

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now being sponsored by Your Honor and Senators Montano and Delgado proposes to strike out the whole section 10 of the original bill which speaks of the Minimum Wage Law. Would Your Honor guarantee that under the provision now proposed in substitution of said section 10, which gives 60 per cent of any increase in participation to the laborers, these laborers will receive at least the minimum compensation provided for in the Minimum Wage Law?

"Senator PUYAT. The minimum wage provided therein is compulsory, Mr. President. Whether section 10 is included or not, the provisions of the Minimum Wage Law will have to be applied.

"Senator PRIMICIAS. There might be a controversy later on because, under section 10 of the original bill, the provisions of the Minimum Wage Law are to be observed. With this amendment, all such provision are deleted, which might give rise to the argument later on that it was the intention of the Congress to make ineffective, in this particular case, the Minimum Wage Law.

"Senator PUYAT. Your Honor, although I feel that it will be a superfluity or a redundancy, to retain that portion of the bill which has reference to the application of the Minimum Wage Law, the sponsors will offer no objection.

"Senator PRIMICIAS. For example, before the beginning of the proposed amendment in capital letters, I would like to insert the following: 'WITHOUT PREJUDICE TO ANY MINIMUM WAGE.'

"*MANIFESTACIONES DEL* SEN. DELGADO

"Senator DELGADO. Mr. President, may I just be permitted to give briefly the reasons why I joined the sponsorship of this amendment?

"The PRESIDENT *PRO TEMPORE*. The gentleman from Bulacan has the floor.

"Senator DELGADO Mr. President, while I was the Philippines' Resident Commissioner in the United States, I had occasion to investigate the living condition of the Filipino laborers in the United States. In my travels through Hawaii, Guam and other places, I had also occasion to receive most complementary reports regarding Filipino laborers. It is indeed strange that there should be many people who believe that the Filipino as a laborer in his own country susceptible to criticism. I attribute this to the manner they are treated and the wages they earn in their own country.

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"I am therefore co-sponsoring this amendment, because I firmly believe that it will be an incentive for the Filipinos as laborers in their own country to attain the same height of success and industry as the Filipinos in America, Hawaii, Guam and elsewhere have achieved,

"I thank you, Mr. President.

"*ENMIENDA PRIMICIAS A LAS ENMIENDAS MONTANO PUYAT Y DELGADO*

"The PRESIDENT *PRO TEMPORE*. The gentleman from Pangasinan may state now his amendment.

"Senator PRIMICIAS. The amendment to the amendment that I propose is as follows: Insert before the text of the amendment in capital letters the words 'WITHOUT PREJUDICE TO ANY MINIMUM WAGE LAW.'

"Senator MONTANO. Mr. President, may I suggest to the gentleman from Pangasinan the change of the phraseology to the following: THE PROVISIONS OF THE MINIMUM WAGE LAW NOTWITHSTANDING.

"Senator PRIMICIAS. No, that would carry the reverse meaning. That would be just the opposite of what I intended.

"The PRESIDENT *PRO TEMPORE*. Do the authors of the original amendment accept the amendment?

"Senator MONTANO. Mr. President, as announced before, we have no objection to any amendment that would clarify the amendment we presented, although it is a belief that any amendment tending to clarify it is a superfluity since the Minimum Wage Law is already a law. However, we cannot offer any objection to anything that will improve the amendment. So, we accept the amendment of the gentleman from Pangasinan.

"The PRESIDENT *PRO TEMPORE*. Are there any remarks on the amendment to the amendment?

"*EL SEN. PRIMICIAS RAZONA SU ENMIENDA*

"Senator PRIMICIAS. Mr. President, I cannot exactly agree to the claim that the amendment to the amendment is a superfluity. Should the matter come before the courts, lawyers will be looking

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for loopholes in the law. It is better to be on the safe side. I therefore submit the amendment to the amendment.

"The PRESIDENT *PRO TEMPORE*. Is the Senate ready to vote on the amendment of the gentleman from Pangasinan to the amendment submitted by Senators Montano, Puyat and Delgado?

"*EL SEN. LAUREL FIDE UNA ACLARACION*

"Senator LAUREL. Mr. President, just for a clarification.

"The PRESIDENT *PRO TEMPORE*. The gentleman from Batangas.

"Senator LAUREL. I understand that the amendment as amended will read as follows: 'Without prejudice to any minimum wage law the proceeds of any increase in the participation granted the planters . . .' etc. Does it mean that a laborer, who is receiving the minimum wage, will get more, or may be get less when we say 'without prejudice to any minimum wage law?' This amendment seems to imply that if the laborer is getting the minimum wage and his share proposed in the bill does not reach the minimum wage, the laborer will get the minimum wage and no more, even if he may get more on the basis of the proportion outlined in the amendment. I wish to be clarified with regard to the meaning of the amendment as proposed to be amended.

"The PRESIDENT *PRO TEMPORE*. Will the author of the amendment to the amendment please clarify?

"Senator PRIMICIAS. I think, Mr. President, we can clarify that by changing the phraseology in this wise: 'IN ADDITION TO THE BENEFITS GRANTED BY THE MINIMUM WAGE LAW . . .' etc.

"Senator LAUREL. Can't we say, for instance: 'IN ADDITION TO THE MINIMUM WAGE TO WHICH A LABORER IS ENTITLED . . .' etc? In other words, the laborer will get the minimum wage in all cases, in addition to what he is entitled to under the proposed amendment. If that is the meaning then I suppose it should be worded that way — 'IN ADDITION TO THE MINIMUM WAGE TO WHICH THE LABORER IS ENTITLED —, then follow the rest.

"Senator PRIMICIAS. Then, Mr. President, may I ask that my amendment be reworded this way: 'IN ADDITION TO THE BENEFITS GRANTED BY THE MINIMUM WAGE LAW.'

"The PRESIDENT *PRO TEMPORE*. Do the authors of the amendment accept the amendment to the amendment now reworded?

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"Senator MONTANO. We accept the amendment.

"The PRESIDENT *PRO TEMPORE*. Are there any further remarks to the amendment to the amendment? (Silence) The Secretary will please read the amendment to the amendment before we vote.

"The SECRETARY.

"The text in capital letters shall be preceded by the following words: 'IN ADDITION TO THE BENEFITS GRANTED BY THE MINIMUM WAGE LAW.'

"*APROBACION DE LA ENMIENDA*
PRIMICIAS A LA ENMIENDA
MONTANO, PUYAT Y DELGADO

"The PRESIDENT *PRO TEMPORE*..Those who are in favor of the amendment to the amendment just read, will please say AYE. (Several Senators. Aye) Those who are opposed will please say NAY. (Silence) *The amendment to the amendment is approved.*" (Congressional Record, Senate. Third Regular Session. Second Congress of the Republic, Vol. III, Nos. 36 & 37, March 17 & 18, 1952, pp. 549, 552-556. Bold letters supplied)"

Police Power

It is therefore beyond cavil that dealing as it did with the unfortunate plight of the farm laborers crying for just and urgent amelioration and confronted with the usual constitutional objections whenever contractual relations are sought to be regulated, Congress ultimately availed of the state's police power, in the face of which all arguments about freedom of contract and impairment of contractual obligations have generally been held not to prevail. In *Lutz vs. Araneta* (G.R. No. L-2859, Dec. 22, 1959), this Court recognized the propriety of exercising police power when it is needed to do so in order that our sugar industry may be stabilized, and to that end, it was held that the legislature could provide that the distribution of benefits from the proceeds of sugar be readjusted among the components of the industry to enable it to resist the added strain of the increase in taxes that it had to sustain then. With at least equal persuasiveness must such reasoning obtain when the readjustment of the distribution of proceeds is impelled by the need to render social justice among all the participants in the industry, specially the laborers.

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True it is that, as counsel for the centrals contend, police power cannot be resorted to just any time the legislature wishes, but it is not correct to say that it is indispensable that exceptional circumstances must exist before police power can be exercised. As very aptly pointed out by the able *amicus curiae*, Attys. Tañada, Teehankee and Carreon, gone are the days when courts could "be found adhering to the doctrine that interference with contracts can only be justified by exceptional circumstances," for the "test of validity today under the due process clause, even in the case of legislation interfering with existing contracts, is reasonableness, as held by this Honorable Supreme Court in the case of *People vs. Zeta*.[3] In other words, freedom from arbitrariness, capriciousness and whimsicality is the test of constitutionality." (p. 17, Brief of *Amicus Curiae* in Behalf of Silay-Saravia Planters' Association, Attys. Tañada, Teehankee and Carreon.) And there is not enough showing here of unreasonableness in the legislation in question. Quite to the contrary, as will b e discussed anon, We find all the provisions of the impugned act to be germane to the end being pursued.

Social Justice

But it is not police power alone that sustains the validity of the statutory provision in dispute. Having in view its primary objective to promote the interests of labor, it can never be possible that the State would be bereft of constitutional authority to enact legislations of its kind. Here, in the Philippines, whenever any government measure designed for the advancement of the working class is impugned on constitutional grounds and shadows of doubt are cast over the scope of the State's prerogative in respect thereto, the imperious mandate of the social justice ideal consecrated in our fundamental laws, both the old and the new,[4] asserts its majesty, calling upon the courts to accord

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[3] 98 Phil. 143.

[4] "SEC. 6. The State shall promote social justice to ensure the dignity. welfare, and security of all the people. Towards this end, the State shall regulate the acquisition, ownership, use, enjoyment, and disposition of private property, and equitably diffuse property ownership and profits. (Article II 1973 Constitution).

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utmost consideration to the spirit animating the act assailed, not just for the sake of enforcing the explicit social justice provisions of the article on "Declaration of Principles and State Policies," but more fundamentally, to serve the sacred cause of human dignity, which is actually what lies at the core of those constitutional precepts as it is also the decisive element always in the determination of any controversy between capital and labor.

Thus, Section 5 of Article II of the Constitution of 1935, under the aegis of which the law in question was enacted, made it one of the declared principles to which the people committed themselves that "the promotion of social justice to insure the well being and economic security of all the people should be the concern of the State." More specifically in regard to labor, there was also Section 6 of Article XIX, to the effect that "the State shall afford protection to labor . . . and shall regulate the relation between . . . labor and capital in industry and in agriculture."[5] It is difficult to conceive of any legislation more aptly rooted in the declared principle and the plain injunction of the old Constitution just quoted than the Act under discussion which is a law to regulate the relations between the centrals and the planters with the primordial objective of protecting and promoting the interests of labor. In regard then to the arguments of the centrals relative to due process and the sanctity of contractual obligations as well as the freedom of contract, We hold that more cogently than in regard to the exertion of police power as discussed above, the criterion for determining whether or not social justice has been overextended in any given case

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"SEC. 9. The State shall afford protection to labor, promote full employment and equality in employment, ensure equal work opportunities regardless of sex, race, or creed, and regulate the relations between workers and employers. The State shall assure the rights of workers to self-organization, collective bargaining, security of tenure, and just and humane conditions of work. The State may provide for compulsory arbitration." (*Id.*).

[5] These provisions of the 1935 Constitution have been reenacted in Sections 6 and 9 of Article II on Declaration of Principles and State Policies of the 1973 Constitution.

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is nothing more than the economic viability or feasibility of the proposed law in favor of labor, and certainly not the existence of exceptional circumstances. In other words, as long as capital in industry or agriculture will not be fatally prejudiced to the extent of incurring losses as a result of its enforcement, any legislation to improve labor conditions would be valid, provided the assailed legislation is more or less demanded as a measure to improve the situation in which the workers and laborers are actually found. And in the case at bar, there is not even a pretension that the finances of the centrals would be anywhere in the red as a result of the enforcement of Republic Act 809.

In the light of the foregoing considerations, We do not find the position of the Central that Section 1 of Republic Act 809 interferes unconstitutionally with existing contracts and the freedom of all the parties concerned in entering into new ones to be sufficiently persuasive.

— B —

THE ACT DOES NOT VIOLATE THE EQUAL PROTECTION CLAUSE.

No unequal protection of the laws

It is next argued that the challenged Act denies equal protection of the laws in several ways to the different groups of laborers in the sugar industry. For instance, it is pointed out that whereas it alleviates the condition of the workers in some sugar plantations, it does not provide for similar treatment to the laborers in the centrals. In fact, it is stressed, even among those working in the sugar farms, there is unequal treatment, not only because Section 1 of the law expressly excludes from its application milling districts with centrals having an actual production of less than one hundred fifty thousand piculs of refined sugar, but also according to the schedule prescribed in the same section, the share of the planters together with the resultant share of the laborers is made proportional to the amount of production of the corresponding mills instead of being uniform. So also it

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is decried that even as among milling districts producing not less than 150,000 piculs, only the laborers working in the plantations within the districts where the majority of the planters do not have written milling contracts with the respective centrals are entitled to the benefits ordained by the law and not all the laborers in all plantations where the planters have been given increase in their shares, regardless of the existence of such majority.

- 1 -

Considering the purpose of the law, the bigger share given to planters in districts with bigger centrals is rational.

Anent the indictment that the law discriminates between the planters in the big milling districts, on the one hand, and those in small milling districts, on the other, by providing for bigger shares to the planters in the former and smaller shares to those in the latter, it appears to Us to be obvious that as the standard used by the legislature is the amount of production in each district, naturally, the planters adhered to the bigger centrals should be given bigger shares, considering that the more a central produces, the bigger could be its margin of profit which can be correspondingly cut for the purpose of enlarging the share of the planters. Understandably, the smaller centrals may not be able to afford to have their shares reduced substantially, which is evidently the reason why the law has not been made applicable to centrals having a production of less than 150,000 piculs a year. In any event, the point raised relates to the wisdom of the standard fixed by the legislature, which the courts are bound to uphold, absent any indication, as in this case, of arbitrariness or capriciousness in it. As appellees put it, "the law is applicable to all mill districts whose productions fall within the standards set forth therein; the graduated scale of production is the goal the law seeks to attain: — an increased production." (p. 36, Appellees' Brief.)

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Laborers in the centrals are differently situated and are already protected by other laws.

Much less is there substantial basis for the claim that it is within the constitutional proscription under discussion for the Act to discriminate against the workers in the centrals by not including them among the components of labor in the apportionment of the fruits of their joint efforts with the planters. We have looked into the corresponding factual premises of this contention of the Central relative to the equal protection clause with the care they deserve, and We are of the considered opinion that the criterion on which the provisions in issue is predicated precludes the conclusion of capricious and arbitrary discrimination which the Charter abhors. The laborers in the centrals perform work the nature of which is entirely different from that of those working in the farms, thereby requiring the application to them of other laws advantageous to labor, which, upon the other hand, do not correspondingly favor plantation or purely agricultural manpower. Besides, there is no denying the fact that as industrial or semi-industrial workers, the laborers in the centrals, even the farmhands, therein, are being more or less sufficiently taken care of under other existing laws and the prevailing terms and conditions of their employment, for which reason there is no known nor demonstrated demand, much less perceptible urgent need, to bring them under the coverage of the instant legislative bounty. Nonetheless, for the better protection of the laborers in the centrals against any attempt of their employers to prejudice them in retaliation for the reduction of the income that the operation of the law might cause the centrals concerned, Section 3 of the Act ordains thus:

"Sec. 3. Neither the enforcement of this Act nor anything contained herein shall be deemed sufficient and just cause for the reduction of the wages of workers employed by sugar centrals, for the withdrawal or cancellation of any benefits, facilities, privileges, or other concessions heretofore granted to them, or for the temporary lay-off or permanent dismissal of any of the said workers."

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It is implicit in this provision that precisely because the legislature could not extend any increase to the laborers of the centrals at the same time that the millers' share in the production is being reduced, it however showed its concern for the laborers by enjoining the centrals from adopting any measure that would in any manner place the former in a worse position than where they were before the effectivity of the Act.

In this connection, We note that the following apt observations in the brief of Attys. Tañada, Teehankee and Carreon stand unrefuted by any of the opposing counsels:

"*Alleged discrimination against laborers of sugar centrals.* — Section 9 of Republic Act 809 requires that 60% of the increased rate of participation be paid to the plantation laborers, while no additional benefit is provided in the law for central laborers. On this ground, it is contended that Republic Act 809 discriminates against laborers of sugar centrals. Considered by itself the law appears to be lacking in abstract symmetry, but when the actual facts regarding employment conditions of plantation laborers, on one hand, and central laborers on the other, are taken into account, the seeming inequality will disappear. There are many points of material differences between the two categories of laborers. Most important is the fact that because centrals, since their establishment in the 20s, had been receiving an undue proportion of the sugar processed from the planters' sugarcane, they have always been financially able to give their laborers better wages and better employment conditions than planters could give to their laborers. Another important difference that may be noted is the fact that the laborers of planters, with their families, are more numerous than the central laborers with their families. Even existing legislation, apart from Republic Act 809, has provided or made available more benefits to central laborers. Today, as at the time of passage of the Sugar Act, farm laborers are expressly excluded from the benefits to central laborers. Today, as at the time of passage of the Sugar Act, farm laborers are expressly excluded from the benefits of Com. Act 444, otherwise known as the Eight-Hour Labor Law (Section 2); of Act 1847, otherwise known as The Employers' Liability Act (Section 9); of the Minimum Wage Law (Rep. Act 602), unless they are employed in a farm over 12 hectares in size (Section 3, par. [b]), and even then, the Minimum Wage Law provides for a much lower wage level for farm laborers than that provided for industrial laborers, the daily minimum wage for farm

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laborers being originally ₱1.75 a day to become ₱2.00 a day one year after the effective date of the Minimum Wage Law and ₱2.50 a day one year still later, and for industrial laborers the minimum wage being ₱4.00 a day in Manila and ₱3.00 outside of Manila, but to be increased to ₱4.00 one year after the effective date of the law (Pars. [a] and [b], Sec. 3); of Act 3961, as amended by Com. Act 324 and Rep. Act 46, providing for emergency medical treatment to be furnished by their employers, unless the number of farm laborers of any given employer is 30 or more (Section 1); of Rep. Act 239, providing for emergency dental treatment, unless their number is 50 or more (Section 1); and of Com. Act 103 in regard to submitting disputes to the Court of Industrial Relations unless their number exceeds 30 (Section 3); while laborers in sugar centrals enjoy the benefits conferred by all the laws mentioned either because they come squarely within their provisions or because, where the laws fix the minimum number required in order to avail of their benefits, the number of laborers in any given central always and inevitably exceeds the minimum number respectively fixed in the various laws mentioned; and few, if any, farm laborers can take advantage of the collective bargaining rights provided in Com. Act 213 and the Industrial Peace Act, and at any rate, farm laborers are, relatively, in weaker bargaining positions in negotiating with their respective individual employers than laborers in sugar centrals. RA 809 is therefore but a belated attempt to compensate plantation laborers in some form for what existing legislation denies to them but grants to laborers of centrals. Though the Sugar Act provides no new benefits for laborers in centrals, it ensures that its enforcement and operation shall not be occasion for the reduction or withdrawal of benefits at present enjoyed by them (Section 3)." (*Amicus curiae's* Brief, pp. 46-49.)

- 3 -

How Sections 1 and 9 should be construed in order not to defeat the basic objective of the Act and to avoid unconstitutionality thereof.

The claim of inequality in the benefits to labor resulting from the criterion of existence or non-existence in the different milling districts of a majority of planters with written contracts in the determination of the applicability of the Act requires more

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extended disquisition. Indeed, it is in connection with this point that We perceive a feature of the Act which unless viewed in proper light would render the same constitutionality objectionable.

Considering that because under the terms of Section 1 of the Act the ratios of sharing therein specified are to be observed only in those milling districts where the majority of the planters have no written contracts with the centrals, it is pointed out that it, therefore, makes the benefits intended by it for the laborers dependent on the subjective contingency of the millers and the planters signing or not written agreements, instead of automatically by direct legislative fiat regardless of the will of either the millers or the planters or both. Worse, it is contended, in consequence of such condition in the law, it contains within its own provisions the very means by which the planters can be benefited exclusively by an increase in their share, without any obligation on their part to share such benefit with their laborers, despite the fact that such laborers' share, as We have pointed out above, is precisely the very element purposely and deliberately incorporated in the law to make it the social legislation that it is, exempted from the constitutional injunctions and constraints relative to contractual obligations and the freedom of contract. To put it otherwise, it is argued that it is actually possible within the letter of this statute for the planters to secure exclusively for themselves any increase they want, and even more than that specified for them in Section 1 thereof, without being necessarily bound to share the same with their laborers, by the simple expedient of the majority of them signing contracts with the centrals providing for such increase, thus thwarting the very avowed primary purpose of the legislature in approving the same. In brief, the terms of the statute can easily be taken advantage of by the planters and the centrals in complete disregard of the interests of labor for whom it was specifically designed.

Viewed in this manner, the Act would appear to be self-defeating in so far as the laborers are concerned, but efficacious in providing what the PLANTERS desire for themselves, contrary to its true objective of increasing the share of the planters only as a means of ameliorating the situation of the laborers.

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Parenthetically, the Central insists that this was actually the real scheme of the particular legislators who framed the law — to compel the centrals to augment the share of the planters, and not really to improve the lot of the laborers. Indeed, if such is the inevitable result of applying the provisions in question, there is ample ground for considering them as violative of the Constitution.

For instance, applying the bare letter of the Act, if the central and the majority of the planters in any district having a production of more than one million two hundred thousand piculs should agree by contract to reduce the share of the central from 40% to 34% and to increase that of the planters from 60% to 66%, not only would the planters be greatly benefited by the increase in their shares, but the centrals would also save 4% which otherwise it would have to give to the planters if it were not to sign contracts with the majority, and yet the laborers of the planters would get no part of the increase their planters-employers would be entitled to, since it would be argued that the clause in Section 1 making the "absence of written milling agreements between the majority of planters and the millers in any milling district" is the condition *sine qua non* of the enforceability of the whole Act, including Section 9, which is the one that provides for the increase of the share of the laborers. This literal reading of the Act manifestly inconsistent with its basic intent, does render the Act unconstitutional, since any legislative enactment that is deceptive by ostensibly being a social legislation to ameliorate the condition of labor so that it may hurdle constitutional obstacles as a police power or social justice measure, when in truth it is only intended to operate in favor of the employer or of capital, must be stricken down as a despicable fraud which no constitution in the world can ever be conceived as allowing the legislature under it to perpetrate upon the people. Instead of promoting social justice, the Act would clearly be a double instrument of injustice and oppression to labor, for aside from perpetuating their wretched condition, they would be the victims of a legislative deception.

Accordingly, We feel it is the proper evaluation of the considerations just discussed that is most decisive in the ultimate

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resolution of the controversy before Us. Incidentally, We note that none of the learned counsels has discoursed on them from what We deem to be the correct perspective, — namely, that, as has been pointed out above, the primary reason for being of Republic Act 809 is the improvement of the condition of the plantation laborers. It is quite regrettable that counsel of the Secretary of Labor took no pains to adopt an independent position from the lawyers of the planters and merely co-signed a joint brief with them for the plaintiffs-appellees, hence their inability to draw attention to the inevitable inconsistency and conflict of interest between the planters and the laborers resulting from the literal application of the law as above pointed out. They have overlooked the incontrovertible proposition that unless the laudable intention of the law to protect the laborers is carried out in the construction and application of Sections 1 and 9 *vis-a-vis* each other, any other way of implementing the same would render it unconstitutional.

We reiterate that as can be seen in the portion of the trial court's decision We have quoted earlier, the declared foundation of the Act was the so-called Moran Report, copy of the full text of which is attached to the printed memorandum of counsels for the planters. The thrust of said report is that the sugar industry, a very vital element of the national economy, would collapse if no means could be devised to compel the centrals to increase the share of the planters in their milled sugarcane production, for without such increase, the planters would not be able to contain the surging unrest and imminent refusal of their laborers to work unless their demand for higher wages, which they badly needed, were granted. The report proposed remedial measures to cope with the situation, and the Act is the legislative effort in that direction. To quote again from the decision of the learned trial judge:

"Moreover, Republic Act No. 809 seeks to reduce the inequality in the benefits being received by the Central and the laborers. It should be noted that under Section 9 of the law, 60% of the increased participation shall be given to the laborers and 40% for the planters. The application of the Act would go a long way towards promoting

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better relations between the laborers on one side and the planters and the Central on the other side.

"The almost yearly recurrence of strikes in the farms by the laborers has for its root cause discontent generated by the inadequate earnings of the laborers. Theirs is a miserable lot for they do not earn enough to give their families the minimum needed to maintain a decent living in a civilized society, not to mention the expenses necessary for the education of their children:

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"Realizing this danger to the biggest industry of the country, the late President Quezon caused a survey of the causes of the discontent of the laborers and the recurrent trouble in the sugar regions. The report submitted by the late Mr. Justice Moran after he investigated the books of the Centrals and those of the planters, advocated very strongly the necessity of a new and better sharing plan for the sugar planters." (Brief of Appellees, pp. 29-30; p. 31.)

The Moran Report itself contains the following pertinent observations:

"Considering the laborers to have been most adversely affected by the limitation, the planters had come out openly for an increase in the wages of their plantation laborers provided their share in the milling contract be also increased. The following gives us a fair view of their stand.

> 'At the beginning of this brief we have expressed our indorsement, in principle, of the proposition to fix minimum wage for the laborers in the sugar plantations. This is because we are with the laborers in their needs and in the improvement of their lot. But under the conditions in which the finances of the mass of the planters are found, nothing more can be done unless the state of such finances is also ameliorated. The proposed fixing of minimum wages is intended to be a measure of social justice to the laboring class but to render justice to a class at the expense of another class that also needs the New Deal will be most unjust. We have an abiding faith in the wisdom of our government and of those who control it, and that when it renders justice it does it not only to one class but to all classes needing it. Finally, we trust that when the government takes the steps towards adjusting the wages of the laborers at the

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expense of planters it will, at the same time adopt measure that will insure the planters of the increase of the benefits they derived from the industry. Any measure that the government may adopt toward raising the standard of wages for farm labor should be accompanied by a readjustment of the milling contract increasing the planter's share of the sugar, otherwise such a measure will be unfair and unjust to the planter.' (See pp. 34-35 of Preliminary Report dated Sept. 18, 1937, of Judge Francisco Zulueta, Court of Industrial Relations, to His Excellency, the President.)"

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"From what has been thus far discussed, two cardinal facts are clear: (1) that in general the profits of the centrals greatly out proportion those of the planters and (2) that the latter can not be made to ameliorate the condition of their laborers unless their milling shares be increased. It is thus obvious that the problem of improving the lot of the laborers in the sugar industry depends upon and is inseparably bound with another problem arising from the contractual relation between planters and centrals. There can be no question, however, that if the centrals refuse to adjust their milling contracts, to give room for increased participation in favor of the planters and thus obstruct the government's legitimate policy of improving the condition of the planters' laborers, its rightful authority may be exercised either in the form of taxation or police power. It may impose a tax on central's receipts . . ." (Memorandum of Justice Montemayor, pp. LXI to LXII; LXV to LXVI; See also Exhibit O.).

Any increase in participation given to planters in contracts executed after the approval of Republic Act 809 must be shared with laborers of the planters in the manner provided in Section 9, even if by the reason of the number of such contracts, Section 1 would not apply.

In other words, it is conceivable for Republic Act 809 to survive the constitutional attack mounted by the counsels for the CENTRAL, if in any instance its provisions can be availed of to get some advantage for the planters without their laborers being correspondingly benefited. A greater and more intolerable

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social injustice would result in such an event. In a sense, a dilemma has emerged. If We declare the Act unconstitutional upon the ground that it is unwarranted invasion of the freedom of contract as between the millers and the planters, the deplorable condition of the laborers in the sugar farms would remain as it was before its enactment. On the other hand, if We sustain its validity but at the same time apply it literally and sanction a construction thereof that would enable the centrals and their planters to enter into agreements, under which the latter would have to be given increased participation without any obligation to share the same with their laborers, the Court would be a party to a conspiracy to virtually defraud labor of the benefits, the grant of which is precisely its sole redeeming feature to save it from unconstitutionality. For it is clear for anyone to see that without the Act, under the conditions prevailing in the industry, the planters would have no means of persuading, much less compelling, the centrals or millers to give them any increase in their respective shares, whereas, with this law, faced with the prospect of being forced to grant the planters their proportion of sharing prescribed by it, if no written contracts were to be signed by them with the majority of the planters, naturally, the centrals would readily agree to give the planters the increase they want, — which could be less than that stipulated in the Act and yet be exactly what the planters would get under it if the majority of them were not to have written contracts with the central. In which eventuality, and should we uphold the proposed strictly literal construction of the Act, the laborers would be left holding the proverbial empty bag. In that way, the interests of the capitalist components of the industry, the millers and planters, would be served by the compulsive effect of the law but labor would not be assured of receiving even the crumbs, when the truth is that the legislation would have no reason for being as a constitutional and enforceable statute if it did not include mandatory provisions designed to lift them from misery. The Court emphatically refuses to have anything to do with such an unconscionable posture *vis-a-vis* the fate of labor, which pose, after all, We must assume could not have been in the contemplation of the legislature that precisely inserted

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into it its pro-labor element in order to bring it within the ambit of the social justice and police power protection of the fundamental law. We condemn such a view as definitely anti-social and as a gross injustice to labor, which no respectable legislature composed of duly elected representatives of the people may ever be deemed as capable of dirtying the sacred statute books with. Conscious of the highmindedness of the Congress and aware that deception, particularly if it would victimize labor, could never have been within their contemplation, We are thoroughly convinced that the Act should never be construed in the manner suggested.

The benefit to labor contemplated in Section 9 is ineludible even if Section 1 should be inapplicable.

The way then to remove from Republic Act 809 any taint of any furtive character is to construe it in the only manner its social justice purpose can be attained. Never should its provisions be deemed as permitting the planters to benefit from the operation thereof without their being compelled to give their laborers that without which the Act would not have been approved by Congress nor allowed by President Quirino to lapse into a law and for which alone it can avoid being struck down as unconstitutional. It is a familiar rule in constitutional law that when a statute is rationally capable of different constructions, that which will render it unconstitutional should be disregarded. Under the same principle, the constitutionality of a statute should not be prejudiced by applying the same in a manner that would render it unconstitutional. As has already been demonstrated, Republic Act 809 owes its constitutionality exclusively to its labor content, hence to allow it to be applied in a way that would strip it of that particular element would be fatal to its constitutional life.

In this connection, it is vigorously insisted that the terms of Section 1 are plain and explicit to the effect that the Act may be applied only in the milling districts where the majority of the planters do not have written milling contracts with the centrals. Likewise, it is as vehemently contended that Section 9 compels

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the planters to share with their laborers whatever increase the centrals would give them only and only if such increase is given to them "under the Act" more specifically, its Section 1, and, therefore, whatever increase should be given to the planters by written contract rather than by the inexistence of a majority of such written contracts would not be within the coverage of the Act. Viewing these arguments in the light of the social justice imperatives that inform the Act, as discussed above, the Court cannot agree.

There is latent ambiguity in the Act, hence the justification and the need for judicial construction.

Granting *arguendo* that the words of the provisions referred to do not suffer from patent ambiguity, We nevertheless discern latent ambiguity in them — latent in the sense that while the mandate to always protect labor whichever way said provisions might be construed does not seem apparent in the language employed, such compulsion — propelled by the indubitable spirit and objective of the Act — is readily perceptible in the obvious coercive pressure that Section 1 exerts upon the centrals for them to yield to the demand of the planters for written contracts with increased shares for the latter, as otherwise, that is, if the majority of the planters should not have written contracts, that is, if the majority of the planters should not have written contracts, the full force of said provision would fall on them (the centrals) and they would have no alternative than to give their planters the higher ratio of shares prescribed therein. In view of such latent ambiguity, judicial construction is imperative. Thus, reading the provisions in question from the ineludible perspective of its pro-labor intendment, We are not convinced that the existence of the majority of contractual planters mentioned in Section 1, attained after the effectivity of the Act, would inexorably result in the inapplicability of Section 9, such that by such majority of written contracts, the planters would be able to get by contract the increase intended for them by Section 1 without being mandatorily bound to give their laborers any portion thereof. We believe that to read Sections 1 and 9 in such manner would

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be contrary to the very purpose for which the Act was conceived and approved.

It is clear to Us that all that Section 1 implies is that the proportions of sharing therein specified would no longer hold in the event a majority of the planters in the district should have written milling contracts with the centrals. In that sense, it cannot be said that the Act impairs the freedom of contract to which the CENTRAL and the planters are entitled. The language of said section does not however appear to Us to necessarily envisage inseparability of its applicability from the enforceability of the rest of the Act. On the contrary, it is implicit in the separability clause contained in Section 10 of the Act itself that to avoid that the unconstitutionality of any provision of the Act which may result from its application in relation to another provision thereof, such provisions should be accordingly applied independently of each other, specially if by so doing, as in this instance, the objective of the statute can be best achieved.

More specifically with reference to the contention that Section 9 pegs or predicates the right of labor to partake in the increase of the shares of the planters to the increase resulting from the absence of a majority of contract planters provided for in Section 1, We hold that it is entirely within the purview of the legislative pro-labor-and-social-justice intent of the Act that any increase the central should concede to the planters by contract executed after the passage thereof is an increase "under the Act," thereby resulting in the application of its Section 9, for there can be no doubt that the centrals would only grant such increase for the ultimate purpose of avoiding the application of Section 1, which is to say that the centrals' act of entering into written contracts would plainly be nothing less than an ineludible consequence of the compulsive effect of the Act intended by the legislature. That this construction may not give the laborers exactly what the Act contemplates, since the contracts to be entered into might actually provide for proportions less favorable to the planters than that stipulated in Section 1 is no argument to render it untenable. What would happen in such a case is only a lesser

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evil than the totally anti-social disaster of labor getting absolutely nothing while the planters would be getting an increase which could be as much as that provided for them (planters) in said section. To reiterate, the percentage for labor specified in Section 9 may be safely construed to be demandable whatever be the percentage of increase for the planters that their contracts with their centrals might provide. And inasmuch as this constitutional approach just indicated is the only one consistent with the manifest objective of the Act, We are duty bound to adopt the same in the case at bar. The spirit rather than the latently ambigous letter of the Act must be enforced.

Why new contracts executed to secure majority were not illegal nor in bad faith.

At this point, it may be asked, since the new contracts just referred to were entered into purposely to avoid the application of Section 1 of the Act, should it not follow that they should be declared non-existent in the determination of whether or not there was absence of a majority of planters without written milling agreements with the CENTRAL? At first blush, it would seem reasonable to so hold. On deeper reflection and deliberation, however, it will be realized that it is not the purpose of the Act to prevent the execution of new contracts, even if this would create a majority of contract planters in any district. There is an abundant proof in the record that the interference with contractual freedom intended by the Act was precisely in the sense that the millers be placed in such a position that, for fear of being obliged to follow the ratio of sharing prescribed in its Section 1, they would have to sign new contracts agreeing to increase the share of the planters, leaving it to the planters to secure in the process of bargaining the percentage they consider adequate for them under the circumstances. In other words, the new contracts here in question cannot be deemed as entered into in bad faith or for an illegal purpose, since the expected effect of the Act is that there would be more contracts executed. Indeed, it was in the execution of those agreements that the objective of the law may be said to have been ideally achieved. At the same time that freedom of contract was observed, the desired increase of the share of the planters was also assured.

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It is as if the Act merely gave the planters a bargaining force with which to induce the millers to increase the share to be given to them (planters), albeit on the condition that from any such increase, the plantation laborers would in turn be given the benefit stipulated for them in Section 9. As We see it, the schedule of sharing as fixed in Section 1 was not designed to be the standard to be observed when the parties are willing to negotiate by themselves. Said schedule has to be followed only when either the majority of the planters in the district or the miller refuses to sign any agreement.

In conclusion, We hold that Republic Act 809 is a legitimate police power measure and at the same time a proper and valid implementation of the social justice provisions of the Constitution, and We have no alternative but to construe its provisions in the manner most conducive to that end. This is the basic criterion We will adopt in disposing of the other issues in this case, as will be seen anon.

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OTHER CONSTITUTIONAL OBJECTIONS LESS TENABLE.

The rest of the constitutional issues raised by the CENTRAL are even less impressive. Indeed, that the Act does not embrace more than one subject, that all the matters dealt with by its provisions are sufficiently covered by its title and are germane and that it does not deprive the CENTRAL of any property without due process of law is clearly elucidated in the manifestation of the Solicitor General dated October 14, 1960 quoted earlier in this decision. We find the position taken herein by the Solicitor General to be well taken.

We are thus fully satisfied that the whole Republic Act 809, properly applied as indicated in this decision, was well within the power of the legislature to enact and that it does not violate any provision of the Constitution.

III

Thirdly, the CENTRAL maintains that:

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"THE JUDGE *A QUO* AND CLIENT OF ATTY. JOSE AFRICA OF THE PLANTERS ERRED IN HOLDING THAT THERE WAS AN ABSENCE OF WRITTEN MILLING CONTRACTS BETWEEN THE DEFENDANT CENTRAL AND THE MAJORITY OF THE PLANTERS IN THE TALISAY-SILAY MILLING DISTRICT SINCE THE CROP YEAR 1952-53;

"(1) Because His Honor has disregarded even the official figures of the Sugar Quota Administrator, who after investigating the planters' complaint, found that in the crop year 1952-53 there were only One Hundred Fifty-Two (52) planters in the Talisay-Silay milling district: and instead His Honor has inflated said number to One Hundred Seventy (170), or by Eighteen (18) more planters; by the simple expedient of (1), listing two planters twice; (2), including in his list as planters in the district, Eight (8) persons who were not registered planters, and were cultivating only 'emergency plantations', not included in the Sugar Audit, as defined in Act 4166 (Sugar Limitation Law); and (3), counting Eight (8) other planters in his list two times (See Annex 'C' of plaintiffs' amended complaint).

(2) Because even the planters themselves, in their said complaint filed with the Sugar Quota Administrator, claimed that there were only One Hundred Fifty-Four (154) planters adhered to the Talisay-Silay Milling District,' and that 'Eighty-One (81) planters have written milling contracts, Sixty-Two (62) of which were executed on or before the effectivity of Republic Act No. 809, and Nineteen (19), after the effectivity of the above law' (See Appendix '12' of Central's answer).

"(3) Because the Judge *a quo* has clearly confused the number of milling contracts with the number of planters who cultivated and produced sugarcane on the plantations covered by said milling contracts." (CENTRAL's Brief, pp. 76-78.)

As can be seen, the issue raised in this assignment of error is mainly factual. However, there are certain situations involved in the resolution of said factual issue that call for the application of legal concepts which the trial court appears not to have correctly considered.

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The criterion established by Section 1 should be observed not only once but year by year.

Thus, the first point that has to be determined is whether the presence of the majority of contract planters contemplated in the law has reference only to the contracts existing during the first crop year after the passage of the act or to that of each year, starting from said first crop year. In other words, should the existence of such majority be determined only once, that is, when the Act took effect or year by year? The PLANTERS claim it should be only once while the CENTRAL contends it should be every crop year. In fact, in this connection, in their brief, the PLANTERS have counter assigned as alleged error of the trial court that:

"(2) THE LOWER COURT ERRED IN HOLDING THAT THE DETERMINATION OF MAJORITY SHOULD BE MADE FROM YEAR TO YEAR." (Page a, Brief of PLANTERS.)

The ruling of the trial court on this point is as follows:

"The Court holds that the sharing of the sugarcane produced during one agricultural year between the planters and the Central shall depend upon the existence or non-existence of the majority of planters during that year as provided by Section 1 of Republic Act No. 809. In other words, it is possible that during one agricultural year the majority of the planters may not have written milling agreements with the Central and, therefore, the sharing proportions provided for in Section 1 of the Republic Act No. 809 shall apply; while the following year the majority of said planters may have written milling agreements with the Central, in which case the terms of the contracts of the planters, both oral and written, shall govern. It is, therefore, necessary that the determination of the existence or non-existence of said majority be made each year.

"In arriving at the above conclusion, the Court has taken into consideration the text of the law as a whole and the purpose or objective of the legislature in enacting the same. That the Central is not deprived by Republic Act No. 809 of its right to induce the planters to enter into written milling contracts with it subsequent to the

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effectivity of said act for the purpose of avoiding the application of the sharing proportions provided for in Section 1 of said Act is evident from the text of Section 4 of the same Act which reads as follows:

> 'SEC. 4. In the event that any central shall be unable to arrive at a milling agreement with a majority of the planters affiliated with it, and shall refuse to mill the sugarcane of such planters in the absence of such an agreement, the President of the Philippines shall issue a proclamation declaring that, in the interest of the national welfare, the Government of the Philippines has taken over the central concerned, and thereupon the central shall be operated in the name and under the authority of the Government by an administrator to be appointed in the court proceeding provided for in section seven of this Act.'
>
> "This section clearly allows the Central to attempt to arrive at a written milling agreement with a majority of the planters affiliated with it. Said attempt may be exercised at any time after the passage of the Act and as often as the Central wishes to make the attempt. The result of said attempt or attempts shall be considered yearly in determining whether or not the majority of the planters have written milling contracts with the Central for the purpose of determining whether or not Republic Act No. 809 is applicable that year.
>
> "This interpretation is in accordance with the ruling of this Court above to the effect that lessees are included within the meaning of the term 'planter.' The lease may be for two or three years or more. The lessee may enter into a written milling contract with the Central for the duration of the lease. If he does so, then for the duration of his contract, he shall be considered as one planter with a written milling agreement for the purpose of applying Section 1 of Republic Act No. 809. Upon the expiration of the lease, the right to enter or not to enter into a written milling agreement with the Central reverts to the owner or passes to a new lessee or to both owner and new lessee. For this reason, Congress worded Republic Act No. 809 in such a way that the applicability of said Act should be determined every year."

We agree with the reasoning and conclusion of the trial court. Indeed, there are other strong reasons in support of such holding.

As We see it, the obvious objective of the Act is more to induce the centrals to enter into written agreements with the

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planters in their respective districts providing for better sharing ratios than the old 60-40 scheme, rather than to directly fix for them such ratio in the manner prescribed in Section 1. Were it the intent of the Act to definitely fix said sharing ratios, without regard to the contractual agreements between the parties, it would have been worded accordingly in the clearest terms, considering that such fixing would amount to a curtailment of the freedom of contract and may, therefore, be upheld only when the legislative intent is manifest and the exertion of police power in the premises is reasonably justified. It would have been the easiest thing for Congress to have provided clearly that thenceforth the sharing ratios should be as indicated in the Act instead of making its own applicability and enforcement dependent on factors obviously subjective to the parties concerned.

The question may be asked, why did the law lay down as the criterion for its applicability or enforcement such a subjective condition as the absence of a majority of planters with written milling contracts? A cursory reading of the pertinent provisions of the Act would readily reveal that Congress was aware that the best way to deal with the problems of the sugar industry it had in mind was to base their solution on the situation of the relationship between the planters and the millers in each milling district instead of in all of them as a whole. It is a matter of judicial notice that such situation in each district varied. A uniform formula of solution must have appeared to the legislature as impractical and unjustified to the members who were conversant regarding the problems of the industry. Thus, the lawmakers knew that the existence of a majority with written contracts in a district would naturally indicate that the planters were satisfied with the terms being given to them by the miller, hence the impropriety in such a district of any state interference by legislative fiat based on police power. In the language of the PLANTERS' brief, "if such condition was imposed by Congress, it would only mean that Congress was willing to let well enough alone in a milling district wherein the majority of the planters appeared to be satisfied." (pp. 77-78.) On the other hand, the absence of such a majority would signify the contrary; and

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usually, this sad state of affairs was due to the fact that the planters were practically at the mercy of the miller who could refuse to mill their sugarcane except under its terms. It is this virtual stranglehold by the miller that the law must have intended to remedy. And so, by providing that unless it entered into written contracts with the majority of the planters affiliated to it, the miller would have to follow the higher sharing ratio prescribed in the law, and it was assumed that the miller would rather yield to the planters by agreeing by written contract to a better sharing ratio if it was to save itself from having to suffer a bigger cut in its share of the proceeds.

But why would the planters prefer to sign written contracts with a sharing ratio for them different from or less than that prescribed by the law which would apply if the majority of them were to refrain from entering into written contracts? The reason may be found in the fact that there are other advantages in having such contracts, aside from the sharing ratio, which could probably offset the resulting loss in the percentage of sharing. Moreover, for the good of the industry and better relations between the planters and the miller it is always better to have written contracts to govern their relationship. Nothing can best promote the interests of the industry as a whole than mutual formal accord between the planters and the millers. (See pp. 22-23, Printed Memorandum on behalf of PLANTERS and LABORERS in amplification of oral argument dated August 29, 1963.)

The foregoing considerations make it quite evident that the Congress could not have contemplated making the situation obtaining on the date of its effectivity as a law the sole and exclusive criterion for determining its applicability in the respective milling districts of the Philippines. Our considered opinion is that the lawmakers were aware of how the situation used to vary from crop year to crop year in each district, so they must have deemed it best to make the applicability of the Act go along the way such variations would demand. We are certain the legislature could not have intended that the benefits for labor envisaged in the law should be allowed to be completely negated nor rendered ineffective for all the crop years to follow

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just because there was a majority of planters with contracts in crop year 1952-53, a possibility which it could not have ignored.

The planters and laborers contend that the Congress must have had in contemplation the fact that most if not all the contracts of 1920-21 had expired in 1950 and that it was more likely that there would be only a minority of the planters with contracts by the time the Act would be in force, hence the criterion under discussion. In any event, they insist that the Congress must have contemplated that the contracts signed after the approval of the Act should not be considered. We do not see the relevant circumstances that way. The truth revealed in the records is that many of the old contracts had already been extended way back in 1948. Withal, We cannot read in the provisions of the Act any indication to curtail the freedom of the parties to enter into contracts after the passage of the Act. Again, if the Congress really intended to either suppress that freedom or make the terms of future contracts subject to the sharing ratios prescribed in Section 1, We cannot conceive of any ponderous consideration why words to that effect were not used. If Congress had in mind that the old contracts had already expired and it was its intention to disregard the new contracts to be signed after its passage, it would have, with more reason, directly provided for the definite and unconditional enforcement of Section 1 instead of imposing the condition about the absence of a majority of contract planters. Withal, weighty reasons of constitutional policy prevent Us from adopting a construction that would make the Act violative of the freedom of contract. As a matter of fact, the PLANTERS and LABORERS themselves practically concede the legal possibility of new contracts providing for a ratio different from that in Section 1. (See p. 21, Printed Memo, *supra*.)

But the PLANTERS insist that the above construction would mischievously leave it entirely in the hands of some planters, who would augment the number of contract planters by belatedly executing contracts with the CENTRAL, the fate of the other planters and the laborers, who otherwise should be benefited by the Act. We are not unaware of such possibility. However,

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We have to consider that, as already stated, it is quite evident from the records of the deliberations in Congress that there was no intent to entirely do away with the right of the parties to enter into written contracts. It must have been assumed that faced with the inevitability of having to follow the sharing ratio prescribed in Section 1, the millers would be more than willing to enter into contracts providing for a ratio less prejudicial to them than that fixed in Section 1 but more beneficial to the planters than the old 60-40 ratio. In other words, increasing the share of the planters would still have been inevitable. Thus, the planters would not really stand to lose very much, what with the other benefits that go with a written contract. And as far as the laborers are concerned, as We shall show later, any increase the planters would be able to get would naturally entitle the laborers to the corresponding share provided for in Section 9 of the Act.

For all these reasons, We find no alternative than to overrule the PLANTERS' second counter-assignment of error.

- A -

THE NUMBER OF PLANTERS IN THE TALISAY-SILAY DISTRICT IN 1952-53 CROP YEAR

How many planters were there in the sugar district in question during the crop year 1952-53?

It is but logical that in the solution of the problem on hand, the first thing We have to determine is the correct number of planters who were affiliated to the Talisay-Silay sugar district during the first crop year (1952-53) of the effectivity of Republic Act 809. In this connection, the trial court found that there were one-hundred and seventy (170) of them. But appellant CENTRAL maintains that in arriving at such conclusion, His Honor adopted a concept of the term "planter" which is in some respects or as applied to some of the actual situations

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herein involved is not legally correct, much less realistic. A review of the record shows that the CENTRAL's observation is well taken.

Thus, the trial court found:

"For the sake of clarity, according to Exh. H-1, the planters affiliated to the Talisay-Silay Milling District as at June 22, 1952 are the following:

1. Alano, Amado Dr.
2. Alvarez, Rosendo
3. Kilayko, Francisco Dr.
4. Beson, Jose
5. Claparols, C.L. Vda. de
6. Estrella, Deogracias
7. Cordova, Candido
8. Esteban, Gloria A. de
9. Misa, Maria L. de
10. Labayen, Julio D.
11. Olimpo, Felicidad
12. Gaston, Benjamin
13. Perovano, Estefania R. Vda. de
14. Osmeña, Lourdes R. de
15. Lopez, Lolita R. de
16. Sian, Aniceta Rama de
17. Gamboa, Aguinaldo S.
18. Gamboa, Generoso, Jr.
19. Gamboa, Romeo B.
20. Santibañez, Efraim
21. Gaston, Amparo Vda. de
22. Henares, Fidel M.
23. Jareño, Catalino
24. Heirs of Hernaez, Amalia
25. Hernaez, Dominador
26. Hernaez, Pedro C.
27. Infante, Purita H. de
28. Lopez, Apeles, Concepcion
29. Hilado, Tarcela Vda. de
30. Ledesma, Anita L. de

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31. Locsin, Agusto M.
32. Montinola, Trino Dr.
33. Hilado, Alfonso
34. Escay, Jose G.
35. Javellana, Manuel A.
36. Oca, Gil de
37. Jison, Dominador
38. Jison, Emiliano
39. Lizares, Felix A.
40. Lacson, Caridad
41. Lacson, Ignacio *et al.*
42. Lacson, Domingo M.
43. Lacson, Salvador
44. Cuaycong. Jose G.
45. Tampingco, Gloria L. de
46. Yusay, Enrique Dr.
47. Lacson, Ernesto
48. Ledesma, Eduardo
49. Lacson, Pedro
50. Lacson, Damaso
51. Ayalde, Ceferino T. Dr.
52. Ledesma, Nicolas & L. M.
53. Ledesma, Eduardo & M. L.
54. Lizares, Emiliano
55. Oca, Luz de
56. Lizares, Antonio Dr.
57. Lizares, Demetria Vda. de
58. Lizares, Co., Inc.
59. Ybiernas, Vicente
60. Panlilio, Encarnacion L. Vda. de
61. Lizares, Maria A.
62. Camon, Emilio
63. Oca, Felisa de
64. Oca, Librada de
65. Lizares, Nilo
66. Lizares, Simplicio
67. Oca, Pedro de
68. Pison, Espedito

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69. Coscolluela, Agustin
70. Jalandoni, Nicolas
71. Lacson, Eduardo
72. Gamboa, Serafin
73. Kilayko, Ramiro
74. Lacson, Rafael
75. Trecho, Miguela
76. Trecho, Felimon
77. Villarde, Pelagio
78. Trecho, Benjamin
79. Treyes, Emilia
80. Granada, Roberto
81. Granada, Walterio
82. Coscolluela, Gloria de
83. Jocson, Flory G. de
84. Granada, Caridad
85. Granada, Alfredo
86. Kilayko, Celsa L. Vda. de
87. Gaston, Gerardo
88. Jalandoni, Daniel H.
89. Jofileña, Manuel S.
90. Jalandoni, Carolina
91. Lopez, Julieta H. de
92. Holifeña, Fe S.
93. Labayen, Emma H. de
94. Lomotan, Violeta H. de
95. Holifeña, Luis Ramos
96. Holifeña, Hector L.
97. Lizares, Generosa Vda. de
98. Lizares, Purita
99. Lizares, Carmen H. Vda. de
100. Holifeña, Roque
101. Granada, Pura G. de
102. Jison, Emilio L.
103. Lacson, Consolacion
104. Lacson, Felipe B.
105. Cuaycong, Natividad

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106. Alvarez, Ramon
107. Treyes, Florentino
108. Cordova, Consoling
109. Cordova, Balconeri
110. Oca, Aniceto de
111. Oca, Francisco de
112. Jimenez, Conrado L.
113. Lacson, Purita
114. Lacson, Josefina
115. Espuelas, Victoria
116. Jalandoni, Felisa Vda. de
117. Lizares, Jesus
118. Lizares, Heirs of Enrique
119. Lizares, Rodolfo
120. Pascual, Jose
121. Sausi, Atanacio
122. Gamboa, Angel S.
123. Velez, Sergio
124. Agravante, Dominador
125. Jonota, Julian
126. Jundos, Enrique
127. Medel, Magdalena
128. Robello, Armando
129. Villasor, Milagros
130. Ereñeta, Fernando H.
131. Gonzaga, Adoracion
132. Gamboa, Jose B.
133. Lacson, Daniel
134. Villanueva, Manuel M.
135. Treyes, Gorgonio
136. Gonzaga, Julian Dr.
137. Herrera, Patricio
138. Lizares, Antonio M.
139. Mascuñana, Angel
140. Holifeña, Vicente
141. Ortiz, Rosario G. de
142. Lacson, Angelina B.
143. Treyes, Gorgonio

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144. Vasquez, Ramon
145. Bustamante, Arturo
146. Villanueva, Alfredo
147. Lacson, Victoria
148. Gonzaga, Luis L.
149. Locsin, Agustin
150. Torres, Jose & R. de Leon
151. Blanca, Lucilo
152. Magallanes, Jesus A.
153. Nepomuceno, Miguel de
154. Torres, Jose Jr.
155. Nessia, Elegio
156. Arnaldo, Ricardo
157. Malejan, Renato
158. Rentoy, Federico
159. Castor, Juanito
160. Advincule, Rufino
161. Layson, Vicente
162. Puentebella, Romulo

"As listed above, such planter was counted as one although he may be planting two or more plantations. To the above 162 planters should be added 8 other planters thereby making a total of 170 planters in the Talisay-Silay Milling District as at June 22, 1952. These 8 planters are already included among the 162 listed in Exh H-1 but they have to be listed twice because each of them operates at least one plantation under a written milling contract and one other plantation without written milling contract. These planters are:

		No. in the list per Exh. H-1
1.	Lacson, Rafael	73
2.	Lacson, Salvador	43
3.	Lacson, Ernesto	47
4.	Lacson, Eduardo	71
5.	Lacson, Daniel	133
6.	Lacson, Victoria	147
7.	Jalandoni, Daniel	88
8.	Oca, Gil de	36"

(Pp. 421-428, Record on Appeal of CENTRAL.)

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Analysis of the trial court's findings

A careful analysis of the above-quoted portion of the appealed decision reveals certain misconceptions in the mind of His Honor.

1. *The trial court erred in including Emiliano Jison.*

In regard to the number 162 used as main figure by His Honor, admittedly, the basis thereof is Exhibit H-1, the Associated Planters' Final Report for the crop year 1952-1953, prepared by the CENTRAL. It is conceded by the appellees, however, that, on that basis or from the point of view of who are listed in Exhibit H-1, the correct number is really one hundred and sixty-one (161) only. There is agreement between the parties that the name of Emiliano Jison (No. 38) in the trial court's list) should be excluded, since there is no planter with that name in the district. There is an Emilio Jison, who is No. 102 in the list above. The name Emiliano Jison on page 1 of Exhibit H-1 opposite Plantation Audit No. 58-d is admitted by the PLANTERS to actually refer to Emilio Jison, even as the latter is also listed on page 3 of the same exhibit, which is nothing strange because of the different plantation audit numbers to which each of said entries correspond, considering that Emilio Jison was working in two separate registered plantations.

On the other hand, the other contention of the CENTRAL that the name of Gorgonio Treyes had also been listed twice by the trial court, while apparently correct, is sufficiently explained by the fact that the second listing of Treyes' name as No. 143 by His Honor should really correspond to and should be substituted with the name of Josefina Vda. de Lacson who, together with Treyes, is covered by Plantation Audit No. 126-e, as may be seen on page 4 of Exhibit H-1, thus entitling her to be included in the list of planters affiliated to the CENTRAL in addition to those listed in the decision under review.

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Who is considered planter within the contemplation of R.A. 809?

At this juncture, it becomes imperative to define the term "planter" as that word is used in Republic Act 809. In this regard, since the Act itself does not contain any definition, the trial court adopted the opinion of the Secretary of Justice (Opinion No. 85, Series of 1954) and held that a planter is "one who is entitled to produce sugar on a plantation and to deliver his produce to a sugar mill for milling," and that "the 'planter' referred to in Republic Act 809 may be either the owner of the plantation who produces or is entitled to produce sugarcane on his plantation or any lessee, usufractuary or person (other than the owner) who has a right to cultivate and to produce sugar thereon, provided that in either case, the planter has the right to deliver the sugar to the Central for milling." (Pp. 413-414, Record on Appeal of the CENTRAL.) Basically, both the CENTRAL and the PLANTERS adhere to this definition but do not see eye to eye on how to apply the same.

2. *May "emergency" planters be counted as planters for the purposes of this case? We believe not, but this point is hardly of any consequence.*

The inclusion in the list of the trial court of the following eight persons, namely:

1. Dominador Agravante
2. Julian Jonota
3. Enrique Jundos
4. Vicente Layson
5. Magdalena Medel
6. Romulo Puentebella
7. Armando Robello and
8. Milagros Villasor

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is assailed by the CENTRAL on the ground that as can be seen in Exhibit H-1, they are merely "emergency" planters, so called because they have no corresponding plantation audit number. It is insisted that inasmuch as under Section 7 of Executive Order No. 873 and Section 12 of Executive Order No. 885, Series of 1935, supplementing the provisions of Act 4166, the Sugar Limitation Law, a planter is "any person, firm or corporation, or combination thereof, entitled by virtue of ownership, or by virtue of written or oral contract with the owner of the plantation, to produce sugarcane on the plantation and to deliver the same to the mill to fill the whole or a part of the plantation-owner's allotment," and, since the lands cultivated by the above-named eight persons had no allotment of centrifugal sugar or were not included in the audit of sugar mills and sugar plantations provided for in Executive Order of Governor General No. 459, they could not be deemed "planters in the district" within the contemplation of the sugar limitation laws. On the other hand, the PLANTERS contend that considering that sugarcane cultivated by them was undisputably delivered to the CENTRAL from their plantations, those plantations should be considered part of the mill district it being provided in Section 1 (e) of Act 4166, as amended, that "a plantation is adherent by virtue of sugarcane being delivered therefrom to a mill regardless of contract relations between the mill company and the plantation owner and/or any other person cultivating sugarcane on the plantation.

Anent such conflicting views, it is, of course, beyond question that all said eight persons did produce sugarcane from the plantations they cultivated and did deliver their produce to the CENTRAL and the latter did mill their sugarcane during the crop year 1952-53, albeit, contrary to the contention of the PLANTERS on page 49 of their brief, none of them had any production coefficients and allotments. We have carefully examined Exhibit A-1, the list of coefficients and production allotments for 1952-53 crop year and We have not found any of their names among those listed therein. In fact, We have examined the lists for the other years, Exhibits A, A-2, A-3, A-4, etc. Their names are not in any of them. Since they had

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no production allotments, it stands to reason that they were not producing to fill any quota allotments. But even if We should hold that these eight emergency planters should be excluded from the 161 We have found above, the final outcome of the main issue under discussion would not be altered, considering Our other finding, as will be stated later, regarding the number of contract planters adherent to the CENTRAL during the crop year 1952-53.

3. *The trial court erroneously counted eight other planters twice.*

According to the trial court, as appears in the abovequoted portion of its decision, eight planters, namely, Rafael Lacson, Salvador Lacson, Ernesto Lacson, Eduardo Lacson, Daniel Lacson, Victoriano Lacson, Daniel Jalandoni and Gil de Oca, although they are already included among the 161 listed by it "have to be listed twice because each of them operates at least one plantation under a written milling contract and one other plantation without written milling contract." (Pp. 427-428, Record on Appeal of CENTRAL.) We cannot agree. As We read Section 1 of Republic Act 809, "the absence of written milling agreements between the majority of the planters and the millers of sugarcane in any milling district in the Philippines" plainly contemplates only the total number of actual planters milling in a given central, such that if the majority of that number have written milling contracts, the provision would no longer apply, regardless of the number of plantations any of such planters have cultivated and whether or not all of such plantations are covered by contracts. In other words, it is absence of written contracts with the majority of the planters that is the criterion. If a planter has a contract with the Central covering one plantation he works on, there can be no absence of contract with him, even if he cultivates other plantations not covered by any contract. Indeed, it is absurd to think that a planter is a contract planter and a non-contract planter at the same time, where the law, as in this case, does not refer to plantations covered or not covered by contracts, but only to planters who have or do not have contracts with the Central. Thus, it is evident that the trial court erred in counting those eight planters twice, once as

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contract planters and separately again as non-contract planters, in computing the total number of planters in the district. Neither the number of plantations worked by a planter nor the number of quotas he has is relevant. Anyway, as long as a planter has a contract covering one plantation, the likelihood, insofar as the ratio of sharing is concerned, is that he would get the same ratio for the plantations not covered by the contract, since under Executive Orders Nos. 900 and 901, Series of 1935, the plantation milling share for the plantations not covered by any contract with the miller "shall be the most frequent basic plantation milling share stipulated in valid written contracts."

In connection with the above figures, it is interesting to point out that in the official communication of the Sugar Administrator, Annex C of the complaint in this case, it is stated that according to the records of his office there were 152 planters adherent to Talisay-Silay Milling Company during the crop year 1952-53. While neither party admits the correctness of such figure, it may be noted that the CENTRAL's contention in regard to the point at issue seems nearer to the finding of the Sugar Administrator, whereas the conclusion of the trial judge, sustained by the PLANTERS, appears to be quite farfetched.[6]

There were 161 planters in 1952-53.

In the light of the foregoing disquisition, and adopting a liberal view as to the emergency planters. Our conclusion is that for the purposes of the application of Section 1 of Republic Act 809 to the Talisay-Silay sugar district during the crop year 1952-1953, there were one hundred sixty-one (161) planters adherent to the CENTRAL.

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[6] On the other hand, the figures given by the Sugar Administrator regarding the number of contract planters to which the PLANTERS would give importance can hardly be reliable, considering that the primary and best evidence of the existence of the contracts are found in the records of the Central and, of course, of the respective planters concerned. In fact, in their brief, the PLANTERS maintain that notwithstanding the announced result of the administrative investigation conducted by the Sugar Administrator respecting the matters here in dispute, "the Lower Court (and on appeal, the appellate court) had (would have) the power to make its own findings of fact on the basis of the evidence presented." (pp. 37-38.)

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- B -

THE NUMBER OF CONTRACT AND NON-CONTRACT PLANTERS IN THE TALISAY-SILAY DISTRICT IN 1952-53 CROP YEAR

Having arrived at the conclusion that there were 161 planters in the district in question in crop year 1952-53, the next issue for Our resolution is, how many of those planters had contracts with the CENTRAL during that period. Otherwise stated, was there absence of contract with a majority of them during that crop year?

In arriving at its conclusion as to the number of contract planters, the trial court merely counted the contracts but omitted to consider how many planters are bound thereby and, incidentally, who they are.

Ruling on this issue, after finding albeit erroneously that there were 170 planters in the district, when there were actually only 161, including already the 8 emergency ones, His Honor held:

"Of the above planters, the following have written milling contracts with the Central on June 22, 1952 as shown by their contracts Exhs. C, C-1 to C-62:

Exhibit C	—	Rosendo Alvarez
C-1	—	A. Be Chingsuy
C-2	—	Hormesinda Diaz
C-3	—	Fernando H. Ereñeta
C-4	—	Fundador Espuelas
C-5	—	Simon Espuelas
C-6	—	Victoria Espuelas
C-7	—	Blandina Gamboa
C-8	—	Jose B. Gamboa
C-9	—	Julian F. Gonzaga
C-10	—	Serafin R. Gamboa
C-11	—	Soledad Gamboa Vda. de Velez
C-12	—	Carlota Gonzaga

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C-13	—	Maria H. Maramba in her capacity as Jud. Admtx. of Estate of Esteban Henares
C-14	—	Patricio Herrera
C-15	—	Daniel H. Jalandoni
C-16	—	Celsa L. Vda. de Kilayko
C-17	—	Rufina C. Vda. de Kilayko
C-18	—	Carolina Lacson Gigante
C-19	—	Rodrigo Lacson & Damaso Lacson
C-20	—	Daniel Lacson for himself and in place and stead of Josefa Lacson, Irene Lacson, Salvacion Lacson and Teresa Lacson de Presbitero
C-21	—	Eduardo B. Lacson
C-22	—	Ernesto J. Lacson
C-23	—	Gloria Lacson Tampinco
C-24	—	Mercedes Lacson
C-25	—	Felipe Lacson
C-26	—	Rafael Lacson
C-27	—	Rosario Avanceña Vda. de Lacson
C-28	—	Rosario Avanceña Vda. de Lacson
C-29	—	Salvador Lacson
C-30	—	Sofia Lacson de Gonzaga
C-31	—	Victoria Lacson
C-32	—	Dr. Antonio A. Lizares
C-33	—	Antonio M. A. Lizares
C-34	—	Carmen H. Vda. de Lizares
C-35	—	Demetria Vda. de Lizares
C-36	—	Emiliano Lizares
C-37	—	Estate of the deceased Enrica Alunan Vda. de Lizares represented by Dr. Antonio Lizares
C-38	—	Felix A. Lizares
C-39	—	Generosa B. Vda. de Lizares
C-40	—	Maria A. Lizares, Felisa L. de Jalandoni & Dr. Antonio A. Lizares
C-41	—	Purita Lizares Tiongson

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C-42	—	Simplicio Lizares *por los heredroes de la difunta Agueda Lizares*
C-43	—	Simplicio Lizares
C-44	—	Adela L. Vda. de Mapa
C-45	—	Angel Mascuñana
C-46	—	Maria Lizares de Misa
C-47	—	Maria Lizares de Misa for herself and by general power of attorney for the place and stead of Nicolas I. Misa
C-48	—	Maria L. de Misa, German Lacson, Ernesto Lacson & Cecilia L. de Misa
C-49	—	Patricia Vda. de Oca
C-50	—	Encarnacion L. Vda. de Panlilio, Efigenia L. Vda. de Paredes, Remedios L. de Guinto *y* Leon Guinto
C-51	—	Testate Estate of Don Esteban de la Rama
C-52	—	Estate of Domingo Rodriguez represented by Dr. Antonio A. Lizares
C-53	—	Leontina N. de Sian
C-54	—	Leontina Novella de Sian for herself and in her capacity as Attorney-in-fact for the co-owners of Hda. Cafe consisting of Lots Nos. 480 and 481
C-55	—	Ciriaco Trecho
C-56	—	Felimon Trecho
C-57	—	Miguela Trecho
C-58	—	Petra Trecho
C-59	—	Magdalena L. de Treyes, for herself and by power of Attorney for the places and stead of all the other heirs
C-60	—	Gorgonio Treyes
C-61	—	Anita de Leon de Villanueva
C-62	—	Pelagio Villarde

"Among the planters in Exh. H-1, eleven (11) who did not have the milling contracts when Republic Act No. 809 was enacted, entered into milling contract on February 17, 1953 (Exhs. D, D-1, D-2, D-4,

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D-15, D-16, D-17, D-18, D-22, D-24 and D-25). They should be added to the 63 with milling contracts during the agricultural year 1952-1953, thereby making a total of 74. Since the majority of 170 is 86, the Court holds that a majority of the planters in the Talisay-Silay Milling District did not have a written milling contract during the agricultural year 1952-1953. Republic Act No. 809 is, therefore, applicable that year." (Pp. 428-432, Record on Appeal of CENTRAL.)

It is to be noted that in arriving at the foregoing conclusion, the trial judge did no more than count the number of contracts presented in evidence, Exhibits C, C-1 to C-62, D, D-1, D-2, D-4, D-16, D-16, D-17, D-18, D-22, D-24 and D-25. No effort was made to examine the details of said contracts in order to find out who and how many, in fact, are the planters bound by each of them. Actually, these details are of decisive importance, for the basis adopted by the trial court ignores the realities of the true situation as well as the legal import of said contracts *vis-a-vis* the main issue presented for its determination.

On pages 90-92 of its brief, the CENTRAL makes the pertinent observations that:

"x x x Thus, an examination of the milling contracts, in question, will show that some of the planters listed by the Judge, as for example, Maria L. de Misa (No. 9), actually had executed and signed at least *three milling contracts* mentioned by the Judge, namely: Exhibits 'C-46', 'C-47' and 'C-48'). On the other hand, some milling contracts, as, for example, Exhibit 'C-37', executed on May 13, 1948, by the Judicial Administrator of the owner, Estate of Enrica A. Vda. de Lizares, actually covers two plantations or haciendas named 'Minuluan' and 'Efigenia'. But after the project of partition of said Estate of Enrica Alunan Vda. de Lizares was later approved, as shown by Exhibit 'V', the hacienda 'Minuluan' alone was actually subdivided among sixteen heirs, and each subdivision was given a separate plantation audit number in the name of the corresponding heir, from Plantation No. 213 to Plantation No. 229-a; in such a way that in the list of plantation owners, and their corresponding Production Coefficients and Allotments, contained in Exhibit 'A-1' (par. 1, First Stipulation, pp. 198-199, Central's Record on Appeal) for the crop year 1952-1953, each of the newly numbered subdivision plantations was already registered in the name of the respective heirs, as follows:

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Plantation No.	Plantation Owners
213	Lizares, Maria A.
214a	Ybiernas, Estrella M. de and Mapa, Placido L.
215	Lizares, Simplicio
216a	Lizares, Heirs of Nicolas
217	Lizares, Emiliano
218	Kilayko, Celsa L. Vda. de
219a	Panlilio, Encarnacion L. Vda. de
220	Jalandoni, Felisa L. Vda. de
221a	Lizares, Dr. Antonio A.
222	Lizares, Heirs of Enrique
223a	Paredes, Efigenia L. Vda. de
224a	Guinto, Remedios L. de
225	Jalandoni, Felisa L. Vda. de
227	Lizares, Rodolfo
228a	Lizares, Asuncion Lopez Vda. de
229a	Moreno, Jimmy Nolan"

Analyzing the 63 contracts, Exhibits C, C-1 to C-62, plus the eleven new ones taken into consideration by the trial court, the obvious inevitable result is that there were 86 contract planters.

There is ample support in the record for the points thus raised by the CENTRAL. Indeed, a close scrutiny of the evidence shows quite plainly that there are contracts listed in the lower court's decision (Exhs. C, C-1 to C-62) that bound not the persons who appear to have executed the contracts with the CENTRAL but their successors in interest or their lessees. An example of this is the case of Exh. C-1 in the name of A. Be Chingsuy. This A. Be Chingsuy is not listed in Exhibit H-1 as one of the planters affiliated with the CENTRAL during the crop year 1952-53. The evidence shows that Jose Beson is a transferee by absolute sale of Hda. Tabayag, P/A 8, from A. Be Chingsuy (Exh. HH) and a lessee of Hda. Cataywa, P/A 6a, and Hda. Luciana P/A 7a (Exh. A-1 p. 2). It is also shown

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that Francisco Kilayko is lessee of Hda. Bantod, P/A 4c (Exh. A-1 p. 2). All these haciendas mentioned are covered by contract Exhibit C-1 entered into by A. Be Chingsuy with the CENTRAL. Both Jose Beson and Francisco Kilayko are listed in Exhibit H-1 as planters affiliated with the CENTRAL in the crop year 1952-53 and the PLANTERS expressedly admit in their brief that Jose Beson and Francisco Kilayko were contract planters for the crop year 1952-53. (p. V, Annex A) The milling contract bound Jose Beson and Francisco Kilayko because of the provision of paragraph 17, which is found in all milling contracts, as follows:

"17. *Que este contrato, y todos sus terminos obligaciones y condiciones se entenderan contraidos tambien por las tierras y plantaciones mencionadas, y seran obligatorias para los Plantadores testamentarios, albaceas, cesionarios y representantes de los Plantadores y para las plantaciones y las tierras.*"

There are many other persons appearing as the ones who executed the milling contracts, but were not planters affiliated to the CENTRAL during the crop year 1952-53. This is where the lower court committed error. It simply assumed that the 63 contracts (Exhs. C, C-1 to C-62) as represent also 63 planters with milling contracts, without taking into consideration that there were many of those contracts that bound not the persons who executed them but the person or persons who are the successors in interest of those who did so. What the lower court did was simply to count the contracts as they are — 63 in all — without even considering that there are cases of two or three contracts appearing in the name of one person. Such, for instance, is the case of Maria L. de Misa, as pointed out by counsel for the CENTRAL, who appears to have executed three contracts (Exhs. C 46, C-47 and C-48). Then there is the case of Rosario Avanceña Vda. de Lacson who appears to have executed two contracts (Exhs. C-27 and C-28). As can be seen, Rosario Avanceña Vda. de Lacson is not even listed in Exh. H-1 as a planter affiliated to the CENTRAL during the crop year 1952-53. There is also the case of Simplicio Lizares who appears to have executed two contracts — one for himself (Exh. C-43) and another for the heirs of the late Agueda Lizares

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(Exh. 42). In other words, the finding of the trial court that there were 63 contract planters has no other basis than that there were numerically 63 contracts extant in the record. No thought at all was given to the fact just pointed out that in a number of said contracts the PLANTERS involved are the same. Neither did His Honor consider, that, on the other hand, there are contracts that bound more than one PLANTER, such as the contracts executed by Daniel Lacson, for himself and for four others (Exh. C-20); the contract executed by the executor of the estate of Enrica Alunan Vda. de Lizares (Exh. C-37); the contract executed by the executor of the estate of Esteban de la Rama (Exh. C-51); the contract executed by the administrator of the estate of Domingo Rodriguez (Exh. C-52); the contract executed by Magdalena L. de Treyes, for herself and as attorney-in-fact of the other heirs, who were individually planters in their own right, etc. These cases certainly make manifest the error committed by the lower court in simply counting the 63 contracts as representing 63 contract planters affiliated with the CENTRAL during the crop year 1952-53.

Contrary to the finding of the trial court there were 86 contract planters.

It is Our considered opinion, and so We hold, that the trial court's finding that there were only seventy-four (74) contract planters in the Talisay-Silay district in crop year 1952-53, (the 63 that the court based on Exhibits C, C-1 to C-62 plus the eleven borne by Exhibits D, D-1, D-2, D-4, D-15, D-16, D-17, D-18, D-22, D-24 and D-25, the contracts executed on February 17, 1953, that is, after the Act took effect on June 22, 1952 but within the crop year 1952-53) is inaccurate and does not reflect the true import of the undisputed documents in the record submitted by the parties along with their stipulations of fact. We have scrutinized each of the contracts referred to by His Honor and checked and rechecked their pertinent provisions regarding the status of the contracting parties therein. We are fully convinced that, on the basis thereof, it is beyond question that there were no less than eighty-six (86) contract planters

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in the district in question during the material period here in dispute.

To begin with, there are forty-four (44) planters as to whom the CENTRAL and the PLANTERS appear to be agreed they are contract planters, namely:

1. Alvarez, Ramon
2. Alvarez, Rosendo
3. Beson, Jose L.
4. Bustamante, Arturo
5. Camon, Emilio
6. Coscolluela, Agustin
7. Ereñeta, Fernando H.
8. Espuelas, Victoria
9. Gamboa, Jose B.
10. Gamboa, Serafin
11. Gonzaga, Julian
12. Gonzaga, Luis L.
13. Henares, Fidel M.
14. Herrera, Patricio
15. Hofileña, Vicente
16. Jalandoni, Felisa Vda. de
17 Jalandoni, Nicolas
18. Kilayko, Celsa L. Vda. de
19. Kilayko, Francisco Dr.
20. Kilayko, Ramiro C.
21. Labayen, Julio D.
22. Lacson, Felipe
23. Lacson, Pedro
24. Lizares, Antonio Dr.
25. Lizares, Antonio Ma.
26. Lizares, Carmen H. Vda. de
27. Lizares, Demetria Vda. de
28. Lizares, Emiliano
29. Lizares, Felix A.
30. Lizares, Generosa, Vda. de
31. Lizares, Maria A.
32. Lizares, Purita

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33. Lizares, Simplicio
34. Mascuñana, Angel
35. Misa, Maria L. de
36. Olimpo, Felicidad
37. Panlilio, Encarnacion L. Vda. de
38. Santibañez, Efraim
39. Tanpingco, Gloria L. de
40. Torres, Jose and R. de Leon
41. Trecho, Miguela
42. Treyes, Gorgonio
43. Villanueva, Alfredo
44. Villarde, Pelagio

(CENTRAL's Brief, pp. 93-117;
PLANTERS' Brief, Appendix A,
pp. IV to LIX.)

However, in the Guidelines and Tabulations submitted to the Court by counsel for the PLANTERS, Atty. Miguel V. Gonzalez, to which is annexed as Exh. A-1 a list of the planters indicating who in the view of said PLANTERS had written contracts with the CENTRAL during crop year 1952-53, the name of Efraim Santibañez, No. 38 above, does not appear as a contract planter, whereas Sergio Velez and Manuel Villanueva, who are not listed above are included as contract planters. Since it is rather too late in the day now for the PLANTERS to alter the classification, already given by them in their brief, in a manner that would favor them, while any admission made by them at this stage adverse to their interest should bind them, it results that We should consider the status of 46 planters to be contract planters during crop year 1952-53 as no longer controversial.

So, also are the parties in virtual agreement that the following seventy-five (75) planters are non-contract ones:[7]

1. Agravante, Dominador
2. Alano, Amado Dr.
3. Ayalde, Ceferino T. Dr.

[7] PLANTERS' brief, Appendix A. The CENTRAL did not include those names in its list of contract planters, so it is deemed the CENTRAL considers them as non-contract planters, pp. 93-117 of CENTRAL's brief.

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4. Claparols, C.P. Vda. de
5. Cordova, Balconeri
6. Cordova, Candido
7. Cordova, Consoling
8. Consolluela, Gloria D.
9. Cuaycong, Jose J.
10. Cuaycong, Natividad L. de
11. Esteban, Gloria de
12. Estrella, Deogracias
13. Gamboa, Aguinaldo
14. Gamboa, Angel
15. Gamboa, Generoso
16. Gamboa, Romeo S.
17. Gaston, Amparo C. Vda. de
18. Gaston, Benjamin
19. Gaston, Gerardo
20. Granada, Alfredo
21. Granada, Caridad
22. Granada, Pura J. de
23. Granada, Roberto
24. Granada, Walterio
25. Hernaez, Heirs of Amalia
26. Hernaez, Pedro C.
27. Henares, Dominador
28. Hilado, Alfonso
29. Hilado, Tarcela Vda. de
30. Hofileña, Fe S.
31. Hofileña, Hector L.
32. Hofileña, Luis Ramiro
33. Hofileña, Manuel S.
34. Hofileña, Roque
35. Infante, Purita H. de
36. Jalandoni, Carolina
37. Javellana, Manuel A.
38. Jimenez, Conrado L.
39. Jison, Dominador L.
40. Jison, Emilio L.
41. Jocson, Flory J. de

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42. Jonota, Julian
43. Jondos, Enrique
44. Labayen, Emma H. de
46. Lacson, Angelina de
46. Lacson, Consolacion
47. Lacson, Domingo W. and Enriqueta
48. Lacson, Ignacio, *et al.*
49. Lacson, Josefita Vda. de
50. Lacson, Purita
51. Layson, Vicente
52. Ledesma, Anita L. de
53. Ledesma, Eduardo and M.L.
54. Ledesma, Nicolas and L.M.
55. Lizares, Nilo
56. Locsin, Augusto M.
57. Lomotan, Violeta H. de
58. Lopez, Apeles Concepcion and Pompeyo
59. Lopez, Julieta H. de
60. Medel, Magdalena
61. Montinola, Trino Dr.
62. Oca, Aniceta de
63. Oca, Felisa de
64. Oca, Francisco de
65. Oca, Librada de
66. Oca, Pedro de
67. Ortiz, Rosario J. de
68. Pascual, Jose
69. Pison, Expedito
70. Puentebella, Romulo
71. Robello, Armando
72. Sausi, Atanacio
73. Treyes, Emilia
74. Vasquez, Ramon
75. Villasor, Milagros

(Included already among these 75 are the 8 emergency planters previously referred to as being controversial.)

Thus, it would appear that it is with respect only to the following forty (40) planters listed in the trial court's decision that there

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is controversy in this case as to whether they are contract planters or not:

1. Advincula, Rufino
2. Arnaldo, Ricardo
3. Blanca, Lucilo
4. Castor, Juanito
5. Escay, Jose G.
6. Gonzaga, Adoracion
7. Jalandoni, Daniel
8. Jareño, Catalino
9. Lacson, Caridad
10. Lacson, Damaso
11. Lacson, Daniel
12. Lacson, Eduardo
13. Lacson, Ernesto
14. Lacson, Josefina
15. Lacson, Rafael
16. Lacson, Salvador
17. Lacson, Victoria
18. Ledesma, Eduardo Lacson
19. Lizares Co., Inc.
20. Lizares, Heirs of Enrique
21. Lizares, Jesus
22. Lizares, Rodolfo
23. Locsin, Agustin T.
24. Lopez, Lolita (Dolores R. de)
25. Magallanes, Jesus
26. Malajan, Renato
27. Nepomuceno, Miguel de
28. Nessia, Eligio
29. Oca, Gil de
30. Oca, Luz de
31. Osmeña, Lourdes R. de
32. Pirovano, Estefania Vda. de
33. Rentoy, Federico de
34. Sian, Aniceta Rama de
35. Torres, Jose
36. Trecho, Benjamin

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37. Trecho, Felimon
38. Treyes, Florentino
39. Ybiernas, Vicente
40. Yusay, Enrique Dr.

Now, of this 40, ten (10), namely, (1) Rufino Advincula, (2) Ricardo Arnaldo, (3) Lucilo Blanca, (4) Juanito Castor, (25) Jesus de Magallanes, (26) Renato Malejan, (27) Miguel de Nepomuceno, (28) Eligio Nessia, (33) Federico de Rentoy and (35) Jose Torres, who is different from Jose R. Torres Jr., were held by the trial court to have been contract planters in 1952-53, as already stated earlier, in view of Exhibits D, D-1, D-2, D-4, D-15, D-16, D-17, D-18, D-22 and D-24,[8] the ten (10) contracts executed by them on February 17, 1953. In this regard, contrary to the contention of the PLANTERS in their first counter-assignment of error in their brief to the effect that:

"(1) THE LOWER COURT ERRED IN HOLDING THAT MILLING CONTRACTS EXECUTED AFTER JUNE 22, 1952 SHOULD BE CONSIDERED IN THE COUNTING OF CONTRACT PLANTERS." (Page a, Brief of Appellees.)

there can be no possible doubt as to the propriety of these planters being considered as contract planters for the period in question. The evidence shows that the sugarcane crop year in the Talisay-Silay Milling district begins on September of each year and technically ends in August of the following year. It is thus obvious that the crop year 1952-1953 began in September of 1952. And since the ten (10) contracts referred to were executed in February 1953, it follows that they correspond to the 1952-1953 crop year here in dispute, hence, said counter-assignment of error should be as it is hereby overruled. Therefore, Our remaining task is limited to the determination of the status of only the remaining thirty (30) planters in the above list.

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[8] Exhibit D-25 is not included here. It is the contract of Jose R. Torres Jr. who is already included as No. 40 in the list of the uncontroverted contract planters.

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On this score, the evidence clearly establishes the status of those 30 planters to be as follows:

GONZAGA, ADORACION (No. 6) — She is the absolute owner of a definite portion of Hda. Bubog, with P/A 20b covered by contract Exh. C-3 signed by Fernando H. Ereñeta covering the said entire Hda. Bubog. Upon acquiring that definite portion of Hda. Bubog and also her own P/A, Adoracion Gonzaga milled her sugarcane with the CENTRAL under the terms of the contract Exh. C-3 (Exhs. H-1, p. 4; A-1, p. 2; and Y).

JALANDONI, DANIEL (No. 7) — In the very list of contracts in the decision of the lower court, it appears that contract Exh. C-15 is in the name of Daniel H. Jalandoni as the owner of P/A 152a and P/A 153a (Exh. H-1, p. 3). This planter had milling contract as heir and owner of the Hda. Cabug, P/A No. 152a and No. 153a, formerly belonging to his aunt Rosario Hofileña and his mother Carmen Hofileña. He signed the milling contract Exh. C-15 as owner. It does not appear that Rosario Hofileña or Carmen Hofileña ever executed a milling contract. However, P/A 152a and P/A 153a cover among other lands Lot No. 542, and contract Exh. C-15 executed on July 20, 1948 by Daniel Jalandoni covered precisely Lot No. 542 of Hda. Cabug. There is identity of the lot covered by contract Exh. C-15, and P/A Nos. 152a and 153a. (Exhs. A-1, and V-11).

LACSON, CARIDAD (No. 9) — It appears that contract Exh. C-20 signed by Daniel Lacson covers Hda. Binoñga, Lot 482. It is shown in Exh. Y that Lot 482 is covered by P/A Nos. 61a, 61c, and 61d. P/A 61a is planted by Daniel Lacson while P/A 61c is planted and owned by Caridad Lacson (Exh. A-1 p. 3) as successor in interested the former owners.

LACSON, DAMASO (No. 10) — He is the planter with P/A NO. 7-a, Hda. Puyas (Exh. H 1, p. 2). In the very list of contracts in the decision of the lower court it appears that contract Exh. C-19 was executed by Rodrigo Lacson and Damaso Lacson. There is no question, therefore, that Damaso Lacson is a contract planter.

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LACSON, DANIEL (No. 11) — It appears that Daniel Lacson has P/A No. 61a. In the very list of contracts in the lower court's decision, it appears that contract Exh. C-20 was executed by Daniel Lacson for himself and in the place and stead of Josefa Lacson, Irene Lacson, Salvacion Lacson and Teresa Lacson de Presbitero. Exh. Y, p. 2 shows that P/A Nos. 61a, 61c, 61d (Hda. Binoñga-Othella) pertain to Lot No. 482. Contract Exhibit G-20 executed by Daniel Lacson for himself and his co-heirs covers precisely Lot No. 482.

LACSON, EDUARDO (No. 12) — He is the owner of P/A No. 190, Hda. Sta. Maria (Exhs. H-1 p. 3; A-1 p. 4). In the very list of contracts appearing in the decision of the lower court, it appears that Eduardo E. Lacson executed contract Exh. C-21. He executed Exh. C-21 on June 15, 1948, covering Hda. Sta. Maria.

LACSON, ERNESTO (No. 13) — In the very list of contracts in the decision of the lower court, it appears that Ernesto Lacson executed contract Exh. C-22. He is the owner of P/A No. 68e and lessee of P/A 68g owned by Mercedes, Fernando, Carolina and Estrella Lacson (Exhs. A-1, p. 3). He executed the contract Exh. C-22 on July 1, 1948, covering the portion corresponding to him of Lots Nos. 501 and 510 of the cadastral survey of Talisay (Exh. Y, p. 2).

LACSON, JOSEFINA (No. 14) — She owned and planted Hda. San Antonio, P/A 207 (Exh. H-1 p. 3 and Exh. A-1 p. 5). She is successor in interest of Rosario Avanceña Vda. de Lacson who executed contract Exh. C-28.

LACSON, RAFAEL (No. 15) — In the very list of contracts in the decision of the lower court, it appears that Rafael Lacson executed contract Exh. C-26. He owns Hda. Vista 1 and 2 (Exh. H-1 p. 2) P/A No. 125a, and Hda. Sta. Maria (Exh. H-1, p. 3) with P/A No. 184. It appears that he executed contract Exh. C-26 on August 14, 1948 covering these two haciendas.

LACSON, SALVADOR (No. 16) — In the very list of contracts in the decision of the lower court, it appears that Salvador Lacson executed contract Exhibit C-29. He has a

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contract (Exh. C-29) for P/A 206, Hda. San Rafael (Exh. H-1, p. 3).

LACSON, VICTORIA (No. 17) — In the very list of contracts, in the decision of the lower court, it appears that Victoria Lacson executed contract Exhibit C-31. Her contract covered P/A 185, Lot 7 comprised in Hda. Sta. Maria.

LEDESMA, EDUARDO LACSON (No. 18) —The evidence shows that Eduardo Lacson Ledesma is lessee of a portion of Hda. San Juan, P/A 68h, owned by Aurora and Elisa Lacson, successors in interest to P/A 68h, covered by contract, Exh. C-22, executed by Ernesto J. Lacson.

LIZARES Co., Inc. (No. 19) —It is the owner of Hda. Cabiayan with P/A 86 (Exh. H-1, p. 2; and Exh A-1, p. 3) covered by contract Exh. C-36 executed by Emiliano Lizares, former owner.

LIZARES, HEIRS OF ENRIQUE (No. 20)

LIZARES, JESUS (No. 21)

LIZARES, RODOLFO (No. 22)

The evidence shows that these three planters were affiliated to the CENTRAL during the crop year 1952-53.

The Heirs of Enrique Lizares owned part of Hda. Minuluan with P/A 222 (Exh. H-1, p. 4, and Exh. A-1 p. 5). The date of entry in the District Transfer Registry shows that as of August 8, 1951 the Heirs of Enrique Lizares already possessed a P/A number (Exhs. TTT and BB).

Jesus Lizares was lessee of P/A 216a, Hda. Minuluan, owned by the Heirs of Nicolas Lizares who were the heirs of Enrica Alunan Vda. de Lizares. He is also the lessee of P/A Hda. Minuluan, owned by Asuncion Vda. de Lizares, an heir of Enrica Vda. de Lizares. The evidence shows that as of October 21, 1951, the date of entry of the lease between Jesus Lizares and the Heirs of Nicolas Lizares in the District Planters Registry, the heirs of Nicolas Lizares already possessed a P/A number (Exh. NNNN, Exh. BB and Exh. A-1). The evidence also shows

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that as of October 12, 1951, the date of entry of the lease between Jesus Lizares and Asuncion Vda. de Lizares in the District Planters Registry, Asuncion L. Vda. de Lizares already possessed a P/A number (Exh CCCCC; Exh. BB and Exh. A-1).

Rodolfo Lizares is the successor in interest of Nolan Jesus, Ramon and Mary, all surnamed Lizares, who owned P/A 227, Hda. Minuluan, in common as heirs of Enrica Vda. de Lizares. P/A 227 was transferred to Rodolfo Lizares on August 8, 1951 and entered in the District Transfer Registry on same date (Exh AAAAA; Exh. BB; and Exh. A-1).

The Hda. Minuluan formed part of the estate of Enrica Vda. de Lizares which was covered by milling contract Exh. C-37 executed by the Administrator of the estate. There was a project of partition and adjudication, of the estate of Enrica Vda. de Lizares, approved by the court (Exh. V), and all the portions adjudicated to the heirs were bound by the milling contract Exh. 37.

ESCAY, JOSE G. (No. 5)

LOPEZ, LOLITA (DOLORES, R. DE) (No. 24)

OSMEÑA, LOUDES R. (No. 31)

PIROVANO, ESTEFANIA VDA. DE (No. 32)

SIAN, ANICETA RAMA DE (No. 34)

The foregoing persons are listed as planters affiliated to the CENTRAL during the crop year 1952-53.

Jose Escay was lessee of Hda. Esmeralda, P/A 114b (Exh. H-1, p. 1; Exh. A-1, p. 3), which plantation was part of the estate of Esteban de la Rama representing Hijos de I. de la Rama. The District Planters Registry shows that as of July 30, 1937 E. de la Rama, representing Hijos de I. de la Rama had P/A number. (Exh. PPPPPP). Jose Escay was bound by contract, Exh. C-51 executed by the administrator of the estate of Esteban de la Rama.

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Lolita (Dolores) de Lopez was the owner of P/A 23-23, 25-50 and 40-24 (Exh. H-1, p. 1), Hda. Cabanbanan, as heir and successor in interest of Esteban de la Rama. (Exh. A-2, p. 11). The District Transfer Registry shows that on July 11, 1952, she already had a P/A number (Exh. AAAAAA, and Exh. BB). She milled her sugarcane with the CENTRAL under contract Exh. C-51 executed by the administrator of the estate of Esteban de la Rama.

Lourdes R. Osmeña was the owner of P/A 23-22, 25-49 and 40-23 (Exh. H-1, p. 1), Hda. Cabanbanan (Exh. A-2, p. 11). As of July 11, 1952 the District Transfer Registry shows she had already a P/A number (Exh. YYYYY and Exh. BB). She was bound by contract, Exh. C-51 executed by the administrator of the estate of Esteban de la Rama.

Estefania Vda. de Pirovano was the owner of P/A 23-21 and 40-22 (Exh. H-1, p. 1), Hda. Cabanbanan (Exh. A-2, pp. 10-11). As of July 11, 1952 the District Transfer Registry shows she had her P/A number (Exh. WWWWW and Exh. BB). She was also bound by contract Exh. C-51, executed by the administrator of the estate of Esteban de la Rama.

Aniceta Rama de Sian was the owner of P/A 22-24 and 40-25. Hda. Cabanbanan (Exh. H-1, p. 1), also part of the estate of Esteban de la Rama. She was bound by contract Exh. C-51 executed by the administrator of the estate of Esteban de la Rama. Moreover, according to Exhibit D-23, this planter executed a written agreement with the CENTRAL on June 23, 1953.

Regarding the estate of Esteban de la Rama, the distribution of the estate is shown in the project of partition Exh. V-4, and the identification of the lots inherited by the heirs is shown in Exh. Y.

The PLANTERS contend that the planters who are heirs or lessees of plantations that belonged to the estate of Enrica Alunan Vda. de Lizares and to the estate of Esteban de la Rama can not be counted as contract planters because they

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did not execute milling contracts with the CENTRAL themselves, but were simply covered by the contracts executed by the judicial administrators of those estates (Exhs. C-37 and C-51). The PLANTERS assert that the judicial administrators were not authorized by the court to enter into the milling contracts, and so the milling contracts were null and void, specially because the milling contracts contained provisions which would convey to the CENTRAL certain real rights over the plantations covered by the contracts, such as easements, etc.

For the purposes of this case, the contention of the PLANTERS can not be sustained. The validity or nullity of the milling contracts entered into by the administrators of the estates of Enrica Alunan Vda. de Lizares and of Esteban de la Rama is not in issue in the present case. What is simply sought to be determined in this case is whether or not on June 22, 1952 when R.A. 809 went into effect the planters who produced sugarcane in the plantations formerly belonging to the estates of Enrica A. Vda de Lizares and Esteban de la Rama were milling their sugarcane with the CENTRAL under contracts that were then accepted by the planters as binding on them and the CENTRAL. Until those contracts are declared invalid by the court in proper proceedings, those contracts should be considered valid and binding between the parties thereto and their successors in interest, as the said parties did in fact consider them to be so. It cannot be gainsaid that those contracts were entered into by the executor or administrator as a proper act of administration, and the heirs and successors in interest of the properties belonging to the estate accepted, and benefited from, that act of the administrator. We have found that the administrators of the estates of Enrica A. Vda. de Lizares and Esteban de la Rama did not, in fact, enter into new contracts. They simply signed extension contracts, or contracts that extended the very contracts signed by the decedents themselves during their lifetime, because those administrators considered it necessary for the proper administration of the sugar plantations that formed part of the estates under their administration. The administrator of the estate of a deceased person may exercise all acts of administration

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without special authority from the court.[9] The fact that even after the judicial administration of the estates the heirs or successors in interest continued to abide by the milling contracts executed by the administrators, and accepted the benefits arising from the contracts, showed that those heirs and successors in interest ratified the acts of the administrators and submitted themselves to the terms and conditions of the milling contracts.

We hold, therefore, that for the purposes of the application of R.A. 809 to the Talisay-Silay Milling District for the crop year 1952-53, the milling contracts, Exh. C-37, executed by the administrator of the estate of Enrica A. Vda. de Lizares, and Exh. C-51, executed by the administrator of the estate of Esteban de la Rama, should be considered not as merely the contracts of two planters but as the separate contracts of the individual successors in interests of said estate who had already received their respective shares in the respective inheritances and who were actually holding separate and distinct Plantation Audit Numbers respectively and who were actually dealing with the Central independently of each other, as they were deemed by the Central to be such.

LOCSIN, AGUSTIN T. (No. 23) — The evidence shows that Agustin T. Locsin, was the owner of P/A 235, Hda. Matab-ang, (Exhs. H-1, p. 5; and A-2 p. 10). This planter executed milling contract Exh. D-14 on April 14, 1953. Considering that crop year 1952-53 commenced on September 1, 1952 to August 31, 1953, he is thereby a contract planter for said crop year.

OCA, GIL DE (No. 29) — He was the lessee of Hda. Librada, P/A 90e (Exh. H-1, p. 1) owned by Patricia de Oca who executed contract, Exhibit C-49.

OCA, LUZ DE (No. 30) — She was the owner and planter of Hda. Matab-ang, P/A 79 (Exh. H-1, p. 2) and which was covered by contract. Exh C-42, executed by Simplicio Lizares for the heirs of Agueda Lizares.

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[9] See Moran, "Comments on the Rules of Court," Vol. III, p. 452, and cases cited therein, in connection with comments on Rule 84 of the Rules of Court.

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TRECHO, FILEMON (No. 37) — In the very list of contracts in the lower court's decision, it appears that Filemon Trecho executed milling contract, Exh. C-56. He owned P/A 126 and is part owner of Hda. Pantayanan (Exh H-1, p. 2.) In fact, Exhibit C-56 clearly states that he signed the same as owner of Lots Nos. 760-A, 767, 966 and 1303 all of the cadastral survey of Talisay, Negros Occidental, hence, the observation of the PLANTERS about his being a lessee without any right to enter into a contract is not borne by the record.

TREYES, FLORENTINO (No. 38) — He was owner of P/A 194, Hda. Baga-as (Exh. H-1, p, 3). Hda. Baga-as, with P/A 193 and 194 (See Exh. Y) was covered by contract Exh. C-59 executed by Magdalena Treyes, and as power of attorney of all other heirs. Florentino Treyes is successor in interest to P/A 194 (Exh. H-1, p. 3 and Exh. A-1, p. 4).

YBIERNAS, VICENTE (No. 39) — He was the lessee of Hda. Cabiayan, P/A 87b (Exh. H-1, p. 2) owned by Placido Mapa and Estrella Mapa de Ybiernas (Exh. A-1, p. 3) who were the successors in interest of the former owner, Adela L. Vda. de Mapa who executed contract, Exh. C-44.

YUSAY, ENRIQUE (No. 40) — He was owner of Hda. San Juan, P/A 68b (Exhs. A-1, p. 3 and Exh. H-1, p. 2). He was the successor in interest of Carolina Lacson Gigante, former owner of part of Hda. San Juan that was acquired by Enrique Yusay, who executed contract, Exh. C-18.

JAREÑO, CATALINO (No. 8) — Catalino Jareño was owner of P/A 38a, Hda. Trinidad, (Exh. H-1, p. 1 and Exh. A-1, p. 2). Maria H. Maramba as judicial administratrix of the Estate of Esteban Henares signed contract, Exh. C-13, covering Hda. Encarnacion with P/A 37b and Hda. Trinidad with P/A 38a. Hda. Trinidad was sold to Aniceta Jareño Perdigueros (Exh. HH) and Catalino Jareño was successor in interest of Aniceta Jareño Perdigueros.

TRECHO, BENJAMIN (No. 36) — He was owner of P/A 130b, Hda. Pantayanan (Exh. H-1, p. 2; and Exh. A-2,

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p. 4). He was successor in interest of Pelagio Villarde who executed contract Exh. C-62 which covered Hda. Pantayanan.

As intimated earlier, these 30 planters We have found to have been established by undisputable evidence to be contract planters, as just explained, added to the 46 planters mutually admitted by the parties to be also contract planters, plus the 10 whom the trial court correctly included because they unquestionably signed contracts on February 17, 1953, make eighty-six (86) contract planters. It is inconceivable how any lesser number can be said to be borne by the evidence on the record, hence, this figure is well nigh incontestable.

To summarize then the situation obtaining in the Talisay-Silay sugar district during the crop year 1952-53, We can see that out of the one-hundred sixty-one (161) planters We found there were in the district during that period, eighty-six (86) had contracts binding unto themselves. Clearly, therefore, since the majority of 161 is 81, there was a majority of planters with written contracts during said crop year, hence Section 1 of Republic Act 809 could not be applied in said district as far as that crop year is concerned.

- C -

THE SITUATION IN CROP YEAR 1953-1954

Contrary to the finding of the trial court, the majority of the contract planters in 1953-54 was bigger and more indubitable.

It is to be regretted that the trial court made a very scanty discourse of the situation that obtained during the 1953-54 crop year. This is how briefly it viewed the matter:

"For the year 1953-54, Alfredo A. Bustamante, a new planter entered into a written milling contract but without duration or expiry date (Exh. D-3). It shall be considered a written milling contract for 1953-1954 only and the number of planters shall be deemed increased to 171.

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"Agustin T. Lacson also entered into a written milling contract (Exh. D-14) effective from 1953-1954 to June 1, 1965. He was a planter in 1952-1953 without a written milling contract and, therefore, the total number of planters for that crop year will not be affected.

"Aniceta R. de Sian milled her 1952-1953 crop under written milling contract Exh. G-51 executed by the administrator of the estate of Esteban de la Rama. Her contract Exh. D-23 dated June 23, 1953 has no date of effectivity. It should be considered for the 1953-54 crop only and will increase the number of planters with written milling contracts for that year by one because her share of the properties covered by the written contract executed by the administratrix (Exh. C-51) is segregated and is now covered by Exh. D-23, a separate contract. Therefore, the planters for 1953-1954 are 173 and the majority is 87.

"Adding the three written contracts Exhs. D-3, D-14 and D-23 to the 74 written milling contracts for the 1952-1953 agricultural year will give 77, which is still short by 10 to obtain a majority for that year. Hence, for the year 1953-1954, Republic Act No. 809 also applies." (Pp. 432-433, Record on Appeal.)

The evidence, however, reveals much more than what the trial judge cared to discuss. For instance, of the 161 planters in 1952-53 We found (above, as listed in Exhibit H-1, the following twelve (12) planters listed together with their respective status already determined earlier) no longer appear in Exhibit H-2, the list of planters in crop year 1953-54:

1. Cordova, Candido (non-contract)
2. Gamboa, Angel S. (non-contract)
3. Granada, Pura G. de (non-contract)
4. Hilado, Alfonso (non-contract)
5. Lizares, Demetria Vda. de (contract)
6. Lizares, Heirs of Enrique (contract)
7. Lizares, Purita (contract)
8. Locsin, Augusto M. (non-contract)
9. Medel, Magdalena (non contract)
10. Oca, Aniceta de (non-contract)
11. Oca, Francisco de (non-contract)
12. Villanueva, Manuel H. (contract).

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This absence simply means that they did not cultivate any plantation during that period, thereby leaving only 149 of the initial 161 to be considered as having continued to be planters in the 1953-54 period. As can be seen, only four (4) of them were contract planters; the rest or eight (8) were non-contract ones. On the other hand, Exhibit H-2 contains the names of fourteen (14) planters not listed in Exhibit H-1, thereby indicating that these 14 must have been new planters who came in only in the 1953-54 crop year. Adding these 14 to the 149 left of 1952-53 list, the total of planters in 1953-54 crop year was 163.

The names of these 14 new planters as well as their respective contract status, as shown by the documentary evidence correspondingly annotated after their respective names follow:

1. Bustamante, Alfredo (Exh. H-2, p. 5)

   (contract) Executed on Feb. 17, 1953 Exh. D-3.

2. Cuenca, Fernando (Exh. H-2, p. 1) (non-contract)

3. Gamboa, Arturo (Exh. H-2, p, 4) (non-contract)

4. Gonzaga, Ricardo (Exh. H-2, p. 2) (non-contract)

5. Granada, Edgardo (Exh. H-2, p. 4) (contract)
   He executed milling contract, Exh. D-7 on February 16, 1954.
   E-Alibaso (without quota) (Exh. H-2, p. 4)

6. Jocson, Narciso (Exh. H-2, p. 4) (non-contract)

7. Kilayko, Agustin (Exh. H-2, p. 3) (contract)
   P/A No. 147a — Hda. Matab-ang (Exh. H-a, p. 3)
   The owner is Celsa L. Vda. de Kilayko (Exh. A-2, p. 9)

   According to Exh. Y, p. 3, P/A 147a, together with P/A 89a, is comprised, among others, in lots Nos. 440-A: Lot 440-A is covered by Exh. C-16, executed by the owner Celsa L. Vda. de Kilayko on April 30, 1948. Planter-lessee must, therefore, be considered as also under contract.

8. Kilayko, Jesus L. (Exh. H-2, p. 1) (contract)
   P/A No. 4d — Hda. Bantud (Exh. H-a, p. 1)
   Owner is Alejandro Be Chingsuy (Exh. A-2, p. 7).

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Plantation No. 4d, Hda. Bantud, is covered by contract Exh. C-1, executed by the owner on August 12, 1948, covering lot No. 770, which precisely comprised P/A 4d (Exh. Y, p. 1). Planter, must, therefore, be considered as a lessee under contract.

9. Lizares, Cecilia de Lacson (Exh. H-2, p. 4) (contract)
P/A No. 213 — Hda. Cabiayan (Exh. H-2, p. 4)
Owner (Exh. A-2, p. 10).

Hacienda Cabiayan (P/A Nos. 87b, 165, and 243) is comprised in lots Nos. 711, 713 C (Exh. Y, p. 3). Lot 713 C is under contract, Exh. C-44, executed by Adela L. Vda. de Mapa on April 30, 1948. Planter must therefore be considered as a successor in interest to a plantation under contract, and must be considered as under contract also.

10. Lizares, Lourdes (Exh. H-2, p. 4) (contract)
P/A No. 223b — Hda. Minuluan (Exh. H-2, p. 4),
242 — Hda. Baga-as (Exh. H-2, p. 4),
266 — Hda. Minuluan (Exh. H-2, p. 4),
267 — Hda. Concepcion (Exh. H-2, p. 4).

"Planter is owner of P/A 242 (Exh. A-2, p. 10); and lessee of P/A 223b owned by Efigenia L. Vda. de Lizares (Exh. A-2, p. 10). The owners of P/A Nos. 266 and 267 do not appear in Exh. A-2.

Exh. Y, p. 3, shows that P/A 242 comprises lots Nos. 476, 473, 451-B, 477, 471, and 469. These lots are covered by Exh. C-35, executed by Demetria Vda. de Lizares. Planter must be considered the latter's successor in interest to said lot, and must be considered as under contract.

11. Lizares, Maria D. (Exh. H-2, p. 2) (contract)
P/A No. 140-Hda. San Fernando (Exh. H-2, p. 2).
Owner (Exh. A-2, p. 9).

Exh. Y, p. 2, shows that P/A 140 (together with 139b) comprises lots Nos. 727 and 1168. Exh. C-46, executed by Maria Lizares de Misa covered lot No. 727. Hence P/A 140 must be considered under contract, and planter must be considered also under contract.

12. Oca, Severino de (Exh. H-2, p. 4) (contract)
E-Hda. Concepcion (without quota) (Exh. H-2, p. 4).
Executed contract D-19 on February 16, 1954.

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13. Torre, Pablo Dr. (Exh. H-2, p. 1) (non-contract)

14. Yusay, Julieta (Exh. H-2, p. 2) (non-contract)

In other words, eight (8) of the fourteen (14) new planters in 1953-54 had contracts while six (6) had none.

As to the 149 planters who continued in 1953-54, hereunder is the list of their names together with the indications of their respective contract status during that period, emphasis being given to those who had no contracts in 1952-53 but who subsequently executed written agreements the following year:

1. Advincula, Rufino (contract)
2. Agravante, Dominador (now-contract planter).

   This planter, non-contract in the crop year 1952-1953 executed Exh. D-6 on March 23, 1954. He must therefore be considered under contract in crop year 1953-1954.

3. Alano, Amado Dr. (non-contract)
4. Alvarez, Ramon T. (contract)
5. Alvarez, Rosendo (contract)
6. Arnaldo, Ricardo Jr. (contract)
7. Ayalde, Ceferino T. Dr. (non-contract)
8. Beson, Jose L. (contract).

   In 1953-1954, Jose L. Beson cultivated also P/A No. 5a — Hda. Catabla (Exh. H-2, p. 1). This cannot change his status as contract planter for he continued cultivating P/A Nos. 6a and 7a which were under contract.

9. Blanca, Lucilo (contract)
10. Bustamante, Arturo (contract)
11. Camon, Emilio (contract)
12. Castor. Juanito (contract)
13. Claparols, C. L. Vda. de (non-contract)
14. Cordova, Balconeri (non-contract)
15. Cordova, Consoling(non-contract)
16. Coscolluela, Agustin (contract)
17. Coscolluela. Gloria de (non-contract)
    (now is owner of 146c & 174 (A-a, p. 9)
18. Cuaycong. Jose G. (non-contract)

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19. Cuaycong, Natividad L. de (non-contract)

    Natividad L. de Cuaycong, a non-contract planter in 1952-1953, executed with her spouse Jose Cuaycong, Exh. D-5 on August 18, 1954, which date is within the crop year 1953-1954. Both Jose and Natividad should, therefore, be considered contract planters from that year.

20. Ereñeta, Fernando H. (contract)
21. Escay, Jose G. (contract)
22. Espuelas, Victoria (contract)
23. Esteban, Gloria A. de (non-contract)
24. Estrella, Deogracias (non-contract)
25. Gamboa, Aguinaldo S. (non-contract)
26. Gamboa, Generoso Jr. (non-contract)
27. Gamboa, Jose B. (contract)
28. Gamboa, Romeo S. (non-contract)
29. Gamboa, Serafin R. (contract)
30. Gaston, Amparo C. Vda. de (non-contract)
31. Gaston, Benjamin (non-contract)
32. Gaston, Gerardo (non-contract)
33. Gonzaga, Adoracion (contract)
34. Gonzaga, Julian Dr. (contract)
35. Gonzaga, Luis L. (contract)
36. Granada, Alfredo (non-contract)
37. Granada, Caridad (non-contract)
38. Granada, Roberto (non-contract)
39. Granada, Walterio (non-contract)
40. Heirs of Hernaez, Amalia (non-contract)
41. Henares, Fidel M. (contract)
42. Hernaez, Dominador C. (non-contract)
43. Hernaez, Pedro C. (non-contract)
44. Herrera, Patricio (contract)
45. Hilado, Tarcela Vda. de (non-contract)
46. Hofileña, Fe S. (non-contract)
47. Hofileña, Hector L. (non-contract)
48. Hofileña, Luis Ramiro (non-contract)
49. Hofileña, Manuel S. (non-contract)
50. Hofileña, Roque (non-contract)
51. Hofileña, Vicente (contract)

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52. Infante, Purita H. de (non-contract)
53. Jalandoni, Carolina (non-contract)
54. Jalandoni, Daniel (contract)
55. Jalandoni, Felisa Vda. de (contract)
56. Jalandoni, Nicolas (contract)
57. Jareño, Catalino (contract)
58. Javellana, Manuel A. (non-contract)
59. Jimenez, Conrado L. (non-contract)
60. Jison, Dominador L. (non-contract)
61. Jison, Emilio L. (non-contract)
62. Jocson, Flory G. de (non-contract)

    Mrs. Flory G. de Jocson, who was a non-contract planter in 1952-53, executed Exh. D-9 on June 25, 1954, which is within the crop year 1953-1954. She must be considered therefore a contract planter in this crop year.

63. Jonota, Julian (non-contract)
64. Jundos, Enrique (non-contract).

    Enrique Jundos executed Exhibit D-10 on July 29, 1954; so he should be counted as contract planter in this crop year.

65. Kilayko, Celsa L. Vda. de (contract)
66. Kilayko, Francisco Dr. (contract)

    Dr. Francisco Kilayko ceased to plant P/A 4-c in 1953-1954, but continued to be planter lessee of P/A 139b, which is also under contract, Exh. C-16, executed by the owner. He continued, therefore, as contract planter.

67. Kilayko, Ramiro C. (contract)
68. Labayen, Emma H. de (non-contract)
69. Labayen, Julio D. (contract)
70. Lacson, Angelina B. (non-contract)
71. Lacson, Caridad (contract)
72. Lacson, Consolacion (non-contract)
73. Lacson, Damaso (contract)
74. Lacson, Daniel (contract)
75. Lacson, Domingo W. & Enriqueta (non-contract)
76. Lacson, Eduardo B. (contract)
77. Lacson, Ernesto J. (contract)

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78. Lacson, Felipe B. (contract)
79. Lacson, Ignacio, *et al.* (non-contract)
80. Lacson, Josefina (contract)
81. Lacson, Josefita Vda. de (non-contract)
82. Lacson, Pedro (contract)
83. Lacson, Purita de Mora (non-contract)
84. Lacson, Rafael (contract)
85. Lacson, Salvador (contract)
86. Lacson, Victoria (contract)
87. Layson, Vicente (non-contract)

    Vicente Layson, formerly a non-contract planter, executed Exh. D-12 or Feb. 9, 1954 and D-13 on Feb. 16, 1954 as sublessee.

88. Ledesma, Anita L. de (non-contract)
89. Ledesma, Eduardo & M. L. (non-contract)
90. Ledesma, Eduardo Lacson (contract)
91. Ledesma, Nicolas and L. M. (non-contract)
92. Lizares, Antonio, Dr. A. (contract)
93. Lizares, Antonio M.A. (contract)
94. Lizares, Carmen H. Vda. de (contract)
95. Lizares, Co., Inc. (contract)
96. Lizares, Emiliano (contract)
97. Lizares, Felix A. (contract)
98. Lizares, Generosa Vda. de (contract)
99. Lizares, Jesus L. (contract)
100. Lizares, Maria A. (contract)
101. Lizares, Nilo (non-contract)
102. Lizares, Rodolfo (contract)
103. Lizares, Simplicio (contract)
104. Locsin, Agustin T. (contract)
105. Lomotan, Violeta H. de (non-contract)
106. Lopez, Apeles, Concepcion & Pomp. (non-contract)
107. Lopez, Julieta H. de (non-contract)
108. Lopez, Lolita (Dolores) R. de (contract)
109. Magallanes, Jesus (contract)
110. Malejan, Renato (contract)
111. Mascuñana, Angel (contract)
112. Misa, Maria L. de (contract)

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113. Montinola, Trino Dr. (non-contract)
114. Nepomuceno, Miguel de (contract)
115. Nessia, Eligio (contract)
116. Oca, Felisa de (non-contract)
117. Oca, Gil de (contract)
118. Oca, Librada de (non-contract)
119. Oca, Luz de (contract)
120. Oca, Pedro de (non-contract)
121. Olimpo, Felicidad (contract)
122. Ortiz, Rosario G. de (non-contract)
123. Osmeña, Lourdes R. de (contract)
124. Panlilio, Encarnacion L. Vda. de (contract)

This planter did not cultivate P/A No. 88d in 1953-54. This will not change her status for she still cultivated P/A 88b which was under contract.

125. Pascual, Jose N. (non-contract)
126. Perovano, Estefania R. Vda. de (contract)
127. Pison, Espedito (non-contract)
128. Puentebella, Romulo (non-contract)
129. Rentoy, Federico D. (contract)
130. Robello, Armando (non-contract)
131. Santibañez, Efraim (contract)
132. Sausi, Atanacio (non-contract)
133. Sian, Aniceta Rama de (contract).

This planter, under contract Exh. D-23, in 1952-53, cultivated a new plantation P/A 265 (23-7 ex 25-51) - Hda. Cabanbanan (Exh. H-2, p. 4) in 1953-54.

134. Tanpinco, Gloria L. de (contract)
135. Torres, Jose R. (contract)
136. Torres, Jose R. Jr. (contract)
137. Trecho, Benjamin (contract)
138. Trecho, Felimon Z. (contract)
139. Trecho, Miguela, (contract)
140. Treyes, Emilia (non-contract)
141. Treyes, Florentino (contract)
142. Treyes, Gorgonio (contract)
143. Vasquez, Ramon (non-contract)
144. Velez, Sergio (contract)

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145. Villanueva, Alfredo Dr. (contract)
146. Villarde, Pelagio (contract)
147. Villasor, Milagros (non-contract)
148. Ybiernas, Vicente R. (contract)
149. Yusay, Enrique Dr. (contract)

Thus, it appears that out of the 149 planters referred to, eighty two (82) continued having contracts, while six (6) who had none became contract planters,[10] hence, there were eighty-eight (88) contract planters and sixty one (61) non-contract ones among them.

There was a majority of contract planters in 1953-54 crop year.

In brief, as already shown, there were 163 planters adhered to the CENTRAL during the crop year 1953-54. We have found that there were 161 such planters in 1952-53. To reiterate, twelve (12) of them ceased cultivating in the following year. Now, four (4) of these were contract planters and eight (8) were non-contract ones, hence, of the 86 We found to be contract planters in 1952-53, only eighty-two (82) remained. But of the fourteen (14) new planters that cultivated in 1953-54, eight (8) had contracts and six (6) did not have. Adding the 8 new contract planters to the 82 left of the 1952-53, it results that there were ninety (90) contract planters. To this 90 we have to add also the six (6) non-contract planters of 1952-53 who, as shown in the above list of 149, entered into written contracts with the CENTRAL in 1953-54. Consequently, We can see that there was a total of ninety-six (96) contract planters during that period.

As to the non-contract planters, of the 75 We found in 1952-53, eight (8) ceased to cultivate, thus leaving only 67 of them. But with the coming in of six (6) new ones in 1953-54, the number would have risen again to 73, were it not for the fact

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[10] These are: (No. 2) Dominador Agravante: (No. 18) Jose Cuaycong: (No. 19) Natividad Cuaycong: (No. 62) Flory G. de Jocson: (No. 64) Enrique Jundos and (No. 87) Vicente Layson.

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that, as already shown, six (6) of the non-contract planters of 1952-53, entered into contracts, as just stated, in 1953-54, thus depleting the number of non-contract planters back to 67. Our conclusion, therefore, is that of the one hundred sixty-three (163) planters adhered to the CENTRAL in 1953-54, ninety-six (96) were contract planters and only sixty-seven (67) were non-contract planters. And so, there was also a clear majority of contract planters in the Talisay-Silay district in the 1953-1954 crop year and Section 1 of Republic Act 809 cannot be applied to said district during that crop year.

- D -

THE SITUATIONS DURING EACH OF THE SUBSEQUENT CROP YEARS FROM 1954-55 TO 1959-60

There was no material change in the situation of the parties after 1953-54 up to 1959-60.

Our conclusions just set forth apply as well to the situations obtaining in the subsequent crop years from 1954-55 to 1959-60. In all of said crop years, there was a majority of PLANTERS in the Talisay-Silay district with written agreements with the CENTRAL.

Brief statement of the situation during each of the crop years mentioned, beginning with 1954-55.

- 1 -

We have found that in crop year 1953-54, there were 163 planters, 96 of whom had contracts and 67 without. In 1954-55, seven (7) of them did not plant, three (3) of whom, namely, Arturo Bustamante, Josefina Lacson and Emiliano Lizares, were contract planters while the other four (4), namely, Fe S. Hofileña, Hector L. Hofileña, Luis Ramiro Hofileña and Conrado L. Jimenez were not. However, twelve (12) new planters went in that year. These 12, together with their pertinent circumstances were:

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1. Consing, A. C.M. (Exh. H-3, p. 6) (non-contract).
No contract appears to have been entered into.

2. Gamboa, Ernesto (Exh. H-3, p. 4) (non-contract)

3. Gonzales, Fausto (Exh. H-3, p. 2) (contract)
P/A 83 - Hda. Esmeralda (Exh. H-3, p. 2)
Owner is Hijos de Inocentes de la Rama (Exh. A-4, p. 2).

   According to Exh. Y, p. 3, Hda. Esmeralda, comprising P/A Nos. 114-b, 114-c, and 83, is covered by Lot No. 720. This lot is covered by Exh. C-51, executed on March 12, 1961 by the Administrator of the Testate Estate of Esteban de la Rama.

4. Lacson, Adela V. de (Exh. H-3, p. 3) (contract)
   P/A No. 207 — Hda. San Antonio (Exh. H-3, p. 3)

5. Leduna, Inocenta (Exh. H-3, p. 3) (contract)

6. Lizares, Purita (contract).

   This planter did not plant in 1953-54, but planted again in 1954-55 the same Hda. P/A 168, San Antonio Exh. H-3, p. 3. For having executed Exh. C-41 on June 15, 1948, she must be deemed to continue to be under contract.

7. Malan, Severino (Exh. H-3, p. 4) (non-contract)

8. Oca, Aniceto de (Exh. H-3, p. 3) (non-contract)

9. Pimentel, Isabelo (Exh. H-3, p. 6) (contract)

10. Treyes, Victor (Exh. H-3, p. 4) (non-contract)

11. Velez, Enriquez (Exh. H-3, p. 6) (contract)

12. Villanueva, Manuel H. (Exh. H-3, p. 6) (contract)

As will be noted, of the 12, there were seven (7) contract planters and five (6) non contract planters.

Accordingly, as there were 163 planters in 1953-54 and seven ceased cultivating in 1954-55 but twelve new ones came in, there were one hundred sixty-eight (168) — 163 - 7 = 156 + 12 = 168 — planters in the subsequent year. Now, of the 96 contract planters in the former year, 3 stopped, but of the 12 who newly cultivated in 1954-55, 7 had contracts and only 5 had none, and so, taking into account also the change of status

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of Lizares & Co. Inc., from non-contract to contract planter, the number of contract planters in 1954-55 rose to 100 (96 - 3 = 93 + 7 = 100) while the non-contract planters increased only by one for a total of 68. Clearly then, there was no absence of written milling agreements between majority of planters and ten millers in the Talisay-Silay district in crop year 1954-55.

- 2 -

In crop year 1955-56

Practically the same story may be repeated as to crop year 1955-56. Of the 168 planters of the preceding year, twenty-two (22) did not cultivate in 1955-56, but fourteen (14) new ones came in, thus, there were 160 (168 - 22 = 146 + 14 = 160) planters that year Of the 22, fifteen (15) were contract planters, namely, Rufino Advincula, Lucito Blanca, Alfredo Bustamante, Juanito Castor, Edgardo Granada, Fidel M. Henares, Vicente Hofileña, Agustin T. Locsin, Jesus Magallanes, Renato Malejan, Miguel de Nepomuceno, Eligio Messia, Lourdes R. de Osmeña, Isabelo Pimentel and Federico D. Rentoy, whereas seven (7) were not, namely, Dr. Amado Alano, A.G.M. Consing, Heirs of Amalia Hernaez, Narciso Jocson, Anita L. de Ledesma, Julieta H. de Lopez and Severino Malan. On the other hand, hereunder is what the evidence shows as to who the new planters were and what was the respective status of each of them:

1. Akol, Claudio Jr. (Exh. H-4, p. 1) (non-contract)
   P/A No. 2b — Hda. Constancia (Exh. H-4, p. 1)
   149b — Hda. Normandia (Exh. H-4, p. 3).

   These plantations were formerly cultivated by Dr. Amado Alano (Exh. A-4, p. 1). and. as previously stated, were not under contract (see p. 42 crop year 1952-53).

2. Akol. Claudio. Sr. (Exh. H-4, p. 4) (non-contract)

3. Consing. Josefina M. Vda. de (Exh. H-4, p. 5)
   (contract) P/A No. 235 — Hda. Magdalena
   (Exh. H-4. p. 5).

   This plantation was formerly cultivated by Agustin T. Locsin (Exh. A-4, p. 1). The parties had stipulated, as stated

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above (see p. 63, crop year 1952-53), that P/A 235 is under contract (Exh. HH). Planter must, therefore, be considered under contract.

4. Garcia, Alfonso (Exh. H-4, p. 5) (contract)
P/A 248 — Hda. Camantiro (Exh. H-4, p. 5).

This plantation was formerly cultivated by Eligio Nessia (Exh. A-4, p. 1). This plantation is covered by Exh. D-18 (see No. 124, crop year 1952-53). Planter must be considered a contract planter.

5. Garcia, Vicente (Exh. H-4, p. 5) (contract)
P/A No. 244 — Hda. Camantiro (Exh. H-4, p. 5)

This plantation was formerly cultivated by Lucilo Blanca (Exh. A-4, p. 1). This plantation was under contract Exh. D-2, and should be considered, contract planter.

6. Hofileña, Fe S. (Exh. H-1, p. 3) (non-contract)
P/A No. 157 — Hda. Cabug (Exh. H-4, p. 3).

7. Hofileña, Hector L. (Exh. H-4, p. 3) (non-contract)
P/A No. 161 - Hda. Cabug (Exh. H-4, p. 3)

8. Kilayko, Jose Maria (H-4, p. 3) (non-contract)

9. Ledesma, Luis L. (Exh. H-4, p. 1) (non-contract)

10. Rivilla, Carlos (Exh. H-4, p. 4) (non-contract)

11. Sian, Antonio N. (Exh. H-4, p. 4) (contract)
P/A No. 100b — Hda. Binaliwan (Exh. H-4, p. 4)
122b — Hda. Cafe (Exh. H-4, p. 4).

These plantations were formerly cultivated by Vicente Hofileña (Exh. A-4, p. 1). It was stated in crop year 1952-53 that the plantations were covered by written contract. Hence planter must also be considered under contract.

12. Torres, Henrietta (Exh. H-4, p. 5) (contract)
P/A 253 — Hda. Camantiro (Exh. H-4, p. 5).

This plantation was previously cultivated by Rufino Advincula (Exh. A-4, p. 1) who executed Exh. D. She is a contract planter.

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13. Torres, Manuel (Exh. H-4, p. 5) (contract)
P/A No. 245 — Hda. Camantiro (Exh. H-4, p. 5)
246 — Hda. Camantiro (Exh. H-4, p. 5)

Previous to the present crop year, P/A 245 was cultivated by Jesus Magallanes, and covered by D-15, and P/A 246 by Miguel Nepomuceno, and covered by Exh. D-17. (See p. 46, crop year 1952-1953.)

14. Torres, Raquel (Exh. H-4, p. 5) (contract)
P/A No. 252 — Hda. Camantiro (Exh. H-4, p. 5).

This plantation was formerly cultivated by Juanito Castor (Exh. A-4 p. 1), who, as already stated (crop year 1952-53), executed Exh. D-4.

As can be seen, seven (7) of them had contracts and seven (7) also had none.

It results, therefore, that of the 100 contract planters in 1954-55, only 85 were left, but one of them, Enrique Velez became a non-contract planter because, while he had a contract the year before for P/A 86a, Hda. Cabiayan, he ceased to plant therein the following year and continued only with the other plantation not covered by contract. So, there were in the ultimate only 84 left, to whom must be added the 7 new ones named above, thus making a total of 91 contract planters. On the other hand, from the 68 non-contract planters of 1954-55, must be deducted seven who did not cultivate the following year, but We have to add again the new 7 who came in. Thus, the non-contract planters would have remained at 68 were it not for Velez having become a non-contract planter, thereby increasing their number of 69. Compared to the 91 contract planters, 69 is certainly a minority. Again, the same formula applied to the 1954-55 crop year is applicable to 1955-56, for the reasons already discussed above.

- 3 -

In crop year 1956-57.

The evidence on record relative to the situation that obtained during crop year 1956-57 shows quite plainly that Our conclusion

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as to the ratio of sharing among the parties for that year cannot be different from that of the previous years already considered.

Specifically, seven (7) out of the 160 planters in 1955-56 did not plant in 1956-57, while eighteen (18) new planters registered during said period, thereby resulting in their being one hundred seventy one (171) planters to be considered for the latter crop year. Three (3) planters, namely, Amparo G. Vda. de Gaston, Ignacio Lacson *et al.*, and Victor Treyes, of those who ceased in 1956-57, had no contract, whereas four (4), namely, Ramiro C. Kilayko, Inocenta Leduna, Felicidad Olimpo and Sergio Velez had. Therefore, there were only 87 contract planters left, but as may be noted hereunder, ten (10) of the new planters had contracts and only eight (8) had none. Here is what the evidence shows as to the 18 new planters:

1. Arzadon, Tarcila Vda. de (Exh. H-5, p. 1) (non-contract).
   The owner is Tarcila Vda. de Hilado (Exh. A-5, p. 1)

2. Bustamante, Alfredo (Exh. H-5, p. 5) (contract)
   E-29 — Dos Hermanos with quota (Exh. H-5, p. 5)
   Owner (Exh. A-5, p. 5)

   As said in crop year 1954-55, owner executed contract Exh. D-3 on February 17, 1953. Planter is therefore with contract.

3. Capay, Maximo (Exh. H-5, p. 1) (contract)
   P/A No. 37 — Hda. Encarnacion (Exh. H-5, p. 1)
   Owner (Exh. A-5, p. 1).

   As per Exh. HH, the parties have stipulated that P/A 37b (which appears to be the same as P/A No. 37) Hda. Encarnacion, sold to Maximo Capay on Oct. 23, 1964, is under contract. Hence, planter must be so considered.

4. Ereñeta, Josefina, *et al.*, (Exh. H-5, p. 2) (contract)
   E-4 — Hda. Bayusan with quota (Exh. H-4, p. 2),
   E — Hda. Bagaas with quota (Exh. H-5, p. 2).

   The last mentioned plantation was planted by Ereñeta, Justa and Josefina. This appears to be the same as Ereñeta, Josefina *et al.*, hence the two plantations are placed under the same planter.

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E-Bagaas as well as E-4 Bayusan are owned by Ereñeta, Justa and Josefina, *et al.* (Exh. A-5, p. 4). It does not appear that owners have entered into any written milling contract. But we find that Hda. Baga-as of which Hda. E, together with P/A 193 and 194 are covered by Exh. C-59. Hence, planter is to be considered as with contract.

5. Gaston, Antonio & Mar. D. de Locsin (Exh. H-5, p. 1) (non-contract) 6. Gaston, Virgilio (Adm.) Exh. H-5, p. 1 (contract) P/A No. 33f — Hda. Puyas # 1 (Exh. H-5, p. 1).

The owner of Hda. Puyas # 1, according to Exh. A-5, p. 2, was Rufina C. de Paula. This hacienda was cultivated by David Lacson, who, as said in crop year 1952-53, was under contract. Hence, planter must be considered to be under contract.

7. Guinto, Remedios L. de (Exh. H-5, p. 4) (contract) P/A No. 224a — Hda. Minuluan (Exh. H-5, p. 4) Owner (Exh. A-5, p. 4).

The evidence shows that owner was one of those who executed Exh. C-50 on May 4, 1948. She is, therefore, a planter with contract.

8. Jalandoni, Manuel A. (Exh. H-5, p. 1) (non-contract)

9. Jimenez, Conrado L. (Exh. H-5, p. 3) (non-contract)

10. Jocson, Narciso (Exh. H-5, p. 2) (contract) E-7 — Hda. Caridad with quota (Exh. H-5, p. 2) Owner is Jocson, Flory G. de (Exh. A-5, p. 4).

The evidence shows that Narciso Jocson, as attorney-in-fact of his wife, Flory G. de Jocson, executed Exh. D-9 on Feb. 9, 1954 covering lot, among others, No. 1316-B of the Cadastral Survey of Talisay, which lot according to Exh. Y, p. 1, comprises Hda. Caridad of which E-7 forms part. The plantation is, therefore, under contract and planter should be considered a planter with contract.

11. Kilayko, Romeo C. (Exh. H-5, p. 3) (contract) P/A No. 123 C-Hda. Cafe (Exh. H-5, p. 3).

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This plantation was planted by Ramiro C. Kilayko in the previous years, and that the plantation was covered by contract Exh. C-17, executed by the owner Rufina C. Vda. de Kilayko on July 20, 1948.

12. Lizares, Emiliano (Exh. H-5, p. 4) (contract)

13. Lizares, Felisa (Exh. H-5, p. 2) (non-contract)

14. Malan, Severino (Exh. H-5, p. 2) (non-contract)

15. Medel, Magdalena (Exh. H-5, p. 3) (non-contract)

16. Misa, Nicolas, and Maria L. de (Exh. H-5, p. 1) (contract)
P/A No. 18 — Hda. Imbang # 2 (Exh. H-5, p. 1)
19 — Hda. Imbang # 3 (Exh. H-5, p. 1) Owner (Exh. A-5, p. 3)

17. Rama, Esteban de la (Exh. H-5, p. 3) (non-contract)
P/A No. 113, Hda. Cabanbanan (Exh. H-5, p. 3)
Owner (Exh. A-5, p. 4)

It does not appear that planter-owner ever entered into any written milling contract. Hence, he is without contract.

18. Velez, Soledad G. de (Exh. H-5, p. 4) (contract)
P/A No. 239 — Hda. Camantiro (Exh. H-5, p. 4)
Owner (Exh. A-5, p. 4).

Planter-owner executed Exh. C-11 on August 10, 1948. She is, therefore, with contract.

Summarizing the foregoing data, We have 171 planters, 98 of them with contracts (101 - 4 = 97 + 1 conversion from non-contract to contract) and 73 (69 - 3 = 66 + 8 = 74 - 1, the conversion just mentioned) without. No doubt, the application of the same formula as in previous years is proper regarding the sharing of that year's production among the parties.

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In crop year 1957-58

Neither can We escape from the same conclusion as above when We come to crop year 1957-58. The evidence is clear that there were one hundred sixty-nine (169) planters then, ninety-seven with contracts, seventy-two (72) without.

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Thirteen (13) of the 171 in 1956-57 failed to cultivate, but eleven (11) new ones did. (171 - 13 = 158 + 11 = 169.) Of said 13, six (6), namely, Romeo C. Kilayko, Julio D. Labayen, Pedro Lacson, Luz de Oca, Efraim Santibañez and Filemon Z. Trecho had written agreements, while seven (7), namely, Walterio Granada, Roque Hofileña, Tarcela Vda. de Hilado, Manuel A. Jalandoni, Eduardo & M. L. Ledesma, Felisa Lizares and Severino Malan had none. The following list shows that of the eleven (11) new planters, six (6) were contract planters and five (5) were not:

1. Camon, Melchor (Exh. K, p. 1) (non-contract)

2. Ereñeta, Justa A. (Exh. K, p. 4) (contract)
   P/A E-Baga-as owned by planter (Exh. K, p. 4).

   It appears that Hda. Baga-as P/A Nos. 193, 194 and E cover lots Nos. 1278 E, 451 A, 451, and 452, which lots are covered by Exh. C-59.

3. Gamboa, Oscar (Exh. K, p. 1) (contract)
   P/A No. 69c — Hda. Camantiro (Exh. K. p. 1)
   Owner is Domingo & Rodrigo Lacson (Exh. K, p. 1).

   It appears that owner Rodrigo Lacson executed Exh. C-19 on Aug. 10, 1948 covering lots Nos. 761 and 763, which lots, among others, are covered by P/A 69 (P/A 69c and 204).

4. Javellana, Mercedes L. (Exh. K, p. 2) (non-contract)

5. Kilayko, Dr. Jose C. (Exh. K, p. 2) (contract)
   P/A 123e — Hda. Cafe (Exh. K, p. 2)
   Owner is Rufina Kilayko (Exh. K, p. 2).

   Owner entered into contract Exh. C-17 covering Hda. Cafe.

6. Labayen, Amando (Exh. K, p. 2) (contract)
   P/A No. 272 — Hda. Matab-ang (Exh. K, p. 2)
   Owner (Exh. K, p. 2).

   By stipulation of the parties as set forth in Exh. HH, this plantations is to be considered under contract.

7. Labayen, Heirs of Vicente (Exh. K, p. 2) (contract)
   P/A No. 17e — Hda. Matab-ang (Exh. K, p. 2)
   Owner (Exh. K, p. 2).

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This plantation is comprised in lot 1285 A which is covered by Exh. C-2, executed by Hormecinda Diaz on April 30, 1948.

8. Malan, Silvino (Exh. K, p. 4) (non-contract)

9. Mascuñana, Emilio (Exh. K, p. 5) (non-contract)

10. Siason, R. & Yusay, S. (Exh. K, p. 2) (non-contract)

11. Treyes, Victor, *et al.* (Exh. K, p. 4) (contract)
P/A 128d — Hda. Pantayanan, owned by Felimon Trecho (Exh. K, p. 4); E-20 — Hda. Mansueto, owned by planter (Exh. K, p. 4)

These plantations were planted in the previous year by Felimon Trecho, and Felimon Trecho was a contract planter. (See crop year 1952-53.)

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In crop year 1958-59

It is almost a monotone to say that as to crop year 1958-59, We have not seen any evidence that could materially bring about a conclusion different from those We arrived at relative to previous years. Thus, to the one hundred sixty-nine (169) planters in 1957-58, must be added eleven (11) new ones as follows:

1. Bonin, Juan Z. (Exh. QQQQQQ-2, p. 1) (contract)
P/A 28a — Hda. Germinal, owned by Jose B. Gamboa (Exh. QQQQQQ-2, p. 1).

Owner executed Exh. C-8 on July 23, 1948 covering Hda. Germinal. (See crop year 1952-1953). Planter lessee must, therefore, be considered under contract.

2. Cordova, Romulo (Exh. QQQQQQ-2, p. 1) (non-contract)

3. Florentino, Pedro (Exh. QQQQQQ-2, p. 1) (contract)
P/A 5a — Hda. Catabla,
6a — Hda. Cataywa,
7a — Hda. Luciana.

All the plantations are owned by Alejandra Chingsuy.

These plantations were in the previous years planted by Jose L. Beson (crop year 1952-1953), and as said before, they were covered by Exh. C-1 executed by the owner.

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4. Lacson, Remedios L. (Exh. QQQQQQ-2, p. 3) (contract)
P/A No. 67 — Hda. Bagacay owned by Felix Lacson. Hda. Bagacay was formerly planted by Gloria Tampinco who executed Exh. C-23 over it. Hence, planter must also be considered under contract.

5. Lizares, Domingo (Exh. QQQQQQ-2, p. 3) (contract)
P/A 168C — Hda. San Jacinto, owned by Purita Lizares

Owner executed Exh. C-41 over the Hacienda. (See crop year 1952-1953.)

6. Velez, Enrique & J. Jalandoni (Exh. QQQQQ-2, p. 4) (contract)
P/A No. 78a — Hda. Virgen del Pilar owned by Lizares & Co.

This plantation was formerly planted by Emiliano Lizares (see crop year 1952-1953), who executed Exh. C-36 covering Hda. del Pilar.

7. Villarde, Fausta P. (Exh. QQQQQQ-2, p. 4) (contract)
P/A No. 129—Hda. Pantayanan owned by planter.

This plantation was formerly planted by Pelagio Villarde (crop year 1952-1953). The plantation is covered by Exh. C-55, executed by Felicidad Olimpo Vda. de Trecho.

8. Villarde, Mauricia (Exh. QQQQQQ-2, p. 4) (contract)
P/A 130 — Hda. Pantayanan owned by planter.

This plantation is covered by Exh. C-62 executed by Pelagio Villarde. (See crop year 1952-53.)

9. Treyes, Dominga (Exh. QQQQQQ-2, p. 4) (contract)
P/A No. E-33-a — Hda. Baga-as, owned by Justa A. Ereñeta.

Hda. E-Baga-as was covered by Exh. C-59. (See crop year 1956-1957, New Planters.) Planter should be considered under contract.

10. Gonzaga, Anunciacion (Exh. QQQQQQ-2, p. 4) (non-contract)

11. Villanueva, Samuel (Exh. QQQQQQ-2, p. 5) (non-contract)

In other words, eight (8) new contract planters and three (3) non-contract ones came in. On the other hand, sixteen (16) of

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the 169 did not plant — thirteen (13) of them contract planters, namely, Josefa Consing, Justa A. Ereñeta, Adoracion Gonzaga, Luis L. Gonzaga, Dr. Francisco Kilayko, heirs of Vicente Labayen, Lizares & Co. Inc., Emiliano Lizares, Purita Lizares, Nicolas and Maria L. de Lizares, Severino D. Oca, Gloria L. de Tampinco and Pelagio Villarde, and three (3) of them non-contract ones, namely, Ernesto Gamboa, Benjamin C. Gaston and Caridad Granada. On the basis of these data, We should add the 11 new planters to the 169 and then subtract the 16 who did no plant, which results in there having been 164 (169 + 11 = 18 - 16 = 164) planters that year. Then, to the 97 contract planters in 1957-58, We should add the 8 new ones named above and afterwards subtract the 13 who did not cultivate that year, thereby getting 92 (97 + 8 = 105 - 13 = 92) as the number of contract planters for the period. We have to add one (1) more to these, making the total 93, because Jose N. Pascual who was in the list of non-contract planters in 1957-58, planted in 1958-59 P/A 139b owned by Celsa L. Vda. de Kilayko, (Exhibit QQQQQQ-2, p. 4) which is covered by contract, Exhibit C-16, for which reason, he became a contract planter. On the other hand, the non-contract planters would be 71 because 3, already listed above, stopped, and also 3, above-named, came in, but there was 1 conversion from non-contract to contract.

Again, therefore, there was a majority of contract planters in the district during crop year 1958-59.

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In crop year 1959-60

Crop year 1959-60, the last We will consider, was not also essentially different from the previous years. There were fourteen (14) new planters in that crop year, but eight (8) of the 164 in the previous year stopped, hence there were 170 (164 + 14 = 178 - 8 = 170) planters then. Four (4) of the 14 new ones had contracts and ten (10) had none, thus:

1. Bautista, Benjamin (Exh. QQQQQ-3, p. 1) (non-contract)
2. Braganza, Angela (Exh. QQQQQQ-3, p. 1) (contract)

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This plantation was covered by Exh. C-59. (See crop year 1952-53.)

3. Gamboa, Emilieta (Exh. QQQQQQ-3, p. 1) (non-contract)

4. Jalandoni, Cesar Jr. (Exh. QQQQQQ-3, p. 2) (non-contract)

5. Jalbuena, Augusto (Exh. QQQQQQ-3, p. 2) (contract)
P/A No. 165b — Hda. Cabiayan,
86b — Hda. Cabiayan.

Both plantations were owned by Lizares & Co. P/A 86 was covered by contract (Exh. HH).

Planter-lessee was, therefore, a contract planter.

6. Javellana, Jose No. (Exh. QQQQQQ-3, p. 2) (non-contract)

7. Jison, Josefina L. de (Exh. QQQQQQ-3, p. 2) (non-contract)

8. Lacson, Ernesto D. (Exh. QQQQQQ-3, p. 3) (contract)
P/A 19a — Hda. Imbang # 3, owned by Misa, Maria L. de, and Nicolas.

This plantation was covered by Exh. C-47 (see crop year 1952-1953).

9. Lacson, German (Exh. QQQQQQ-3, p. 3) (contract)
P/A No. 16b — Hda. Imbang # 1 owned by Misa, Maria L. de, 18b — Hda. Imbang No. 2 owned by Misa, Maria L. de & Nicolas, 140a — Hda. San Fernando, owned by Misa, Maria D.

P/A Nos. 16 and 18 were covered by Exh. C-48 and Exh. C-47 (see crop year 1952-53). P/A 140a is covered by Exh. C-46 (see No. 11, new Planters, crop year 1953-1954). Planter-lessee must, therefore, be considered as contract planter.

10. Lacson, Ignacio, *et al.* (Exh. QQQQQQ-3, p. 3) (non-contract)

11. Lacson, Luis L. (Exh. QQQQQQ-3, p. 4) (non-contract)

12. Oca, Hernando, de (Exh. QQQQQQ-3, p. 4) (non-contract)

13. Ortiz, Victor (Exh. QQQQQQ-3 p.4) (non-contract)

14. Vasquez, Jose L. (Exh. QQQQQQ-3, p. 5) (non-contract)

The 4 contract planters who ceased that year were Adela Vda. de Lacson, Maria D. Lizares, Jose Torres Jr. and Enrique Velez

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and the 4 non-contract one were Fernando Cuenca, Mercedes L. Javellana, Magdalena Medel and Dr. Pablo Torre. The result is that of the 170 planters, there were 93 (93 + 4 = 97 - 4 = 93) contract planters and 77 (71 + 10 = 81 - 4 = 77) non-contract ones then. Definitely, there was a majority of contract planters during crop year 1959-60.

- E -

THE SIX CONTRACTS EXCLUDED BY THE TRIAL COURT CANNOT AFFECT THE RESULT WE HAVE ARRIVED AT.

In its decision, the lower court singled out six contracts that it considered as effective only for the crop year 1954-1955. According to the lower court the contracts did not provide for a specific period of duration, and so they should not be counted in determining who were contract planters during the crop years subsequent to the crop year 1954-1955. These contracts are: Exhibit D-5, executed by the spouses Jose Cuaycong and Natividad Lacson de Cuaycong; Exhibit D-7, executed by Edgardo Granada; Exhibit D-13, executed by Vicente Layson; Exhibit D-19, executed by Severino de Oca; Exhibit D-21, executed by Isabelo Pimentel; and Exhibit D-23, executed by Aniceta R. de Sian. The truth of the matter, however, is that whether the six planters concerned are considered to be contract planters or not, the result of this case, as maybe deduced from the above discussion and explanation of the relevant details, cannot be altered. The fact that there was always a majority of contract planters during the years referred to will persist.[11] Nevertheless, just to dispose of all the points on which the trial court predicated its decision, We shall set forth Our views relative to the particular ruling We are referring to.

We have examined these contracts one by one. We find that in Exhibit D-5, executed by Jose Cuaycong and his wife,

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[11] Subtracting 6 from the number of contract planters in each of the succeeding years, 1955-56 to 1959-60, and adding the same number to that of non-contract ones will still result in the contract planters being in the majority during that whole period.

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it is clearly stated therein that the contract is to be effective up to June 1, 1964.

We also find that Exhibits D-7, D-13, D-19 and D-21, respectively executed by Edgardo Granada, Vicente Layson, Severino de Oca, and Isabelo Pimentel, were milling contracts that were executed by lessees of plantations adherent to the CENTRAL. It is provided in all these four milling contracts that the effectivity of the contracts was for the entire duration of the lease. We do not find in the records of this case those contracts of lease, but it is presumed, unless the contrary is shown, that the leases would last for several years after their execution in 1954. Necessarily, the milling contracts would also last for several years. There is absolutely no evidence in the record that the milling contracts, Exhibits D-7, D-13, D-19 and D-21 were intended to be good for only one year. On the contrary, there is reason to believe that those milling contracts, like the other contracts existing between the CENTRAL and the other planters, would last until the crop year 1959-60.

As regards Exhibit D-23, executed by Aniceta R. de Sian, it had really no date of effectivity of the milling contract, but We do not agree with the view of the lower court that the contract was good for only one crop year. This contract, Exhibit D-23, was an extension of a previous milling contract, and it is similar to the other contracts of extension, signed by the other planters, which would expire during the crop year 1959-1960.

The lower court was not called upon to determine the period of the duration of the six contracts in question. What was to be determined only as whether or not during a particular crop year a planter was milling his sugarcane with the CENTRAL under a milling contract, which was then mutually observed by the parties thereto. The power of the court to fix the duration of an obligation may be exercised only when either of the contracting parties should so request, or should seek to terminate the obligation, but the court cannot *motu proprio* retroactively and arbitrarily declare a contract to be terminated several years back when the said judicial declaration is not sought by any of

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the contracting parties. Our finding is that the persons who executed the six contracts in question had been milling their sugarcane with the CENTRAL under the terms and conditions of those contracts.

In consequence, We hold that the lower court erred when it considered the six contracts, Exhibits D-5, D-7, D-13, D-19, D-21 and D-23, as effective only for the crop year 1954-55.

- F -

THE COURT SUSTAINS THE THIRD COUNTER-ASSIGNMENT OF ERROR IN PLAINTIFFS-APPELLEES' BRIEF RE THE MOST-FAVORED PLANTER CLAUSE WHICH BECAME EFFECTIVE DURING THE 1954-55 CROP YEAR.

At this juncture, We have arrived at the most important legal aspect of this case. In a sense, where We are is actually the turning point of the instant litigation. Here is where the Court will have to enforce the evident and indubitable spirit of Republic Act 809 rather than what We have seen earlier in this decision to be the rather latently ambiguous tenor of its provisions. Our fundamental perspective cannot be more compelling, which is to protect and preserve by all possible means within logic and law whatever benefit can be derived by the sugar plantation laborers from the implementation of the statute. Indeed, We would be miserably failing the primary objective of the Act, were We to permit the capitalist sectors of the sugar industry — the millers and the planters — to take advantage of the passage of the law thru some kind of device, seemingly permitted by its language but which could exclude the less fortunate third sector — the plantation laborers — from deriving any benefit from the enforcement of the Act which We have found earlier in this decision to have been approved precisely to ameliorate their financial and social condition. Importantly, We reiterate emphatically the proposition We have rather lengthily discussed earlier herein that any construction of the statute under scrutiny that would allow the millers and planters to enter into contracts

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that can have the effect of depriving the plantation laborers of any share in the produce of the sugar district to which their planter-employers belong must have to be ruled out, if We are to remain faithful to its basic character as a police power and social justice measure.

The Central increased by contract the shares of some planters in 1954-55. Such increase is of transcendental significance.

As We have stated earlier, in the amended complaint of plaintiffs-appellees, it is alleged as a second and alternative cause of action that:

"2. That defendant CENTRAL has refused and continues to refuse to give all the plaintiffs PLANTERS a sharing participation in excess of 60%;

"3. That on October 26, 1954, the defendant CENTRAL through its General Manager, M.N. Castañeda, sent the plaintiff ASOCIACION a letter, copy of which is hereto attached as Annex 'B' and made an integral part of this Amended Complaint, informing the latter that certain planters have been given a share in the sugar production as high as 63% to 64% (64% if the production of the defendant CENTRAL is 1,200,000 piculs or over);

"4. That although the old written milling contracts in the Talisay-Silay Mill District only stipulate a sharing participation of 60% for the planter, the higher sharing participation provided for in the new milling contracts is deemed incorporated in the old written milling contracts because of the following provision of the old written milling contracts:

> '*VIGESIMO SEGUNDO*: '*La Central*' *conviene en que no firmara in aceptara, mas adelante, contratos con ningun Plantador, que reunan mejores condiciones que las concedidas a los que se obliguen a moler su caña dulce en la fabrica para la cosecha de* 1920-21; *quedando obligada, is contraviniese esta clausula, a conceder a dichos Plantadores los privilegios favorables que concediere a los nuevos.*'

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"5. That both Sections 5 (b) and 11 (b) of the Executive Orders Nos. 900 and 901, Series of 1935, provide as follows:

'Plantation milling share. — The percentage of the sugar manufactured by the mill from sugarcane grown on a plantation which the mill company returns to, or credits to the account of, the owner and/or planters of the plantation shall be known as the 'basic plantation milling share' and shall be determined as follows:

x x x x x x x x x

(b) For plantations or parts thereof not covered by valid written milling contract between the mill company and the owners and/or planters of such plantations, the basic plantation share shall be the most frequent basic plantation milling share stipulated in valid written milling contracts between the mill company and the owners and/or planters of other plantations adherent to the mill.'

"6. That construing together the abovequoted provisions of the law and the contract, the plaintiffs PLANTERS, both with and without written milling contracts, are therefore entitled starting from the crop year 1954-55 to a sharing participation of 63% of the production, or 64% in case the sugar production of the defendant CENTRAL is 1,200,000 piculs or over, inasmuch as said higher participation should be considered as the most frequent basic plantation milling share for the Talisay-Silay Mill District"; (Pp. 10-13, Central's Rec. on Appeal.)

The prayer corresponding to the foregoing cause of action is as follows:

"ON THE SECOND AND ALTERNATIVE CAUSE OF ACTION —

1. Declare, in that event that this Honorable Court should rule that the sharing proportion prescribed by Republic Act No. 809 is not applicable to the Talisay-Silay Mill District, that the sharing participation of 63%, or 64% in case the total production of defendant CENTRAL is 1,200,000 piculs or over, in favor of plaintiffs PLANTERS shall be applicable to the Talisay-Silay Mill District starting from the crop year 1954-55 and for every crop year thereafter:

2. Order the defendant CENTRAL to account for and pay to plaintiffs PLANTERS the proceeds of the sugar and molasses

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representing the increased participation in favor of said plaintiffs PLANTERS during the past crop years starting from 1954-55 crop year"; (Pp. 15-16, *Id.*)

The third counter-assignment of error of the plaintiffs-appellees in their brief deals with the failure of the trial court to make a finding on their above alternative cause of action. Among other things, in said brief they argue:

"It is clear, therefore, that if Republic Act No. 809 is not applicable to the Talisay-Silay Mill District, then the 'most favored planter clause' can be invoked by all contract planters of the Talisay-Silay Mill District. Consequently, the higher sharing participation given by the defendant Central to the planters mentioned in Exh. 'U' became the most frequent basic plantation milling share of the said district starting from the crop year 1954-55 as contemplated in Executive Orders Nos. 900 and 901 series of 1935." (Page 19, Appellees Brief.)

The prayer in said brief in respect to that counter-assignment of error is:

"(2) In the alternative, declaring that the planters of the Talisay-Silay-Mill District are entitled to a higher sharing participation of 63%, or 64% if the production of the Central exceeds 1,200,000 piculs, starting from the 1954-55 crop year"; (page 111, Appellees Brief.)

In connection with such posture of the PLANTERS, admitted it is that on October 26, 1954, General Manager M. N. Castañeda of the CENTRAL addressed the following letter to the ASOCIACION:

"THE TALISAY-SILAY MILLING CO., INC.
TALISAY, NEGROS OCCIDENTAL
PHILIPPINES.

October 26, 1954

Asociacion de Agricultores de
Talisay-Silay
Talisay, Negros Occidental

Sirs:

Please be advised that in accordance with the milling contracts executed by this Central and the planters indicated below, the sugar distributions corresponding to the signatories thereof are as follows:

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Name	Hacienda	Central Share	Planter Share
Jocson, Flory C. de	Gloria	38%	62%
Layson, Vicente M.	Bayusan	38%	62%
	Magbuyo	38%	62%
	Tambara	38%	62%
Granada, Edgardo	Gloria	38%	62%
Oca, Severino de	Caridad 38%	62%	
Dalimos-os, Bonifacia	A.	38%	62%
Jundos, Enrique	Concepcion	37%-36%	63%-64%
Lacson, Natividad	Sta. Maria	37%-36%	63%-64%
Lacson, Angelina (Ramon Lacson)	Sta. Maria	37%-36%	63%-64%

Note: 36%-64% for central's and planter's participation, respectively, in force if production exceeds or reaches 1,200,000 piculs.

Yours truly,

s/M.N. Castañeda
t/M.N. Castañeda
General Manager"

(Pp. 393-394, Record on Appeal.)

The letter does not say so, but the evidence is uncontradicted that all the contracts referred to were executed between February and September, 1954, hence they correspond to the 1953-54 crop year.[12]

However, in its supplemental memorandum of December 2, 1978, the CENTRAL maintains that although there were really increases given to some planters in their new contracts, as

[12] Exhibit D-5, the contract of Natividad Lacson and her husband Jose Cuaycong was executed on August 14, 1954; Exhibit D-6, that of Bonifacia A. Dalimo-os, wife of Dominador Agravante on April 5, 1954; Exhibit D-7 of Edgardo Granada, on February 16, 1954; Exhibit D-9 of Flory C. de Jocson, on February 9, 1954; Exhibit D-10 of Enrique Jundos on July 24, 1954; Exhibit D-12 of Vicente M. Layson, on February 9, 1954 and Exhibit D-13 of the same planter, on February 16, 1954, Exhibit D-19 of Severino de Oca, on February 3, 1954 and Exhibit NNNNNN of Ramon B. Lacson on August 9, 1954.

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thus alleged by the PLANTERS, the provisions granting said increases were never fully implemented and, in fact, it was solely during crop year 1954-55 that it was partially implemented, as shown, according to it, in Annex A of said supplemental memorandum; which is the record of actual percentage shares given to the so-called favored planters from crop year 1953-54 to crop year 1959-60. In other words, whereas, on the one hand, the PLANTERS contend that the most-favored-planter clause should be held by Us to have been in force from crop year 1954-55 and all subsequent crop years, on the other hand, the CENTRAL maintains that at most it should apply only to crop year 1954-55.

In regard to this controverted point, it is Our considered opinion and so We hold that both parties should be bound by their respective pleadings in the trial court and to the positions taken by them in their respective briefs. Notwithstanding that We note that the contracts containing the most-favored-planter clause became effective during the 1953-54 crop year, the PLANTERS have specifically asked in their pleadings that the same applied from crop year 1954-55 and the subsequent ones, which must be due to the fact that as the CENTRAL contends, according to the records, it was only in that year that it was implemented. But We cannot, on the other hand, sustain the pose of the CENTRAL that said enforcement of the clause in controversy be limited to the 1954-55 crop year exclusively, because We find this contention to be rather late, since in the CENTRAL's answer to the amended complaint of the PLANTERS filed on December 22, 1956 already, which answer is dated February 28, 1957, on which date the actual facts must have been by then within the knowledge of the CENTRAL, it was completely silent in respect to this particular point, even as it denied the correctness of the PLANTERS' construction of the most-favored-planter clause. More, the PLANTERS reiterated their position in their brief as appellees, by way of a third counter-assignment of error, and no reply brief appears to have been filed by the CENTRAL. Indeed, We cannot consider as admissible evidence at this appeal stage, the aforementioned Annex A of the CENTRAL's supplemental memorandum of December 2,

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1978. The best We can do under the circumstances is to bind the PLANTERS to their repeated posture of asking that the said clause in question be considered in relation to crop year 1954-55 onward.

The effect of such most-favored-planter clause

Thus, it is such increase in the shares of some planters given by the CENTRAL by virtue of the contracts referred to that entails the legal consequences We are about to consider. The PLANTERS maintain that:

"We respectfully submit that the Lower Court should have made a specific finding on the alternative cause of action, notwithstanding its finding on the first cause of action.

"This alternative cause of action is predicated on Executive Order No. 900 series of 1935 Section 5 (b) and Executive Order No. 901 series of 1935 Section 11 (b) which both provide as follows:

> 'Plantation milling shares. — The percentage of the sugar manufactured by the mill from sugarcane grown on a plantation which the mill company returns to, or credits to the account of the owner and/or planters of the plantation milling share' and shall be determined as follows:
>
> x x x x x x x x x
>
> '(b) For plantations or parts thereof not covered by valid written milling contract between the mill company and the owners and/or planters of such plantation, the basic plantation share shall be the most frequent basic plantation milling share stipulated in valid written milling contracts between the mill company and the owners and/or planters of other plantations adherent to the mill.'

"Before 1954, the maximum share given by the defendant CENTRAL to any planter of the Talisay-Silay Mill District was 60%. However, the written milling contracts contained this stipulation:

> *'VIGESIMO SEGUNDO; 'La Central' conviene en que no firmara in aceptara, mas adelante, contratos con ningun Plantador, que reunan mejores condiciones que las concedidas*

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a los que se obliguen a moler su caña dulce en la fabrica para la cosecha de 1920-21; quedando obligada, si contraviniese esta clausula a conceder a dichos Plantadores los privilegios favorables que concediere a los nuevos.' (See the aforementioned paragraph of the Milling Contracts attached to Exh. C, C-1 to C-62.)

"On October 26, 1954, the defendant CENTRAL sent a letter to the plaintiff *ASOCIACION* (Exh. 'U') informing the latter that certain planters had been given a share in the sugar production as high as 63% to 64% (64% if the production of the defendant CENTRAL is 1,200,000 piculs or over). This higher sharing participation can also be seen in the Milling Contracts marked as Exhs. D-5 and D-10.

"Considering, therefore, the effects of the 'most favored planter clause' in the old milling contracts, it follows that the higher sharing participation of 63-64% in favor of the planters is deemed incorporated into the new contracts, becoming thereby the most frequent basic plantation milling share in the Talisay-Silay Mill District starting from the 1954-55 crop year.

"It should be pointed out that the phrase '*que reunan mejores condiciones que las concedidas a los que se obliguen a moler su caña dulce en la fabrica para la cosecha de* 1920-21' does not mean that only planters who agreed to start milling their canes from the 1920-21 crop are entitled to the 'most-favored planter clause.' The correct interpretation is that the said clause shall be applicable to all planters whose contracts contained the same terms and conditions as those in the 1920-21 contracts. An examination of the milling contracts (Exh 'C', 'C-1' to 'C-62') would show that practically all of them are extensions of the old 1920-21 contract. This 1920-21 contract is the pre-war standard milling contract of the Talisay-Silay Mill District. As a matter of fact, all pre-war contracts, regardless of date of execution, were deemed to have commenced from 1920-21 and to terminate 30 years thereafter or 1949-50. Thus, the old standard milling contract provided:

OBLIGACIONES DEL PLANTADOR

'*Primera: Que durante el periodo de treinta (30) años, a contar desde el momento en que La Central le notifique que se halla a recibirla, entregara a la mencionada 'La Central,' debidamente despuntada y limpia de punta y hoja, toda la caña que se siembre, cultive y produzca en sus dichas tierras y haciendas.*'

x x x x x x x x x

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OBLIGACIONES MUTUALES

'12. *Este contrato estara en vigor hasta el dia primero de Junio de 1950. La primera cosecha del Plantador que se sujetara a los terminos del presente contrato, sera la cosecha de* 1920-21, *y la ultima, la de* 1949-1950.'

(Appendix '14' of the Answer found on pp. 150 and 153 of the Central's Record on Appeal).

"It is clear, therefore, that if Republic Act No. 809 is not applicable to the Talisay-Silay Mill District, then the 'most favored planter clause' can be invoked by all contract planters of the Talisay-Silay Mill District. Consequently, the higher sharing participation given by the defendant Central to the planters mentioned in Exh 'U' became the most frequent basic plantation milling share of the said district starting from the crop year 1954-55 as contemplated in Executive Orders Nos. 900 and 901 series of 1935." (Pp. 15-19, PLANTERS' Brief.)

On the other hand, the position of the CENTRAL in respect to the issue thus raised by the PLANTERS is stated in its answer to the amended complaint thus:

"4. In answer to paragraph 4 of said Second and Alternative Cause of Action, it avers that in the old written milling contracts in the Talisay-Silay mill district the stipulated planter's participation is 55%, and that is, as appears from the copy of clause "*VEGISIMO SEGUNDO*" thereof inserted in paragraph 4 of the Second and Alternative Cause of Action, the stipulations of said clause are confined to planters '*que se obliguen a moler caña dulce en la fabrica para la cosecha* 1920-21,' and none of the instant plaintiffs qualifies under that description." (Page 40, Record on Appeal.)

As We read it, the contractual stipulation around which the instant controversy between the appellant and the appellees revolves does not really present much difficulty as to what it must have been contemplated by the parties to signify. It is a provision found in all contracts between the Central and the Planters. It reads:

"*VIGESIMO SEGUNDO*: '*La Central' conviene en que no firmara in aceptara, mas adelante, contratos con ningun Plantador, que reunan mejores condiciones que las concedidas a los que se obliguen a moler su caña dulce en la fabrica para la cosecha de 1920-21;*

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quedando obligada, si contraviniese esta clausula, a conceder a dichos Plantadores los privilegios favorables que concediere a los nuevos."

It is Our considered opinion that the following free literal translation of such Spanish-worded provision fairly conveys what the parties to the contracts in dispute had in mind:

"TWENTY SECOND:" 'The Central' agrees that it will neither sign nor accept, henceforth, contracts with any Planter, which will provide conditions better than those conceded to those (Planters) who had obligated themselves to mill their sugarcane in the factory during the 1920-21 harvest; thereby being bound, should it contravene this clause to concede to those Planters the same favorable conditions which it shall have conceded to the new ones."

The obvious thrust of this provision is to see to it that the planters who had bound themselves by their contracts with the CENTRAL in 1920 to the ratio of sharing therein stipulated are not tied down to said rates should the CENTRAL grant higher percentage of sharing to any planter subsequently executing contracts with it. Under this stipulation, should such eventuality materialize during the life of the earlier contracts, all the planters concerned would automatically be entitled henceforth to the higher ratio stipulated in the new contracts, as if the former contracts were correspondingly amended for the purpose. In effect, this twenty second clause of the 1920-21 contracts partake of the nature of a most-favored-planter clause, to the end that no planter in the district can be granted a higher percentage of sharing than any other, thereby to maintain uniformity in the relations of the CENTRAL with all the affiliated planters and thereby correspondingly avoid discrimination among them which could be prejudicial to the interests of the industry.

We cannot accept the CENTRAL's pose that the PLANTERS of 1953-54 do not qualify under the description of planters "*que se obliquen a moler caña dulce en la fabrica para la cosecha* 1920-21" (in English - who had obligated themselves to mill their sugarcane in the factory during the 1020-21 harvest). According to the CENTRAL, this clause refers exclusively to the very planters who signed the original contracts for the 1920-

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21 crop year, thereby excluding entirely from the enjoyment of the benefits thereof even the successors-in-interest of said planters. In effect, the theory of the CENTRAL is that the right created thereby and its corresponding obligation related thereto is purely personal to the planters of 1920-21.

The Court cannot agree. A studious examination of all the contracts in the record would give anyone the unmistakable impression that the contractual relationship between the millers and the planters in all the sugar districts of the Philippines is characterized by uniformity and equal treatment among all the planters.[13] There are no instances where any planter or group of planters of a given district is extended any favorable term or terms not similarly given to all the other affiliated planters of that district. Indeed, We are impressed that it is essential for the good of the sugar industry itself that the millers do not discriminate among their planters. So much so that to maintain such even treatment, specially as to the ratio of sharing in the proceeds of production, Section 5 (b) of Executive Order No. 900, series of 1935 and Section 11 (b) of Executive Order No. 901, of the same series, both provide as follows:

"Plantation milling shares. — The percentage of the sugar manufactured by the mill from sugarcane grown on a plantation which the mill company returns to, or credits to the account of the owner and/or planters of the plantation milling share and shall be determined as follows:

x x x x x x x x x

"(b) For plantations or parts thereof not covered by valid written milling contract between the mill company and the owners and/or planters of such plantation, the basic plantation share shall be the most frequent basic plantation milling share stipulated in valid written contracts between the mill company and the owners and/or planters of other plantations adherent to the mill."

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[13] The record of this case includes not only the contracts in issue here but samples of printed contracts of other sugar centrals with their respective planters. (See Exhibits M to M-9.)

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thereby extending even to the non-contract planters the required equality and uniformity among the contract planters. In fact, the periods of the contracts are practically co-terminus with each other, except perhaps in the instances where the planters who dealt directly with the CENTRAL happened to be mere lessees for limited periods. (Exhibits D-7, D-13, D-19 and D-21.)

Such being the case, We are more inclined to view the right involved in the clause in question as not personal to the original planters of 1920-21, contrary to the claim of the CENTRAL. We read said stipulation as not depriving the original parties thereto of the prerogative to transfer and transmit their rights and obligations to others during the duration of their contracts. The guarantee of equal treatment implicit in the provision is in line with the characteristic uniformity that pervades among all the contracts among the component elements of the industry. We see no reason why the assignees and transferees of the original parties should be discriminated against. To be sure, this is the logical and legal consequence of stipulation No. 17 of the 1920-21 contracts which reads as follows:

"17. *Que este contrato, y todos sus terminos obligaciones y condiciones se entenderan contraidos tambien por las tierras y plantaciones mencionadas, y sera, obligatorios para los Plantadores testamentarios, albaceas, cesionarios y representantes de los Plantadores y para las plantaciones y las tierras.*" (See Annex A of Exhibit C.).

This is in consonance with Article 1311 of the Civil Code which provides that "contracts take effect only between parties, their assigns and heirs, except in cases where the rights and obligations arising from the contract are not transmissible by their nature, or by stipulation or by law." (*Cristobal v. Gomez*, 50 Phil. 810; *Eleizegue vs. Lawn Tennis Club*, 2 Phil. 309.)

Not only that. All but eleven of the contracts here in dispute are mere extensions of the original contracts of 1920-21. For example, Exhibit C, the contract between the CENTRAL and PLANTER Rosendo Alvarez, which is *mutatis mutandis* identical with all the others, contains the following provisions:

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"WHEREAS, the PLANTER represents and warrants that he is the present true and lawful owner, in fee simple, of the following described land (hereinafter referred to as the PLANTATION):

(description)

"WHEREAS, the said PLANTATION is subject to a milling contract heretofore executed by and between the parties (or their predecessors in interest) 'duly registered and annotated on the Title of the said property' under the terms and conditions set forth in the printed form of the said milling contract, copy of which is hereto attached and made an integral part thereof, marked as Annex A;

"WHEREAS, the said milling contract is due to expire on June 1, 1950, and the parties hereto have agreed to extend the same for the period herein fixed, under the same terms and conditions, except as herein otherwise provided, changed or modified."

The ready and necessary implication of these whereases is that the PLANTERS who are parties in the instant case are either the same planters of 1920-21 or their successors. And since it is stipulated that they are "subject to the same terms and conditions contained in the printed form Annex A," regardless of whether they are the same parties or successors, the ineludible inference is that all the rights and obligations of the original PLANTER bound by said contract were transmitted to said successors, without any qualification, much less any diminution. Again, from the second whereas above quoted it can be clearly gathered that the extension agreed upon was made subject to the same terms and conditions of the original contracts, "except as herein otherwise provided, changed or modified." And scrutinizing the terms of said contracts, it is obvious that there is no contrary provision, change or modification stipulated therein in regard to the clause under consideration.

In this connection, it may also be explained that in the new contracts, Exhibits D-6 to D-13, inclusive, and D-19, D-21 and NNNNNN the only modifications contained therein which differentiate them from the old ones consist in the reference to the PLANTERS concerned as not being either the same planters of 1920-21 or their successors but new ones, and, of course, the additional corresponding stipulations arising from

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that fact. What is importantly relevant is that it is expressly stipulated in these new contracts that the parties have agreed to make the same subject to the identical terms and conditions as those in the 1920-21 contracts, which necessarily means that all the rights granted to the 1920-21 planters were also being extended to the new planters. In other words, as to these new planters, the so-called most-favored-planters clause became obligatory upon the CENTRAL not by transmission from a predecessor-in-interest but by consequent concession on the part of the CENTRAL in the new contracts, when it agreed that they would be subject to the terms and conditions of the 1920-21 contracts. For better appreciation, We quote the pertinent provision thus:

"WHEREAS, the PLANTER represents and warrants that he is the present true and lawful owner, in fee simple, of the following described land (hereinafter referred to as the PLANTATION):

(description)

"WHEREAS, the parties herein have agreed and stipulated to subject the said plantation to the applicable terms, conditions and stipulations of a milling contract heretofore executed by and between the CENTRAL and other adherent planters, as set forth in the printed form of the said milling contract, copy of which is hereto attached and made an integral part hereof, marked as Annex A, except as such applicable terms and conditions of Annex A are herein otherwise provided, changed or modified;

"NOW, THEREFORE, for and in consideration of the premises and of the mutual covenants and undertakings herein and in said Annex A provided, the parties have agreed and stipulated, and by these presents do hereby agree and stipulate, as follows:

"1. — PERIOD OF MILLING CONTRACT.

"This agreement, as well as the aforesaid applicable terms, conditions and stipulations of Annex A shall be effective immediately and shall extend until the first day of June, 1964 and the last crop of the PLANTER to be subject thereto, as hereby amended, shall be the sugar crop of 1963-64.

"2. — RAILROAD.

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"The CENTRAL will maintain and operate its existing lines of steam or motor railway, or both, with all existing sidings, for the transportation of sugarcane, sugar, fertilizer, materials and supplies over rights-of-way now used by it, during the whole period of this contract.

"The CENTRAL, if it should find it necessary, will also construct such branch lines of railway, either permanent or temporary, at such points or places as may in its judgment from time to time deem necessary, to receive and transport sugarcane from the PLANTER's lands to the mill, either independently or in connection with the aforesaid existing railroad systems as the CENTRAL may consider most convenient for the general operation of its factory.

"3.—PARTICIPATION IN THE SUGAR AND BY-PRODUCTS.

"Paragraph '*VIGESIMOPRIMERO*' of the '*PACTOS A QUE SE OBLIGA LA CENTRAL*' of the aforesaid Annex A is hereby amended by reducing the share of the CENTRAL in the sugar and the molasses produced, from Forty-five percent (45%) to thirty-eight percent (38%)" (Exhibit D-6.)

From the very nature of the clause in dispute, We are convinced that it is obviously among the terms and conditions referred to in this provision as "applicable".

Briefly stated, the very circumstances indicated in the contracts in dispute compel the natural and inescapable conclusion that the plaintiffs-PLANTERS in the instant case are entitled to the benefits of the most-favored-planter clause just discussed. Upon these premises, We find no alternative than to sustain the PLANTERS' third counter-assignment of error. We hold that under the above-quoted twenty-second clause of the contracts We have discussed, the appellant CENTRAL must extend to all the Planters having contracts with it during the 1953-54 crop year the highest rate of sharing stipulated in the contracts it had newly entered into with some planters in 1954 as specified in the foregoing discussion. And pursuant to Executive Orders Nos. 900 and 901 just cited, the same ratio should govern insofar as the non-contract planters are concerned.

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May Section 9 of Republic Act 809 be applied to such ensuing situation, such that the plantation laborers should be held entitled to a portion of the increase thus given to the planters? We believe so.

In consequence of the foregoing conclusion We have arrived at, the next issue for Our resolution is whether or not the increase in the share We have thus recognized the PLANTERS to be entitled to correspondingly carries with it the application of Section 9 of Republic Act 809 which prescribes a share for the laborers to be taken from any increase that the PLANTERS would get "under the Act." This is what that Section 9 provides:

"Sec. 9. In addition to the benefits granted by the Minimum Wage Law, the proceeds of any increase in the participation granted the planters under this Act and above their present share shall be divided between the planter and his laborer in the plantation in the following proportion:

"Sixty per centum of the increased participation for the laborers and forty per centum for the planters. The distribution of the share corresponding to the laborers shall be made under the supervision of the Department of Labor.

"The benefits granted to laborers in sugar plantations under this Act and in the Minimum Wage Law shall not in any way be diminished by such labor contracts known as 'by the piece,' 'by the volume,' 'by the area,' or by any other system of 'pakyaw,' the Secretary of Labor being hereby authorized to issue the necessary orders for the enforcement of this provision."

But before We address Ourselves to that all-important legal issue, We should perhaps find out first what is the exact factual milieu that will serve as definite basis for Our action.

According to the trial court, and there does not seem to be any dispute about it, the official records show that the respective annual sugar productions in the CENTRAL during the periods material to this case are:

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"Crop Year	Piculs Produced	Exhibit
1952-1953	864,493	G
1953-1954	1,059,037	G
1954-1955	1,071,346.98	G
1955-1956	822,130.97	G
1956-1957	809,115.79	G
1957-1958	985,582.58	AA-2
1958-1959	1,250,008.70	QQQQQ-1
1958-1960	1,189,837.37	RRRRR-1"

(Page 436, Record on Appeal.)

and that the by-products produced during the same periods are as follows:

Exhibit	Year	Molasses (gallons)	Pressed Cake (tons)	Bagasse (tons)
G	1952-1963	2,172,932	9,185.850	117,296.851
G	1953-1954	2,159,979	11,920.054	136,746.355
G	1954-1955	2,490,748	11,619	141,967.437
G	1955-1956	1,659,447	8,594.2	108,821.23
G	1956-1957	1,283,373	7,912.075	103,148.408
AA-2	1957-1958	1,736,202	8,411.85	123,517.935
QQQQQ-1	1958-1959	2,970,158	13,765.589	172,496.806
RRRRR-1	1959-1960	2,679,646	13,723.200	165,345.739"

(Pp. 436-437, Record on Appeal.)

On the basis of the foregoing figures, excluding, of course, crop years 1952-63 and 1953-54 before the most-favored planter clause went into effect, and if Section 1 of Republic Act 809 were to be applied, the sharing ratio between the mill and the planters in the Talisay-Silay district would have been 65% for the planters and 35% for the mill in the crop years 1956-57 and 1957-58; and 67-1/2% for the planters and 32-1/2 for the mill in crop years 1954-55, 1957-58, and 1958-59; and 70% for the planters and 30% for the mill in crop year 1959-60.

Now, the respective ratios stipulated in the contracts concerned are these:

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Exhibit D-5, contract of Jose Cuaycong
— 37% for the Central and
63% for the planter
Exhibit D-6 of Dominador Agravante and/or his wife
Bonifacia A. Dalimo-os
— 38% for the Central and
62% for the planter
Exhibit D-7 of Edgardo Granada
— 38% for the Central and
62% for the planter
Exhibit D-9 of Flory de Jocson
— 38% for the Central and
62% for the planter
Exhibit D-10 of Enrique Jundos
— 37% for the Central and
63% for the planter
Exhibit D-12 of Vicente Layson
— 38% for the Central and
62% for the planter
Exhibit D-13 also of Vicente Layson
— 38% for the Central and
62% for the planter
Exhibit D-19 of Severino de Oca
— 38% for the Central and
62% for the planter,

with the proviso that in any crop year wherein the production exceeds 1,200,000 piculs, the proportion would be 64%-36%.

Thus, there were at least two planters given 63%. Under the most-favored-planter clause, and because there was always a majority of contract planters, the PLANTERS became entitled, instead of that provided by the law, to a sharing of on 63 - 37 during the whole period referred to, except for crop year 1959-60, when it was 64-36.

Accordingly, We hereby declare and hold that out of the 3% and 4% increase We have thus found the PLANTERS are entitled to, their respective laborers are in turn entitled to 6%. Therefore, the portions in dispute and held in escrow, namely,

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5% for 1956-57 and 1957-58; 7-1/2% for 1954-55, 1955-66 and 1958-59; and 10% for 1969-60, should be shared as follows:

		Mill	*Planters*	*Laborers*
(a)	For crop years 1954-55 to 1957-58 and 1959-60	4-1/2%	1.2%	1.8%
(b)	For crop year 1958-59	3-1/2%	1.6%	2.4%[14]

The legal reasons and the logic and equity behind this ruling.

As earlier intimated, the legal basis of the foregoing ruling may not be readily discernible. One may not perceive it from the language of the statute read in isolation from the inescapable objective of the enactment and the compelling reasons that brought about its passage. As far as the PLANTERS are concerned, they would view the legal consequence of the most-favored-planter clause in their contracts with the CENTRAL as being outside the purview of Republic Act 809. And from the point of view of the CENTRAL, they would naturally rather be adjudged liable to give the stipulated increase by virtue of said clause than be compelled to comply with the ratios provided for in Section 1 thereof. Thus, if We did nothing more than enforce the twenty-second contractual clause in question, it is to be expected that all the PLANTERS, herein plaintiffs, would be more than contended to receive the increase of 3% or 4% in their share of the production in 1954-55, and the subsequent years provided they would not have any obligation to give any part thereof to their laborers.

We are fully convinced, however, that the Court is called upon to go further and inquire as to the applicability of Section 9 of the Act in the premises. It is to Us utterly inconceivable

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[14] For simpler computation, 4-1/2% of the 7-1/2% in escrow is equivalent to 60% of the amount in dispute for the corresponding crop year, whereas, 3-1/2% is 53.33% of said amount.

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that the legislature ever contemplated that as a consequence of the direct or indirect enforcement of the Act, the PLANTERS would by contract be getting an increase of their participation in the sugar production of their district for themselves alone, with their laborers not getting any portion thereof. And, as We view it, the pivotal consideration in that respect is whether or not the execution of the new contracts in 1953-54, particularly those that provided for increased shares for the planters, and the consequent enforcement of the most-favored-planter clause may be deemed as resulting in an increase of the share of the PLANTERS "under the Act" as that phrase is used in Section 9 thereof, as effectively as if there had been an "absence (during said crop year) of written milling agreements between the majority of planters and the millers of sugarcane" in the Talisay-Silay district referred to in its Section 1.

In this connection, it may be recalled that in the crop year 1952-53, the first year of enforceability of Republic Act 809, there were initially only 76 planters with contracts with the CENTRAL. It was the execution of 10 contracts on February 17, 1953 that increased their number to 86. Had those 10 planters opted not to sign any contract, there would have been a majority of non-contract planters during that year, for out of the 161 planters, there would have been only 76 with contracts and 85 without. With those figures and the rates of increase provided for in Section 1 of the Act in mind, it is not difficult to surmise and deem as a certainty that the parties concerned must have exerted all efforts to bring about new contracts, and the bargaining and concessions involved in the process may well be left for the imagination. One has to be very naive to believe that those 10 contracts which overturned the situation for the benefit of the CENTRAL were offered to the CENTRAL by the planters concerned on a silver platter. This is not to ascribe bad faith *per se* to any of the parties involved; it is only a recognition of how hard economic factors can force those adversely affected thereby to seek alternatives and devices, not anyway proscribed by the letter of the law, by which the expected harm can at least be mitigated, if not evaded.

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What happened in the crop years after 1952-53 must have been the same story told all over. The majority of contract planters had to be maintained. Thus, as We have already explained with specific reference to the pertinent detailed facts, the majority of 11 in 1952-53 became 29 in 1953-54 and 32 in 1954-55. After the most-favored-planter clause went into effect, the situation for the PLANTERS became less critical, and so, the majorities in 1955-56 and 1958-59 were only 22, in 1956-57 and 1957-58 were 25 and in 1959-60, 26. Besides, many of the contracts were expiring by end of the 1950's.

We take judicial notice of the fact that as things stood in the sugar industry at the time of the passage of Republic Act 809, the millers occupied such a position of dominance over the planters that enabled the former to dictate unquestioningly under what terms the sugarcane of the latter would be milled, it is easily understandable that nothing short of governmental compulsion in the form of authoritative mandatory regulations or legislations could have made the CENTRAL yield to any diminution of its participation in the sugar production of its district of that prevailing at the time. An effective legislative threat spelling economic disadvantage to it was imperative. The Moran report above-referred to attests to that. Indeed, it may be mentioned here that the Court knows that in other sugar districts judicial controversies exist involving claims that, with the cooperation of the planters concerned, contracts have been executed in frantic attempts to minimize as much as possible the effects of the law insofar as the millers were concerned, to the prejudice of the plantation laborers who were made to conform, if they did, to minor improvements of their condition which were much less than what would otherwise have been given to them under it.

The conclusion is thus inescapable that what brought about the increased participation for the planters concerned in the contracts here in dispute cannot be anything else than the feared consequence of the application of Section 1 of the law under discussion. In other words, those increases were given purposely to avoid the effects of said provision. Thus, there can be no

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doubt that at least in logic and equity, if not in strict law, the said increases come under the provision of Section 9 which refers to "any increase in the participation granted the planters *under this Act*." We can assume that the legislature is not as naive as to make the primordial purpose of its enactment to provide relief to the plantation laborers dependent exclusively on the absence of a majority of planters having written agreements with the millers, when it was aware or ought to have been aware that it was the easiest thing for the millers to concede to the planters by contract increases much less than those prescribed by the statute and thereby preclude the application of Section 1. The Court is thoroughly convinced that the increase contemplated in Section 9 as the criterion for the direct participation of labor in the production of the district could not be only that prescribed in Section 1, which is based on absence of contracts with the majority of the planters in the district. After mature deliberation on all relevant circumstances and considerations, We have arrived at the conclusion that even when there is a majority of contract planters in the district, Section 9 would still apply as long as the contracts providing for increase in the participation of the planters have been executed purportedly to attain the majority required by Section 1, and thereby to prevent the application of the higher rates of increase prescribed by the provisions thereof. It is only by this construction that the full intent of the law under consideration can be realized.

We are not unmindful of the vehement suggestion of counsel for the laborers that the more reasonable construction of the Act is that all contracts entered into to avoid the application of its Section 1 should be deemed illegal and void as having been executed in contravention or avoidance of public policy. We have in fact given considerable weight to it. We could not, however, ignore the more ponderous consideration that the law was not intended to do away entirely with the freedom of contract, guaranteed by the Constitution. There are to be sure the forces of police power and the social justice provisions of the Constitution that, as We have explained earlier, can be availed of, but We are persuaded on the basis of the circumstances of record in this case as well as those within judicial notice that the Congress

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had no intent to improve the condition of the planters and their laborers in a manner that would curtail the normal exercise by the planters and the mill owners of their liberty to contract. It is precisely in the compulsion that Section 9 carries to make the planters share, by giving 60% of whatever increase the latter would obtain from the miller, that the police power and the social justice provisions operated.

Withal, it cannot be said with exact certainty that the contracts in question were entered into in bad faith. The stronger probability is that all the parties concerned might have understood the Act as merely a means by which to compel the millers to relax their adamance to revise the contracts that were about to expire. If nothing were done to provide the planters with something to effectively induce the millers to improve the former's situation, both the planters and their laborers would have remained chained to their wretched condition, particularly the laborers. With the Act, however, the millers were deprived of their superior position from which they could dictate their terms, for the simple reason that if they refused to enter into contracts the ratio provided in Section 1 would hurt them to its full extent. Thus, the planters were enabled to bargain with the miller for better terms without having to lose the advantages that go with having a contract, as against having none. And in Our view, it is also in relation to any improved share that the planters may gain by contract that the Act conceived the corresponding increase for the plantation laborers stipulated in Section 9.

The proceeds from milled sugarcane during crop year 1954-55 were retained by the CENTRAL hence there should be a separate computation in relation thereto.

As has been indicated in the earlier portions of this opinion, by agreement of the parties and on the security of a bond given by the defendant appellant Luzon Surety Company, all the proceeds of the sugarcane milled during the 1954-55 crop year in the amount of ₱949,856.53 were retained by the CENTRAL. The trial court sentenced the CENTRAL to pay the

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ASOCIACION the said amount plus interest of 3% per annum from October 1, 1955 to the date of payment. In this appeal, the CENTRAL denied liability therefor upon the sole ground that there was a majority of planters with contracts during said crop year. It did not raise any issue as to the amount. On the other hand, the PLANTERS did not appeal from nor did they even counter-assign as error the rate of interest fixed by the trial court. Accordingly, We are without authority to change the rate of interest thus fixed by His Honor.

Therefore, as of November 30, 1978, the amount in issue should have been ₱1,610,006.94, including already the interest earned. This amount corresponds to the 7-1/2% that should have been held in escrow of the total production for that crop year. Now, since We hold that the correct ratio for that crop year should be 37% for the CENTRAL and 63% for the PLANTERS, instead of 40-60, the result is, as already indicated earlier, that of the said 7-1/2% which should have been held in escrow, 4-1/2% should pertain to the CENTRAL and 3% to the PLANTERS, and inasmuch as to make the computation simpler, 4-1/2% of 7-1/2% is 60% and 4% of 7-1/2% is 40%, it follows that the CENTRAL is obligated to the ASOCIACION for only ₱644,002.76 and the PLANTERS shall pay their respective laborers a total of ₱386,401.66 out of the said amount.

- G -

PUBLIC INTEREST COMPELS THE COURT TO EXTEND THIS DECISION TO ALL SUBSEQUENT CROP YEARS UP To 1966-67

The evidence regarding crop year 1960-61 is inconclusive.

The decision under review covers even crop year 1960-61. The pertinent portion thereof runs that:

"After the year 1955-1956, up to the present, there has not been any appreciable change in the number of planters with written milling

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contracts with the Central. This is particularly true after the crop year 1959-1960 because that was the last year of effectivity of the contracts Exh. C, C-1 to C-62. Therefore, Republic Act No. 809 is applicable to all subsequent agricultural years up to 1960-1961." (Page 435, Record on Appeal of CENTRAL.)

In truth, however, the conclusion of His Honor regarding crop year 1960-61 is not based on solid evidence. Thus, with respect to all the previous years, the parties submitted stipulations of facts, accompanied by documents which provided sufficient basis for the needed findings of fact regarding the number of planters that cultivated during each of those crop years and who among them were the contract and non-contract ones. But the last of those stipulations was that of December 5, 1960 covering the 1959-60 crop year. There was no similar stipulation touching on crop year 1960-61. On the contrary, after the trial court had, by its order of December 1, 1959 declared the case submitted for separate judgment, pursuant to the joint motion of the parties of November 13, 1959, as regards crop years 1952-53 to 1958-59, albeit no such separate judgment was ever rendered, and after it had later on again declared the whole case submitted for decision in its order of March 25, 1961, as pointed out in PLANTERS' motion in the court below of September 26, 1961, in that very motion, PLANTERS asked to be allowed to resort to a Request for Admission precisely for the reason that "the parties have not been able to agree on the stipulation of facts" because of "unavoidable circumstances occasioned by the checking of the records and their transmission from Negros to Manila." The record does not even show how this motion was disposed of. Neither does it appear that the request for admission just mentioned, if it went thru its course, brought forth any results. True it is that Exhibit SSSSSS attached to the said request for admission could be a genuine record of the CENTRAL as to how many planters there were in 1960-61, but We cannot find in the record any reliable concrete evidence as to how many of them had written milling agreements with the CENTRAL.

In a word, the evidence on the disputed matters in this case which were presented by the parties in the lower court is complete

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only up to what refers to crop years 1959-60. There is partial evidence showing the number of planters in crop year 1960-61 but not enough about the number of contract planters. But the proceeds of each year's production continued to be held in escrow, as indicated in this decision up to crop year 1966-67, even after the entry of TASICA hereinto, hence, from time to time, as already stated at the outset, corresponding motions were filed for the proper disposition of said proceeds, including those corresponding to the crop years subsequent to 1959-60 up to 1966-67. The problem which confronts Us at this point is whether or not this case should be remanded to the trial court for appropriate disposition of the matters relative to the crop years from 1960-61 to 1966-67. The foregoing consideration notwithstanding, We hold that there is no need for such remand.

Cases involving labor deserve expeditious and simplified handling not only by the courts but more appropriately by the employers whose attitude should be openness and goodwill rather than reluctance and antagonism.

In this connection, the Court cannot but articulate the observation that, even as the submission by the parties of stipulations of facts as to material matters relative to crop years 1952-53 to 1959-60 is creditably in the right direction, much more could have been accomplished to facilitate the expeditious termination of this very important litigation and thus bring into reality the amelioration of the laborers in the sugar industry designed by Republic Act 809, had the CENTRAL and the PLANTERS been more candid to each other regarding such a simple matter of how many contract and non-contract planters there were in the district. It cannot be overemphasized that labor has a big stake here. Republic Act 809 accorded the plantation laborers the all-important opportunity to secure what they should have had long before, namely, a direct share in the production of the sugar industry in which they constitute an indispensable element. Certainly, it is to be regretted that it has taken all those long years before those laborers could be

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finally told they can get at that only a fraction of the measure of amelioration they had expected.

That is not to say that the Court is not entirely blameless for its own part in such delay, added to the six or seven years that the proceedings in the court below lasted, even if Our failure to act earlier can be explained. These cases were submitted for decision by the Court as early as August 12, 1963. In the usual course of the Court's functioning, the records passed from one Justice to another. In the process, some of them reached their compulsory age of retirement. It took sometime before they were succeeded by new ones who had to go over the said records all over again. One can have an idea of the time those Justices and the writer of this opinion had to take in going over and studying the same, if it is considered that there are no less than five volumes of pleadings, almost two feet thick and as many bundles of exhibits numbering over a thousand marked as Exhibits A, A-1 *et seq.* up to RRRRRR-,1 consisting of documents, tabulations, reports and rather voluminous manuscripts of various kinds, some of them mere copies which can be read only with difficulty and the use of magnifying glasses.

This mountain of papers, data and literature would have been entirely unnecessary had there been honest and sincere effort on the part of both parties to make the Act effective, if only for the sake of giving labor promptly what was due it. All technicalities should have been set aside. Surely, the question of how many planters there were in the district each year could not have been disputable, being so concrete and readily demonstrable. And the question of how many of said planters had written agreements with the CENTRAL was no more complicated. It is incomprehensible why so much evidence had to be produced to complicate the determination of these practically obvious facts. True it is that certain situations involving some planters or some contracts required the settlement of differences of views as to their legal status, but the determination to those issues, as We have seen them, did not require the mass of evidence We have been made to examine and evaluate. This should not have been the case. Although the rulings this Court has made on the point under discussion in earlier cases referred only to expediting of execution of judgments, already final,

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awarding monetary claims of laborers, We hold that the principles underlying the same can apply correspondingly with as much reason and force to the circumstances, of the instant litigation. Paraphrasing what We said in *Danao Development Corporation vs. National Labor Relations Commission et al.*, G. R. Nos. L-40706-07, promulgated on February 16, 1978, which was a reiteration of Our admonition in the earlier case of *East Asiatic Company Ltd. et al. vs. The Court of Industrial Relations*, 40 SCRA 521, claims of laborers must be attended to with complete openness and in the best of faith, to the end that there may be the most expeditious determination thereof soonest by mutual admissions between the parties relative to matters that should ordinarily be beyond dispute. In such instances, it is the inescapable duty of management or of the capitalist sector to lay its books open for appropriate inspection and examination of the duly authorized representatives of the laborers and to otherwise furnish them with correct and accurate information needed by them, considering the nature of the controversy. Equally it is the obligation of labor and other parties concerned to reveal without loss of time and in all good faith facts of their own peculiar knowledge which are relevant and material to the investigation.

1. *The matters related to the crop years after 1959-60 should, therefore be settled here, if legally possible.*

2. *All the proceeds from 1960-61 to 1966-67 belong to the PLANTERS and their laborers in the proportion of 40-60 per Section 9.*

With these considerations in mind and yielding to the prayer of the PLANTERS, the Court has opted to dispense with further proceedings in the trial court for the purpose of disposing of the issues involved in the crop years after 1959-60 up to 1966-67. In doing this, We are not overlooking that the CENTRAL as later on TASICA have always insisted that the pleadings including the supplemental ones, filed with the lower court and in which the parties joined issued for resolution of His Honor

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refer to events that took place only up to 1959-60 or at the latest 1960-61 and, therefore, in this appeal, this Court has no jurisdiction to pass on matters affecting crop years 1960-61 to 1966-67, much less those subsequent thereto.

Strictly speaking from the technical point of view, the CENTRAL and TASICA could have merit. But under the circumstances now obtaining and with the changed attitude of the parties manifested at the hearing of October 10, 1978 and their latest written representations prior and subsequent thereto, it would appear that for Us to limit this decision to the crop years up to 1959-60 and leave the matters related to subsequent crop years for further proceedings in the trial court by requiring the filing of new pleadings and corresponding presentation of evidence would be to waste time, effort and money to all concerned. As We see it, what could be factual issues that the trial court would be called upon to resolve are no longer controverted by the parties, namely, (1) whether or not there was a majority of planters with written milling contracts during those crop years in question and (2) the production figures corresponding thereto.

As to such first issue, the pleadings and manifestations of the parties relative to the latest relevant developments in the controversy among them as well as in the sugar industry, particularly in the Talisay-Silay milling district do not indicate any possibility that the majority of the planters therein had renewed or extended their contracts with the CENTRAL or that a sufficient number of new ones had entered into written contracts such as to maintain the majority of contract planters beyond crop year 1959-60. Nowhere in its latest representations does the CENTRAL make any claim that such majority has continued after the 1959-60 contracts expired. In fact, neither the CENTRAL nor TASICA has specifically and effectively denied the allegation in paragraph 5 (a) of the Counter-Petition of the PLANTERS dated December 21, 1963 and paragraph 2 (b) (1) of the Manifestation and Motion of January 10, 1967 of the PLANTERS that as found by the trial court, "crop year 1959-60 . . . was the last year of effectivity of the contracts Exhs. C, C-1 to C-62" and, therefore, the majority of planters

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in the Talisay-Silay milling district did not have written milling agreements since then. And as far as the production figures for the crop years 1960-61 to 1966-67 supplied by the parties and extant in the record, We do not perceive any dispute as to their accuracy, except as to crop year 1963-64 where according to the figures of the CENTRAL the total production was only 1,155,064.09 piculs whereas the PLANTERS claim it was 1,186,679.37 piculs plus 16,340.36 piculs milled thru accommodation in Ma-ao Sugar Central and 202.77 piculs milled in Bacolod-Murcia Milling Co. to make a total of 1,203,222.48 piculs. Actually, the PLANTERS have been asking for a reconsideration of Our resolution of November 7, 1963 which fixed the percentage of disputed sharing at 62-1/2 and 37-1/2, contending that it should have been 70-30 because allegedly the production was over 1,200,000 piculs. Accordingly, leaving for further disposition the 2-1/2% in controversy for crop year 1963-64, it is quite obvious that what would be done by the trial court to dispose of the controversy regarding crop years 1960-61 to 1966-67 may be as well done here and now, thereby cutting short this litigation.

Upon the foregoing premises and in the exercise of Our plenary adjudicatory powers, thereby to avoid delaying further the complete termination of this quarter-of-a-century-old case, We laid and hold that in contrast to crop years 1952-53 to 1959-60, Republic Act 809, particularly Sections 1 and 9 thereof, was applicable to and in force and effect in the Talisay-Silay milling district from crop year 1960-61 to crop year 1966-67 and that all the disputed proceeds of production during the whole of said period deposited in the various banks hereinafter to be specified pertain exclusively to the PLANTERS and their respective plantation laborers in the proportion of 40% thereof for the PLANTERS and 60% for the LABORERS.

- IV -

The CENTRAL's fourth assignment of error is to the effect that:

"THE JUDGE *A QUO* AND CLIENT OF ATTY. JOSE AFRICA OF THE PLANTERS ERRED IN APPARENTLY OVERLOOKING THAT THE CONGRESS OF THE PHILIPPINES DID NOT INTEND AND DID

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NOT MEAN TO APPLY REPUBLIC ACT 809 IN A MANNER THAT WOULD NULLIFY EXISTING CONTRACTUAL RIGHTS AND IMPAIR THE OBLIGATION OF EXISTING CONTRACTS;

(1) Because, the Congress of the Philippines in the Explanatory Note to the Bill (H. No. 1517) which became Rep. Act No. 809 has in effect clearly acknowledged its constitutional duty and intention to respect and uphold the obligation of existing contracts, by frankly stating that 'this bill does not violate existing milling agreements between planters and millers of sugarcane as its provisions are *only applicable in the absence of such milling* contracts'; in fact, Section 10 of said Act clearly anticipates that the application of its provisions to *planters under contract* would be invalid;

(2) Because it seems to us clearly illogical and unreasonable to hold that said Act would violate or impair the obligation of existing contracts only when the planters under contract happen to be in the majority, but not when the planters under contract happen to be in the minority in their district;

(3) Because, Republic Act 809 cannot in good conscience be interpreted in a manner that will so unjustly allow or permit any planter under contract to repudiate his contractual obligations to the Central, but at the same time to retain and enjoy all the rights and benefits accruing to him under the same contract, regardless of whether he happens to be in the majority or in the minority of the planters in his district;

(4) Because, contractual rights are also *property rights,* and the State cannot, by simple legislative fiat, deprive the millers of their contractual and property rights, just to give them to, and increase the profits of, the planters; and also to make the millers pay additional compensation to the planters' own laborers, over the minimum wage fixed by law for all other laborers in the country, regardless of whether the planters under contract happen to be in the majority or in the minority in their milling district." (Pp. 124-126, Brief of CENTRAL.)

- A -

THIS FOURTH ASSIGNMENT OF ERROR OF THE CENTRAL HAS BECOME ACADEMIC

Stated differently, the position of the CENTRAL is that even on the assumption that there was absence of a majority of

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planters in the district with written milling agreements with it during the periods in question and hence, Section 1 of Republic Act 809 would be applicable during said periods, the ratios of sharing therein prescribed may not be applied to those of the minority who had written contracts providing for lesser percentage of shares for the respective planters concerned. Considering, however, that in disposing of the CENTRAL's third assignment of error, We have reversed the lower court's finding on which the instant assignment of error is premised, the issue thus raised by the CENTRAL has lost relevance. And more so because We have sustained the PLANTERS' third counter-assignment of error. As may be recalled, it is Our ruling above that the reference point in determining the ratio of sharing among the CENTRAL, the PLANTERS and the latter's laborers need not be the absence alone of a majority of planters with written milling agreements with the CENTRAL referred to in Section 1 of the Act but the provisions of its Section 9 construed in conjunction with the effect of the most-favored-planter clause in the prevailing milling contracts, even if the planters having such contracts were in the majority, with the result that the percentage of the share of all the planters with contracts should be 63% for the years from 1952-53 to 1959-60, except for 1958-59 when it should be 64%. And such being the case, said 63% and 64%, as the case may be, constituted "the most frequent basic plantation milling share stipulated in valid written milling contracts between the mill company and the owners and/or planters of other plantations adherent to the mill" referred to in Executive Orders Nos. 900 and 901, Series of 1935. It follows from this that the said 63% and 64% became the percentage to which planters without written contracts with the CENTRAL became entitled. With the foregoing view We have taken of the basic points related to the CENTRAL's fourth assignment of error, and since, in the light of such view, the predicate of the instant assignment can not exist, further discussion thereof is now purely academic and of no practical bearing on the final result of this case. In brief, no distinction need be drawn between contract planters and non-contract planters for the purpose of determining the share to which the planters in the district should be entitled.

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- V -

The CENTRAL submits as its fifth assignment of error that:

"THE JUDGE *A QUO* AND CLIENT OF ATTY. JOSE AFRICA OF THE PLANTERS ALSO ERRED IN APPARENTLY OVERLOOKING THAT REPUBLIC ACT 809, BY EXPRESS PROVISION OF SECTION 8 THEREOF, WAS NOT INTENDED AND CANNOT BE PERMITTED TO AFFECT THE ALLOCATION OF THE PRODUCTION AND/OR MARKETING ALLOTMENTS OR ALLOWANCES OF THE EXPORT, OR "A" SUGAR (EXPORTABLE TO THE UNITED STATES OF AMERICA), THE ALLOCATION OF WHICH AMONG ALL THE MILLING DISTRICTS IN THE PHILIPPINES, AND IN TURN BETWEEN THE MILLERS AND THE PLANTERS IN THEIR RESPECTIVE MILLING DISTRICTS, HAS BEEN FIXED IN ACCORDANCE WITH THE TRADE RELATIONS AGREEMENT BETWEEN THE PHILIPPINES AND THE UNITED STATES OF AMERICA." (Page 135, CENTRAL's Brief.)

- A -

THIS ALTERNATIVE PROPOSITION OF THE CENTRAL NEED NOT BE CONSIDERED BECAUSE HOLD THAT SECTION 1 OF REPUBLIC ACT 809 DID NOT APPLY TO THE TALISAY-SILAY DISTRICT DURING THE MATERIAL YEARS IN DISPUTE.

The sole point raised by the CENTRAL under the last aforequoted assignment of error is that it is not within the power of the Philippine Legislature to alter or modify, as it does in Section 1 of Republic Act 809, the allocation of export or "A" sugar in view of the provisions of its Section 8 which reads pertinently as follows:

"SEC. 8. The compensation to the central or planter or plantation owner shall be paid out of the proceeds of the operation which would have corresponded to the said central or planter or plantation owner, with due regard for the costs of operation or administration and such other charges and deductions as the court may deem just and proper.

"Nothing in this Act shall he deemed to affect the agreement between the Republic of the Philippines and the United States of

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America concerning trade and related matters during a transitional period following the institution of Philippine Independence, and the protocol and annexes thereof, as proclaimed on the first day of January, nineteen hundred and forty-seven."

It is argued that under Public Law 371 of the Congress of the United States, approved on April 30, 1946 and otherwise known as the Philippine Trade Act of 1946, as well as Commonwealth Act 733 approved on July 3, 1946, which authorized the acceptance of the trade agreement "to be entered into between the President of the Philippines and the President of the United States pursuant to Public Law 371," the allocation of sugar exportable from the Philippines to the United States was expressly limited "x x x to the sugar producing mills and plantation owners in the Philippines in the calendar year 1940, whose sugars were exported to the United States during such calendar year, or their successor-in-interest, proportionately on the basis of their average annual production (or in the case of such a successor-in-interest, the average annual production of his predecessor-in-interest) for the calendar years 1931-1932 and 1933, and the amount of sugar which may be so exported shall be allocated each year between each mill and the plantation owners on the basis of the proportion of sugars to which each mill and the plantation owners are respectively entitled, in accordance with any milling agreements between them or any extension, modification, or renewal thereof." Hence, it would be violative of the laws mentioned for the Congress of the Philippines to alter the apportionment of ratio of sharing between the CENTRAL and the PLANTERS in the instances where there are no contracts.

Whatever merit there may be in such pose, We consider it quite pointless for Us to rule on it, since, as We have held above, the distribution of the proceeds of sugar production from each crop year from 1952-53 to crop year 1959-60 should be on the basis of the existing contracts between the CENTRAL and the PLANTERS, including particularly the most favored-planter clause, which became operative directly on the PLANTERS, majority of whom had written milling agreements

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with the CENTRAL during said periods, together with the provisions of Executive Orders Nos. 900 and 901, Series of 1935, on the non-contract planters and, therefore, such allocation is plainly "in accordance with any milling agreement between them (the millers and planters) or any extension, modification or renewal thereof," as required by the statutes invoked.

In any event, We wish to make it clear that We agree with the following ratiocination of distinguished counsel for the PLANTERS:

"1. *Congress of the Philippines has the power to legislate on the allocation of our quota to the U.S. market.*

"The argument of Appellant Central on this point smacks of a colonial mentality. The Philippine American agreements on the subject of sugar never contemplated the abdication of our sovereign rights on the matter. Section 211 of the Philippine Trade Act of 1946 provides:

> '(d) Allocation of quotas for Unrefined Sugars. — The quota for unrefined sugars, including that required to manufacture the refined sugars, established by this section shall be allocated annually to the sugar producing mills and plantation owners in the Philippines in the calendar year 1940 whose sugars were exported to the United States during such calendar year, or their successors in interest, proportionately on the basis of their average annual production (or in the case of such a successor in interest, the average annual production of his predecessor in interest) for the calendar years 1931, 1932 and 1933, and the amount of sugars which may be so exported shall be allocated in each year between each mill and the plantation owners on the basis of the proportion of sugars to which each mill and the plantation owners are respectively entitled, *in accordance with any milling agreements between them, or any extension, modification, or renewal thereof.*'

"The extension, modification or renewal" of milling agreements mentioned in the foregoing legal provision is not necessarily limited to an extension, modification or renewal arising from contracts. The same may arise from law as a result of the exercise of police power.

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'Not only are existing laws read into contracts in order to fix obligations as between the parties, but the reservation of essential attributes of sovereign power is also read into contracts as a postulate of the legal order.' (*Home Bldg. Loan Assn. v. Blaisdell*, 290 U.S. 398).

"The absence of intention on the part of the United States to encroach on the exercise of our sovereign functions nor on the part of the Philippines to abdicate its sovereign rights is clear from the wording of Section 215 of the said Philippine Trade Act of 1946 which states:

> 'Sec. 215. Laws putting into effect allocations of Quotas. The necessary laws and regulations for putting into effect the allocation of quotas on the basis provided for in sections 211, 212, and 214, respectively, shall not be enacted by the United States, it being the purpose of this title that such laws and regulations shall be enacted by the Philippines.'

"There is, therefore, no justification in construing the Trade Agreement as a restriction on the power of Congress to legislate on the sharing participation between millers and planters. The United States had no reason to require the Philippines to relinquish its police power to regulate the relations between millers and planters, particularly to fix their sharing participation in the sugar production. In other words, the United States had no preoccupation as to how the export quota would be distributed among the millers and planters, its only concern being that said quota should not be exceeded.

"As this Honorable Court has pointed out:

> 'It is to be observed that both Acts (Bell and Tydings-McDuffie) provide for allocation of the sugar quota in each year between the mills and the planters, *thereby implying that the allocation* could vary from year to year.' (*Suarez v. Mt. Arayat*, G.R. L-6435, Decision prom. March 31, 1955).

"In the absence of clear and express treaty limitation, it should never be assumed that the Philippines abdicated its sovereign power on a matter essential to our economy.

> 'Status in derogation of sovereignty should be strictly construed in favor of the state, so that its sovereignty may be upheld and not narrowed or destroyed, and should not be

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permitted to divest the state or its government of any of its prerogatives, rights, or remedies, unless the intention of the legislature to effect this object is clearly expressed. (*People v. Centr-O Mart*, 214 P. 2d 378; *Valley County v. Thomas*, 97 P. 2d 345; 109 Mont. 345; Appeal of Reading Co., 22 A. 2d 906, 343 Pa. 320; 59 C.J. p. 1121 note 68; 82 C.J.S. p. 936).

"It should also be remembered that the allocation of the sugar quota is not in the nature of a reward or bounty. As this Honorable Court in the Suarez case observed:

'Such contention unwarrantedly assumes that the allocation provided in Section 211 of the 1946 Philippine Trade Act (Bell Act) is in the nature of a bounty or reward for past services in producing and exporting sugar to the United States on or before 1940. We see no reason for such construction. The reference to 1940 export in Section 211 (d) in our opinion merely purports to restrict future sugar exports to the Philippine sugar producers entitled to quotas in 1940, and to exclude those who entered the sugar production field at a later date. The plain terms of the section indicate that it was designed to merely continue the original system of allocation between planters and sugar producing mills initiated in 1934 by the Tydings McDuffie Act, in recognition of the complementary roles and respective contributions of planters and processors to the production and manufacture of the sugar. It is to be observed that both Acts (Bell and Tydings McDuffie) provide for allocation of the sugar quota in each year between the mills and the planters, thereby implying that the allocation could vary from year to year.' (*Suarez vs. Mount Arayat*, Decision, *supra*).

"Executive Order No. 900, it is true, established a formula for the determination of the respective marketing coefficients of the plantation-owners and millers, but it does not follow that the basis of the quota-sharing is fixed and absolute as to preclude change.

"Section 5 of Executive Order No. 900 provides

'5. Plantation milling share. — The percentage of the sugar manufactured by the mill from sugarcane grown on a plantation which the mill company returns to, or credits to the account of, the owner and/or planters of the plantation shall be known as the "basic plantation milling share' and shall be determined as follows:

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(a) For any plantation or a part thereof covered by a valid written milling contract between the mill company and the owner and/or planters of that plantation, the basic plantation share shall be as stipulated in the contract.

"(b) For plantations or parts thereof not covered by a valid written milling contract between the mill company and the owner and/or planters of such plantations, the basic plantation share shall be the most frequent basic plantation milling share stipulated in valid written milling contracts between the mill company and the owners and/or planters of other plantations adherent to the mill. In determining the most frequent basic plantation milling share, plantations owned by or operated for the account of the mill company shall not be considered.

(c) The qualification (basic) as used in this section shall be taken to include any general increase in plantation milling shares effected by action of the management, directors, trustees, shareholders or owners of the mill so long as such action shall be valid or subsisting. Variations in plantation milling shares due to bonuses, penalties, or methods of cane delivery, provided for in valid written milling contracts shall not be considered as "basic' in determining plantation milling shares, but may be adjusted between the mill company and the owners and/or planters concerned by cash payments, or in sugar by endorsement of warehouse receipts from one party to other. x x x'

"By no stretch of the imagination can this provision be considered as an obstacle to the exercise of legislative authority, particularly one based on police power, which may alter the basis or formula contained in Executive Order No. 900. Needless to state, irrepealable laws are not countenanced in this jurisdiction.

'There can be no vested right to the continued existence of a statute which precludes its change or appeal.' (*Traux v. Corrigan*, 257 U.S. 312, 66 L. Ed. 254).

"In other words, the original quota allocation by the State having been predicated on the exercise of police power, there is no reason why the same police power cannot now be exercised to promote the public welfare.

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"Like Executive Order No. 900 which established a formula for the determination of marketing coefficients for A sugar (U.S. Export), Executive Order No. 901 established a formula for the determination of the marketing coefficients for B and C sugar (Domestic and Reserve Sugar). Said Executive Order No. 901 provides:

> '11. Plantation milling share. — The percentage of the sugar manufactured by the mill from sugarcane grown on a plantation which the mill company returns to, or credits to the account of, the owner and/or planters of the plantation shall be known as the 'basic plantation milling share' and shall be determined as follows:
>
> (a) For any plantation or a part thereof covered by a valid written milling contract between the mill company and the owner and/or planters of that plantation, the basic plantation share shall be as stipulated in the contract.
>
> (b) For plantation or parts thereof not covered by a valid written milling contract between the mill company and the owner and/or planters of such plantations, the basic plantation share shall be the most frequent basic plantation milling contracts between the mill company and the owners and/or planters of other plantations adhered to the mill. In determining the most frequent basic plantation milling share, plantations owned by or operated for the account of the milling company shall not be considered.
>
> (c) The qualification 'basic' as used in this section shall be taken to include any general increase in plantation milling shares effected by action of the management, directors, trustees, shareholders, or owners of the mill so long as such action shall be valid or subsisting x x x'

"Since this involves practically the same argument in the case Executive Order No. 900, was respectfully reiterate our refutation thereof particularly that there can be no vested right in the formula established in the Executive Order because the same is susceptible to change by the exercise of the very same police power to which it owes its existence." (Pp. 82-91, Brief of Appellees.)

as well as the arguments along the same vein by *Amicus Curiae*, Attys. Tañada, Teehankee and Carreon on pages 2 to 40 of

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their brief, which for the sake of brevity, We just incorporate hereto by reference.

- VI -

The sixth assignment of error of the CENTRAL is as follows:

"THE JUDGE *A QUO* AND CLIENT OF ATTY. JOSE AFRICA OF THE PLANTERS HAD NO JURISDICTION AND ERRED IN ADJUDICATING AND ORDERING THE DELIVERY TO THE PLAINTIFFS IN THIS CASE, THE TOTAL AMOUNT DEPOSITED WITH THE PHILIPPINE NATIONAL BANK, WHICH, EVEN IF THE CONTROVERTED LAW IS FINALLY HELD VALID AND APPLICABLE, WOULD BELONG, NOT TO THE FEW PLANTERS WHO ARE PLAINTIFFS IN THIS CASE, BUT TO THE NUMEROUS OTHER PLANTERS IN THE DISTRICT WHO HAVE NOT JOINED AND ARE NOT PARTIES IN THIS CASE, EXCEPT FOR THE RELATIVELY SMALL PORTION WHICH WOULD CORRESPOND TO SAID FEW PLANTERS WHO ARE PLAINTIFFS IN THIS CASE";

- A -

THE THRUST OF THIS ALLEGED ERROR OF THE TRIAL COURT IS THE ERRONEOUS THEORY OF THE CENTRAL THAT THE INSTANT ACTION IS NOT A CLASS SUIT, WHICH WE HOLD IT IS, HENCE THE MONEY IN ESCROW IN THE BANKS MAY BE DISPOSED OF IN THIS CASE NOT ONLY AMONG ALL THE NAMED PARTIES HEREIN BUT AMONG ALL THE PLANTERS IN THE DISTRICT, THEIR RESPECTIVE LABORERS AND THE CENTRAL."

The evident premise of the CENTRAL's sixth assignment of error aforequoted is that the present action may not be deemed as a class suit, hence, the trial court had no authority to adjudicate the money held in escrow by the banks in favor of the PLANTERS who are not actually named as parties herein. On thus score, the CENTRAL seeks umbrage under the ruling in *Berses vs. Villanueva*, 25 Phil. 473, wherein We held that where numerous defendants or individuals are occupying different portions of a big parcel of land, a class suit would not lie because "each of the defendants had an interest only in the particular portion of the land he was occupying."

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We are of the considered view that apart from the correctness of the procedural theory advanced by the PLANTERS as regards the particular issue under discussion, practical considerations conducive to the earliest determination of inevitable subsequent controversies between the unnamed planters, on the one hand, and the CENTRAL, on the other, which would necessarily hinge on the main prop of this decision, make it desirable and proper that any such further litigation, which cannot have any different result, be now foreclosed. But very little elucidation is needed to demonstrate the palpable community of interest of all the planters in the district in the settlement of the two vital issues of fact and the various issues of law submitted for Our determination in this case, the resolution of which has no bearing on and cannot in any event affect either the respective allocations or quota of each individual planter in the district or their rights of ownership or possession over the respective plantations they worked on during the material periods herein involved. We believe the CENTRAL cannot be unaware of these considerations, and We welcome its formal withdrawal of the above assignment of error. (CENTRAL's Supplemental Memorandum of December 2, 1978, p. 1) But, just the same, We feel that for the benefit of all concerned, it is best to explain why its position cannot be sustained.

Thus, by settling the controversy as to whether or not Section 1 of Republic Act 809 applies to the Talisay-Silay district, the factual issues to be determined have to do only with the number of planters there were in the district during the periods in dispute and how many of them had written milling agreements with the CENTRAL. Of course, it was of particular interest respectively to each of those who worked on the plantations within the district as to who of them should be deemed as planters or not, and being planters who among them were contract and non-contract planters within the contemplation of Section 7 of Republic Act 809. But at the same time, it cannot be denied that the same issues were of common interest to all the PLANTERS and, in fact, to their respective laborers, since it is on the correct resolution thereof that the expected improvement or augmentation of their share in the production of the CENTRAL

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would depend. In other words, all the PLANTERS in the district as well as their respective laborers were similarly situated, whether they were named parties or not. More than that, the resolution of said issues could not in any event be different as to any of them, which is virtually saying that the subject matter of the controversy cannot be but of common and general interest to all of them. On the other band, the number of planters involved, not to mention the number of laborers to be affected, is so numerous as to make it impracticable to bring them all to court. Under these circumstances, the propriety of considering the present litigation as a class suit cannot be open to question. As a matter of fact, in another case practically on all fours with the instant one, We already ruled against the pretention of the CENTRAL here, We refer to the case of *Felipe Acar et al. vs. Hon. Inocencio Rosal etc. et al.*, 19 SCRA 625, wherein it was held that the suit filed by ten (10) laborers to recover "their alleged participation or shares amounting to the aggregate sum of ₱14,030,836.74, in the sugar, molasses, bagasse and other derivatives, based on the provisions of Republic Act 809 (The Sugar Act of 1952)", the very law here in issue, was a proper class suit.

Moreover, according to Chief Justice Moran,[15] the theory in the United States that a class suit is permissible whenever there is community of interest in the question involved and in the relief sought, even in the absence of community of interest in the subject matter of the litigation, "may be adopted in the Philippines under the present rules which authorize joinder of parties who have common interest in the same question of fact or law where the relief sought arises out of the same transaction or series of transactions." This view strengthens the position of appellees in this case.

- VII -

The seventh assignment of error of the CENTRAL alleging that:

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[15] Moran, Rules of Court, Vol. II, p. 203, 1970 ed.

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"THE JUDGE *A QUO* AND CLIENT OF ATTY. JOSE AFRICA OF THE PLANTERS FINALLY ERRED IN RENDERING BOTH THE ORIGINAL JUDGMENT AND THE SUBSEQUENT AMENDATORY ORDER HEREIN APPEALED FROM."

is a mere corollary of its preceding assignments which We have overruled and does not, therefore, need further discussion. Like the previous ones, the same must perforce be similarly overruled.

- VIII -

RE: THE APPEAL OF LUZON SURETY CO., INC.

- A -

THE APPEAL OF LUZON SURETY CO., INC. IS PRACTICALLY ACADEMIC

Defendant-appellant Luzon Surety Co., Inc. submits the following assignments of error:

"I

THE LOWER COURT ERRED IN NOT DISMISSING THE COMPLAINT AGAINST THE DEFENDANT LUZON SURETY CO., INC., ON THE GROUND THAT THE ACTION AGAINST IT WAS PREMATURELY PRESENTED.

"II

THE LOWER COURT ERRED IN ORDERING DEFENDANT LUZON SURETY CO., INC., TO PAY PLAINTIFFS THE VALUE OF ITS BOND."

The factual background of Luzon's appeal is simple. It is more or less accurately narrated in said appellant's brief thus:

"STATEMENT OF THE FACTS AND OF THE CASE

"On September 23, 1954, plaintiffs filed the original complaint against defendant Talisay-Silay Milling Co., Inc. (R.A. p. 1).

"On November 20, 1954, the defendant Luzon Surety Co., Inc. and the defendant Talisay-Silay Milling Co., Inc. issued a bond binding themselves to pay jointly and severally the Sugar Quota Administrator

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ant the Asociacion de Agricultores de Talisay-Silay, Inc. in the sum of ₱1,000,000.00 under the condition that: in the event that the courts should finally adjudge that said Republic Act No. 809 is applicable to the 1954-55 crop of Talisay-Silay Mill District, and that the planters are entitled to an additional participation of SEVEN AND A HALF (7-1/2%) PERCENT, or less, over and above SIXTY (60%) PERCENT, of their respective production in that year, the CENTRAL will pay to each and every planter concerned, through the Sugar Quota Administration and the Asociacion de Agricultores de Talisay-Silay, Inc., the value of such additional participation of SEVEN AND A HALF (7-1/2%) PERCENT, or less, as may be determined by the courts in accordance with the average market price during the month within which the sugar is sold. (Annex 'A', R.A. pp. 18-24)."

In the light of the foregoing stipulation, and upon finding and holding that Republic Act 809 applied to the Talisay-Silay district during crop year 1954-55, the trial court rendered its appealed judgment, the pertinent portion of which reads thus:

"With respect to the disputed portion of the sugar produced in 1954-1955, inasmuch as the same has been sold and the amount realized and turned over to the defendant Central under the surety bond filed by the Luzon Surety & Company, Inc. has been determined to be valued in the amount of ₱949,856.53, the Court renders judgment against the defendant Central, Talisay-Silay Milling Company, Inc. and the Luzon Surety Company, Inc., jointly and severally, to pay the plaintiffs the sum of ₱949,856.53, with interest thereon at the rate of 3% per annum from the time the said amount was delivered to the Central in the year 1955 until the same is fully paid. x x x" (Pp. 439-440, Record on Appeal.)

Upon these premises, We do not believe Luzon's appeal requires extended discussion. In fact, it appears to Us to be virtually academic, and We are thus relieved of having to pass on any of the legal arguments advanced by counsel in their brief.

In this decision, We hold, as already explained above, that during the crop year 1954-55, there was a majority of planters in the Talisay-Silay district with written milling agreements with the CENTRAL, hence Section 1 of Republic Act 809 did not apply then. We are further holding, however, that by virtue of

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the most-favored-planter clause, the PLANTERS are entitled to a 3% increase in their share of the production of the CENTRAL in that year, 60% of which should in turn be paid to the respective plantation laborers of the PLANTERS pursuant to Section 9 of the Act. Hence, it is clear that the basic contingency that is the condition of Luzon's bond in question has fundamentally materialized, except that it would not be enforceable, strictly speaking from the point of view of the matter most favorable to Luzon, until after this decision has become final and the CENTRAL does not pay.

Now, under the terms of this decision, the CENTRAL is entitled to receive a total amount much more than what is involved in the Luzon bond because of our holding above that from crop year 1952-53 to crop year 1959-60, Republic Act 809 was not applicable to the Talisay-Silay milling district and, therefore, a large portion of the money held in escrow by the Philippine National Bank for the purposes of this case will go to the CENTRAL. And so, brushing aside technicalities otherwise applicable, this controversy involving Luzon may more expeditiously be disposed of by holding that whatever amount corresponds to the PLANTERS and their laborers of the money that the CENTRAL got under the Luzon bond corresponding to the 1954-55 crop year should be deducted from the total sum that the CENTRAL is entitled to under this decision. Anyway, the CENTRAL is the principal under the bond, and since it has the necessary amount with which to comply with the terms thereof, it is unnecessary to render any judgment which can be executed against Luzon. Accordingly, the requirements of justice can be fully satisfied by a modification of the judgment of the trial court sentencing the CENTRAL to pay the PLANTERS and their laborers ₱949,856.53 plus interest at 3% per annum in the sense that the judgment should be that of the total amount that is due the CENTRAL under this decision of the proceeds deposited in escrow for the crop years 1952-53, 1953-54 and 1955-56 to 1959-60, there should be deducted the equivalent of 60% of said ₱949,856.53 plus 3% per annum which shall be paid instead to the PLANTERS and their respective

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laborers at the ratio of 40% thereof for the former and 60% for their laborers or the Secretary of Labor.

- IX -

INCIDENTS DURING THE APPEAL

Issues raised by the TASICA.

As stated in the prefatory portion of this decision, during the pendency of this appeal, the CENTRAL leased for a period of three years, beginning September 1, 1963, its mill to the TASICA, which thereby acquired the mill rights and became the miller in the Talisay-Silay milling district starting from the crop year 1963-1964. In the resolution dated November 8, 1963, the Court ordered that the resolution of September 26, 1963, in connection with the disposition of the controverted 7-½ percent of the sugar production for the crop year 1962-63 be made applicable to the controverted portion of the sugar production during the crop year 1963-1964, under the same terms and conditions.

On December 16, 1963, TASICA filed a special appearance questioning the jurisdiction of this Court over its person, on the ground that it was not a party to this case, and therefore, could not be legally bound by any of its resolution with respect to the sugar production for the crop year 1963-1964. We deferred action on the question of jurisdiction until the case would be considered on the merits. Likewise, We deferred action on the contempt charge against the TASICA arising from the invalidation by its Manager of the escrow quedans covering the controverted 7-1/2 percent of the production for the crop year 1963-1964.

The appellees and the *amici curiae* maintain that TASICA is subject to the jurisdiction of this Court and is liable for contempt of this Court because (1) TASICA, being a lessee of the mill and the milling rights of the CENTRAL, was a transferee *pendente lite*, and, by the provision of Section 20, Rule 3, of the Rules of Court, it was bound by any judgment or order which might be rendered against the original party and transferor; and (2) TASICA had actual notice of the resolution of this

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Court of November 7, 1963 which it violated when it invalidated the *escrow quedans* issued pursuant to said resolution.

As We have indicated earlier, We feel it is in the best interest of justice that the whole controversy regarding the application of Republic Act 809 to the Talisay-Silay milling district should be completely determined, is legally and equitably possible, in this proceeding. Indeed, as We see it, nothing substantial would be gained by any of the parties if we reserved for the trial court the remaining issues just mentioned affecting TASICA. After all, the lease contract between the CENTRAL expired in crop year 1966-67 and no new material circumstances have been shown to have taken place during the period of said lease that could in any way alter the points in dispute which arose relative to crop year 1963-64. Withal, Our impression is that the TASICA arrangement might have been intended to prolong the controversy, but in truth it is quite obvious that the lease of the CENTRAL did not and could not have had the effect of substantially changing the basic issues herein.

On the issue of jurisdiction

The contention of the TASICA that this Court has no jurisdiction to consider and decide questions related to the crop years regarding which the parties did not present evidence or any stipulations of fact in the court below loses sight of the fact that in a general sense the pleadings filed by the parties in the trial court refer not only to the crop year 1952-53 but to all subsequent crop years. Thus, at least in the prayer of the amended complaint referring to the second alternative cause of action, the plaintiffs-appellees ask for judgment covering "crop year 1954-55 and — every crop year thereafter." Accordingly, it cannot be said that the crop years 1960-61 to 1966-67 are not covered by the pleadings. Of course inasmuch as the trial was terminated in 1961, strictly speaking, it would be more appropriate to require supplemental pleadings and corresponding hearings by the trial court, if indeed there were any factual issues on which the parties are in disagreement and the new legal issues are being raised. But, despite the

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contention of the CENTRAL and TASICA in its earlier pleadings in this Court that they would be denied due process if they were not given an opportunity to be heard on facts and issues related to the later crop years, a comprehensive view of the case convinces Us that there are no such possible new issues. The main factual question of number of contract planters, as already observed earlier in this opinion, became a dead issue after the expiration of most of contracts at the end of crop year 1959-60. And the figures regarding the production during the later crop years cannot be controversial, except as to the 1963-64 crop year, which We are resolving elsewhere in this decision. More importantly, the PLANTERS and the laborers have been constantly asking that the judgment herein should include these later crop years, and although the CENTRAL has as late as in its supplemental memorandum of December 2, 1978 insisted formally on a remand of this case to the trial court for the purposes under discussion, Our plain understanding from counsel for the Central, when they submitted the detailed figures relative to the money in dispute here deposited in escrow in different banks is that the CENTRAL has no serious objection to the prayer of the PLANTERS and laborers.

On the joinder of TASICA

Similarly, TASICA's contention that it is not a transferee *pendente lite* of the CENTRAL from the point of view of Section 20 of Rule 3 is without merit. The predicate of its argument is that the crop years 1960-61 are not covered by the pleadings in the lower court, which We have just shown is not accurate. Under the cited rule, a transferee *pendente lite* does not have to be included or impleaded by name in order to be bound by the judgment because the action or suit may be continued for or against the original party or the transferor and still be binding on the transferee.

On the alleged contempt committed by TASICA

The motion for contempt against TASICA is based on the "invalidation" by its manager of the quedans in escrow for crop

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year 1963-64, which were issued to TASICA instead of the CENTRAL as required by Our resolution of November 7, 1963. The CENTRAL and TASICA have explained that the supposed invalidation was an unintentional mistake. Besides, Our subsequent resolution of September 28, 1964 has been duly complied with and with such compliance, no substantial injury can be said to have been suffered by the PLANTERS. We find the explanation of TASICA satisfactory, hence the motion to declare it in contempt is hereby denied.

IN RE THE QUESTION OF WHO IS THE COUNSEL FOR THE PLANTATION LABORERS

Incidentally, and on the basis of the compliance filed by the Secretary of Labor dated August 23, 1977 and by Attys. Montemayor and Dimaano and Camilo L. Sabio dated August 15, 1977, the Court makes it clear that the principal counsel of record of the plaintiffs plantation laborers in this case are the official lawyers of the Secretary of Labor, who under Republic Act 809, is their sole legal representative, namely Attorneys Ernesto H. Cruz and Emilia E. Andres of the Legal Division of the Department of Labor, with whom collaborating counsels Attys. Montemayor, Dimaano and Sabio, are expected to coordinate for common representation on behalf of said laborers.

THE MATTER OF BAGASSE, MOLASSES, PRESS CAKES AND OTHER DERIVATIVES AND BY-PRODUCTS OF MILLED SUGARCANE

The decision of the trial court under review adjudged the ASOCIACION to be entitled to increased shares not only of the proceeds of milled sugar but also that of the corresponding derivatives and by-products of the milled sugarcane. His Honor is correct, for under Section 1 of Republic Act 809, it is clear that the ratio of sharing therein fixed refers not only to the unrefined sugar produced by the miller of the sugarcane of the planters but of all the by-products and derivatives thereof, by which is meant the bagasse, press cakes and molasses. In other words, the law requires that these derivatives and by-products

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should be divided between the CENTRAL and the ASOCIACION in the same proportion as the money that has been deposited in escrow which corresponds only to the proceeds of unrefined sugar. As may be noted, however, the record reveals nothing as to the amount and value of said by-products and derivatives produced during the whole period here in dispute from crop years 1952-53 to 1966-67, and it is to be presumed that no corresponding deposits in escrow had been made therefor. Accordingly, it is imperative that such accounting be made by the CENTRAL. On the basis of the result of such accounting, the CENTRAL should pay the respective amounts due the ASOCIACION, and, of course, the respective PLANTERS should in turn pay the 60% share due their laborers, pursuant to Section 9 of the Act, as We have construed the same above.

Specifically, since, as discussed earlier, Section 1 did not apply to the Talisay-Silay milling district during crop years 1952-53 to 1959-60 because there was always a majority then of planters with written milling contracts with the miller, the ASOCIACION would not have been entitled to any increased share in the produce during those crop years were it not for Our holding herein that by virtue of the most-favored-planter clause, the ASOCIACION is entitled to the 3% and 4% increases in the share of the planters, as already shown earlier. It follows then that the ASOCIACION, and correspondingly the laborers, should also share in the proceeds of the by-products and derivatives during the whole period that the most favored planter clause was operative, namely, from crop year 1954-55 to crop year 1959-60, in the same proportion as the increase in the proceeds of unrefined sugar. The same is true as regards crop years 1960-61 to 1966-67 where the whole disputed portions should go to the ASOCIACION and the laborers.

RE: G.R. NO. L-21304

As stated earlier, the petition in this case was filed on May 16, 1963 for the purpose of securing an order of this Court compelling the respondent judge to appoint in Civil Case No. 6980 of the Court of First Instance of Negros Occidental, a temporary administrator to operate the respondent sugar central

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until the end of the milling period 1962-1963, pursuant to Sections 4 and 7 of Republic Act 809, petitioner claiming that notwithstanding that respondent CENTRAL was refusing to mill the sugarcane of the planters in the district, respondent judge declined to appoint such administrator, holding that the takeover of a central provided for in the law is unconstitutional. On May 22, 1963, the Court heard the oral argument of the parties. On May 31, 1963, the Court, "reserving its opinion on the merits of the case and the validity of the law" directed respondent judge to forthwith appoint a qualified administrator "of the sugar central of the Respondent Central for the exclusive purpose of milling the remaining 1962-1968 sugarcane crop of Talisay-Silay Mill District."

Under date of June 4, 1963, respondents CENTRAL and ASOCIACION filed an "*Ex-parte* Petition for Immediate Redress of Unwitting Injustice" claiming:

"7. — That respondents therefore sincerely believe and most respectfully submit that the highest interests of justice require that the so called preliminary mandatory injunction, which for all practical intents and purposes, was under the circumstances virtually a definite writ of *mandamus* issued by this Honorable Court in Baguio on May 31, 1963, without knowing about the settlement of the alleged subsequent controversy regarding the cutting of said young canes, should be promptly set aside, with or without a decision on the merits, in order to thereby redress, even partially, the undeniable moral damage and injury, mental anguish, serious anxiety, besmirched reputation, moral shock and social humiliation caused by the same to the respondents in this case (Article 2217, Civil Code).

However, upon being required to answer by the Court, the Solicitor General filed an opposition to this petition stating that:

"Respondents' motion dated June 4, 1963 seeks in effect a reconsideration of the resolution of this Honorable Court dated May 31, 1963 granting the appointment of an administrator.

"The resolution however directed that the administrator should act only for the 'exclusive purpose of milling the remaining 1962- 63 sugarcane crop of the Talisay-Silay Mill District.' The milling of the said sugarcane crop was officially terminated on June 5, 1963 at 11:05

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P.M. (Copy of Special Administrative Order No. 5) is attached hereto as Annex '1') and both petitioner and respondents filed separate motions before the Court of First Instance of Negros Occidental to declare the administration terminated.

"On June 15, 1963, the Court of First Instance of Negros Occidental granted both motions and declared the appointment of the administrator terminated (A copy of the Order is attached hereto as Annex '2').

"The said motion of June 4, 1963 therefore is now moot and academic." (Pp. 163-164, Record.)

And so, on July 1, 1963, the Court required the Solicitor General "to show cause — why this case should not be dismissed." In compliance therewith, the Solicitor General made the following representation:

"1. That the issue before this Honorable Court has not been rendered moot and academic by the termination of the administration of the sugar central of the respondent Talisay-Silay Milling Co., Inc. because:

a) The questioned Order of the Respondent Judge contains a declaration of the unconstitutionality of Section 7 of Republic Act No. 809, thereby necessitating a review by this Honorable Court;

b) The petition seeks to obtain an interpretation of Section 7 of Republic Act No. 809, particularly as to whether or not under said Section, it is the duty of the Court of First Instance to appoint an administrator before conducting a hearing on the legality or propriety of Executive Proclamation for the administration of a sugar central.

"2. That the resolution of the legal questions are of vital and transcendental importance to the public at large and to the sugar industry in particular, inasmuch as the legal provision under consideration is the only feasible and effective remedy in preventing paralization of the milling operations in a Mill District, which in turn will lead to a deficiency or delinquency in the filling of the entire national quota.

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"Moreover, there is the practical consideration that the need for governmental administration of a sugar central under Rep. Act No. 809 would probably arise only towards the end of the milling season when the production is about to exceed 1,200,000 piculs and the central owner stubbornly refuses to produce further, because to exceed 1,200,000 piculs would mean an increase in the participation of the planters and their laborers in the next crop year in accordance with Sec. 1 of Rep. Act No. 809. Since the time required to mill the remaining canes would usually be very short, as in the case at bar, any governmental administration granted by this Honorable Court as an ancillary remedy will naturally be terminated before this Honorable Court can have an opportunity to act on the main case.

"3. That this Honorable Court in cases wherein public interest is involved has proceeded to act on the case even if the matter may be moot and academic, as in the case of Krivenko vs. Register of Deeds (44 O.G. 471).

"WHEREFORE, it is respectfully prayed that this Honorable Court consider for resolution the issues raised in the petition for *certiorari* and/or *mandamus*, particularly the question as to whether or not Section 7 of Republic Act No. 809 is unconstitutional insofar as it requires the appointment of an administrator prior to the hearing on the legality or propriety of the Executive Proclamation." (Pp. 192-194, *Id.*).

and the respondents represented by Atty. Vicente Hilado countered in a motion filed on October 10, 1963 thus:

"Now come the respondents, by their undersigned attorney, and respectfully represent:

"1. — That in the Manifestation, dated July 16, 1963, filed by the Solicitor General for the petitioner in this case, the petitioner has invoked the 'vital and transcendental importance to the public at large and to the sugar industry in particular' of the legal questions involved in this case to justify its prayer 'that this Honorable Court consider for resolution the issues raised in the petition for *certiorari* and/or mandamus, particularly the question as to whether or not Section 7 of Republic Act 809 is unconstitutional insofar as it requires the appointment of an administrator prior to the hearing on the legality or propriety of the executive proclamation.'

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"2. — That pursuant to said prayer of the petitioner, the Honorable Court on August 12, 1963, approved the following resolution:

'Considering petitioner's comment for the dismissal in L-21304 (*Republic of the Philippines vs. Hon. Jose Fernandez*, Talisay-Silay Milling Co., Inc. and Talisay-Silay Industrial Cooperation Association), and the Solicitor General's motion that this Court consider for resolution the issue raised in the question as to whether or not Section 7 of Republic Act 809 is unconstitutional insofar as it is required the appointment of an administrator prior to the hearing on the legality or propriety of the Executive Proclamation, THE COURT RESOLVED to consolidate this case with L-19937.'

"3. — That, in view of the fact that Section 7 of Republic Act 809 does not contain any express provision which makes it a mandatory duty specifically enjoined by law (as contemplated in Section 3 of Rule 67 of the Rules of Court) for the Court to appoint an administrator upon the filing of the petition mentioned in said Section 7 of Republic Act 809, the respondents in this case interpret said resolution of this Honorable Court to mean only that this Honorable Court is willing to resolve the question of whether said Section 7 would not be unconstitutional, as a violation of the constitutional right to due process, if interpreted in the sense that it makes it the specific legal duty of the Court to appoint said administrator immediately upon the filing of the required petition, and prior to the hearing on the legality or propriety of the executive proclamation involved, which the respondent central is expressly given by said Sec. 7 the right to raise, as a preferential question, after due notice, undoubtedly with the intention and purpose precisely to preserve and protect said constitutional right of the central to due process of law before it may be deprived of the right to the possession and administration of its property, which is of course a necessary attribute and integral part of the right of ownership;

"4. — That of equal importance as the legal question of the constitutionality of said Section 7 of Republic Act 809, if so interpreted as to deprive the respondent central of its constitutional right to due process, is, in our humble opinion, the legal question of validity and propriety arising from the fact that the Presidential Proclamation and consequent petition for appointment of administrator which gave rise to the present case were respectively issued and filed, notwithstanding that the respondent central had already produced the total amount of sugar that it has been allocated and licensed to

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produce during the crop year 1962-63, in accordance with Sections 4, 5 and 15, of the Sugar Limitation Law (Act 4166, as amended), which, in effect, prohibit and penalize the milling and/or manufacture by a sugar central of a bigger amount of sugar than it has been so allocated and licensed to produce during each crop year, as follows:

'SEC. 4. After this Act takes effect, *it shall be unlawful to manufacture centrifugal or "AA" refined sugar without first obtaining a license therefor in accordance with the provisions* of this Act.'

'SEC. 5. The total amount of centrifugal and "AA" refined sugar for the manufacture of which licenses may be issued for any crop or calendar year under the terms of this Act, shall be the sum total of the following:

(a) The quantity in short tons of "A" and "AA" sugar which shall be identical with the amount of such sugar, which, under Act of Congress, may be shipped to Continental United States during the calendar year; plus

(b) Such a quantity in short tons of "B" sugar as the Governor-General may from time to time find to be required for consumption within the Philippine Islands, either in its original form or as refined sugar; plus

(c) A quantity in short tons of "C" sugar equivalent to ten per centum of the total of (a) and (b) or 100,000 short tons, whichever is greater, provided that in determining said amount the Governor-General may, in his discretion, deduct therefrom the whole or any part of the amount of "C" sugar in stock at time of determination."

'SEC. 15. Any mill company or refining plant manufacturing centrifugal or "AA" refined sugar, respectively, *in a quantity greater than the quantity prescribed in its license* or any person manufacturing centrifugal or "AA" refined sugar without a license *shall be punished by a fine* of fifty pesos for each short ton or fraction of more than one-half a short ton so manufactured and such sugar shall be seized and disposed of as the President of the Philippines shall direct in such manner as will not be inconsistent with the purpose of this Act.'

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"5. — That said fact is alleged in the 'Opposition to Appointment of Administrator' filed by respondents in the court below, which is attached as Annex '3' of the petition in this case, and is also reproduced and incorporated by reference as part of respondents' answer to the petition in this case (See par. 1 of respondents' answer in this case);

"6. — That. in view of said provisions of Sections 4, 5 and 15 of the Sugar Limitation Law, the very important legal question arises whether or not Section 4 of the same Republic Act 809 which allows the Government to take over and have an administrator appointed for a sugar central which '*shall refuse to mill the sugarcane of such planters in the absence of such an agreement*,' could or should be interpreted to include the case of a sugar central which stop or discontinues further milling and manufacture of sugar *after it has manufactured the total amount of sugar which it has been allocated and licensed to produce during any crop year*, and thereby avoid possible prosecution and punishment for violation of said restrictive provisions of the Sugar Limitation Law; in such a way that *it would be liable to such prosecution and punishment*, if it continues to mill and manufacture more than said total production quota which it has been allocated and licensed to produce during that crop year; and, on the other hand, *would be liable to seizure*, if it ceases to mill the excessive sugarcanes produced by the planters, as the Government has tried to do in this case;

"7. — That, as a matter of fact, for the incoming crop year 1963-64, the Sugar Quota Administration has allocated to and licensed the herein respondent Central to mill and produce the total amount of 1,147,253.38 piculs; but the big sugarcane crop planted by the planters for this crop year is again expected to produce considerably much more than said amount of 1,147,253.38 piculs; and it is very probable that efforts will again be exerted to threaten and compel the herein respondent central and its present lessee (also respondent herein) to exceed its said total allocated production quota, in violation of said Sections 4, 5 and 15 of the Sugar Limitation Law, under pain of being again subjected to seizure and placed under administration by the Government. Copy of the production quotas allocated to each and every milling district in the Philippines for the crop year 1963-64 and of the circular letter of transmittal of the Sugar Quota Administration, dated August 27, 1963, are attached to and made a part of this motion, marked as Annexes '1' and '1-A'.

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"8. — That, in justice and fairness to the herein respondents therefore, and in order to prevent a multiplicity of suits and repetition of the unpleasant and untenable situation created by the Presidential Proclamation and consequent petition for appointment of administrator which gave rise to the present case, it would, in our humble opinion, be only proper and fitting for this Honorable Court to consider and resolve in this case also the very important question of the real import, scope and extent of said Section 4 of Republic Act 809, particularly the legality and/or propriety of the executive proclamation and petition for appointment of an administrator for the respondent Central, notwithstanding the fact that it had in fact already produced more than the total amount of sugar which it has been allocated and licensed to produce during the crop year 1962-63, in accordance with said Sections 4, 5 and 15 of the Sugar Limitation Law.

"WHEREFORE, respondents respectfully pray that, in the interest of a speedy administration of justice, and thereby avoid continued or renewed and further protracted litigation, this Honorable Court see fit to resolve in this case, once and for all, the very important legal questions hereinabove mentioned, particularly the legal question of the proper and correct interpretation, scope and extent of said Section 4 of Republic Act 809, in the light of the provisions of said Sections 4, 5 and 15 of the Sugar Limitation Law." (pp. 196-201, *Id.*)

We must resist the temptation to acquiesce to the insistent prayer of the parties that the constitutional issue passed upon by respondent judge be settled, if only because none of the parties ever raised that issue below, and the considerations now being submitted by the Solicitor General of supposed urgency of resolving said constitutional question do not, in Our Opinion, justify departure from the general rule the Court has always adhered to, as stated in *Santiago vs. Far Eastern Broadcasting*, 73 Phil. 408, to the effect that "the constitutionality of a law will not be considered unless the point is specially pleaded, insisted upon and adequately argued." (at p. 412) Anyway, the appointment of an administrator pursuant to Sections 4 and 7 of Republic Act 809 ordered by this Court on May 31, 1963 hardly became of material importance because the administration was, by agreement of the parties terminated as of June 5, 1963. We are not impressed that the allegations regarding moral damage

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and injury, *etc.* in respondents' ex-parte petition of June 4, 1963 can have substantial basis or will even be insisted upon anymore. In other words, no active and positive substantial relief will be due any of the parties even if We should decide here the constitutional matter referred to one way or the other.

And as regards the plea of respondents relative to the construction of Section 4 of Republic Act 809 in relation to Sections 4, 5 and 15 of Act 4166, the Sugar Limitation Law, it is to be noted that in his "Manifestation" dated October 29, 1963, the Solicitor General defined the position of the Government to be as follows:

> "3. That in connection with the statement of respondent Sugar Central in its motion dated October 10, 1963 that if it is compelled to mill more sugar than the quota allotted to him, he will be criminally liable under the penal provisions of the Sugar Limitations Law (Secs. 4, 5, and 6), suffice it to state that a sugar central is subject to seizure under Rep. Act 809 only when its refusal to mill will cause a deficiency in the national quota; the fact implicit therein being that when the mill stops operating there is sugar yet to be milled and the quota allotted to it (both the basic and the additional) has not yet been filled." (Pp. 207-208, *Id.*)

which is substantially in accord with the contention of said respondents.

JUDGMENT

Predicated on all the foregoing considerations, it is the judgment of the Court in G. R. No. L-19937 that the decision of the trial court be, as it is hereby, modified in the following manner, to wit:

(a) Republic Act 809, otherwise known as the Sugar Act of 1952, is hereby declared not to be unconstitutional and is, therefore, enforceable in all sugar milling districts wherein the relevant facts come within the conditions prescribed therein;

(b) Thus, inasmuch as relative to crop years 1952-53 to 1959-60 in the sugar milling district of appellant TALISAY-

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SILAY MILLING CO., INC., it has been proven that there were written milling agreements between the majority of the planters and the miller in said district, the provisions of Section 1 of said Act providing for the manner in which the unrefined sugar produced in the district from the milling by said CENTRAL of the sugarcane of the planters or plantation owners, as well as the by-products and derivatives thereof, should be apportioned among them did not apply to said district, hence, the ratio of sharing of the proceeds of the production during those crop years must be that fixed in the respective contracts of the CENTRAL and the PLANTERS, as construed in this decision.

(c) Accordingly, as regards crop years 1952-53 and 1953-54, the amended complaint of the PLANTERS and the SECRETARY OF LABOR is dismissed and the defendant PHILIPPINE NATIONAL BANK is hereby sentenced to pay to the appellant CENTRAL, out of the money deposited with it in escrow for the purpose of this case, the amounts hereinunder specified as corresponding to said crop years, plus the interest up to the time full payment is made;

(d) In relation to crop year, 1954-55 in which all the proceeds of the sugarcane milled by the ASOCIACION amounting to ₱949,856.53 were retained by the CENTRAL, the judgment of the trial court sentencing the CENTRAL to pay the whole said amount to the ASOCIACION with interest at 3% per annum is modified only in the sense that only ₱644,002.76 shall be paid by the CENTRAL and that out of this latter sum, 60% thereof, or ₱326,401.66 shall be paid by the PLANTERS to their respective laborers, per Section 9 of Republic Act 809. (As explained earlier, the ₱949,856.53 represented 7-½% of the total proceeds for crop year 1954-55 which should have been deposited in escrow but which, by agreement of the parties was retained for itself by the CENTRAL under the security of a bond given by the appellant Luzon Surety Company conditioned on the payment to the ASOCIACION, upon the termination of this case, of whatever amount may be found due thereto, and which amount the lower court fixed as above stated. No appeal was taken by the ASOCIACION from said judgment, hence

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the modification should only be as to the proportion or ratio of sharing. Under the foregoing opinion, of the 7-½% in controversy, only 3% should go to the ASOCIACION to complete the 63% the PLANTERS are entitled to under the most-favored-planter clause. Now, 3% represents 2/5 or 40% of the 7-½% in question, hence of the ₱949,856.53, plus 3% interest per annum which totalled to ₱1,610,006.94 as of November 30, 1978, 60% or ₱966,004.14 should be the share of the CENTRAL, which should be considered as already fully paid, and the remaining 40% or ₱644,002.26 should be paid by the CENTRAL to the ASOCIACION.)

(1) However, to simplify matters, the said amount of ₱644,002.26 should merely be deducted from whatever total amount the CENTRAL is entitled to under this decision, the same to be added correspondingly to the respective shares of the PLANTERS and their laborers in the amounts just indicated, for which reason no judgment need be rendered against the defendant Luzon Surety Company and it is hereby relieved of any execution under its bond, Exhibit P, and the said bond is hereby ordered cancelled.

(e) As regards crop years 1955-56 to 1959-60, the defendant Philippine National Bank is hereby sentenced to pay out of the money deposited with it for purposes of this case follows:

(1) To the plaintiff-appellee ASOCIACION for the benefit of PLANTERS, 40% of the amounts retained or deposited corresponding to each of said crop years, except crop year 1958-59, in respect to which the amount should be 53.33%, including in both instances all the interests actually earned up to the time of full payment. (The portions retained for crop years 1955-56 and 1958-59 were 7-½% of the total proceeds each of said crop year; for crop years 1956-57 and 1957-58, 5%; and for crop year 1959-60, 10%; and inasmuch as the sharing for 1955-56, 1957-58, 1958-59 and 1959-60, per the most favored-planter clause, was 63-37 and in 1958-59 it was 64-36, of the 7-½ for 1955-56 and of the 5% for 1956-57 and 1957-58, the planters should get 3%; of the 7-1/2 for 1958-59, 4%; and of the 10% for 1959-60, also 3%, the total production having exceeded 1,200,000 piculs only in 1958-59; however, what was retained for crop year 1958-59 was 7-½ and in 1959-60 it was 10%.)

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(f) As regards crop years 1960-61 and all the subsequent crop years up to 1966-67[16] the Philippine National Bank, the Philippine Commercial and Industrial Bank and the Pacific Banking Corporation are hereby ordered to pay the plaintiff ASOCIACION, for the benefit of all the PLANTERS in this class suit, all the amounts respectively deposited with said banks for the purposes of this case in the joint names of the ASOCIACION, the CENTRAL/TASICA and the Secretary of Labor during said crop years, together with all the interests earned up to the date of full payment, and all the PLANTERS in turn are hereby sentenced to forthwith pay and distribute, under the supervision of the Secretary of Labor, to their respective laborers during said crop years, 60% of the amount to be so paid to each of them by the banks.

(g) According to the compliance made by counsel for the CENTRAL dated December 21, 1978, the detailed data regarding the production in piculs and the exact amounts deposited in escrow in the three different banks aforementioned during crop years material to this case, computed together with all the corresponding interest earned up to November 30, 1978 and the total thereof, duly confirmed by the respective banks, are as follows:

CROP YEAR	*TOTAL PRODUCTION IN PICULS*	*PROCEEDS*
1952-53	864,493	₱. 1,859,113.69
1953-54	1,057,980.19	1,945,845.42
1955-56	820,704.29	2,105,604.57
1956-57	806,864.36	1,601,318.34
1957-58	984,848.53	2,023,172.45
1958-59	1,250,008.70	3,743,362.87
1959-60	1,189,837.37	5,646,614.51

[16] After crop year 1966-67, no more retentions or deposits in escrow were made because the mount of production no longer exceeded 600,000 piculs and there is no indication at all that the sharing adopted by the CENTRAL was not in accordance with Section 1 of Republic Act 809.

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1960-61	1,137,910.36	4,381,170.39
1961-62	1,140,794.01	4,980,051.78
1962-63	1,186,679.35	8,281,658.34
1963-64	1,155,064.09	4,593,192.06
1964-65	862,855.01	4,148,896.59
1965-66	663,958.14	2,404,659.67
1966-67	567,556	2,019,947.00
	TOTAL	₱ 49,734,607.68

Thus, on the basis of these figures, the respective amounts for (b), (e) (1) and (f) above should be as follows:

Amounts to be paid to:	*CENTRAL*	*PLANTERS*	*LABORERS*
CROP YEAR			
1952-53	₱ 1.859.113.69	₱	₱
1953-54	1.945.845.42		
1955-56	1.263.362.74	336.896.73	505.345.10
1956-57	640.527.33	384.316.40	576.474.61
1957-58	809.268.98	485.561.38	728.342.09
1958-59	1.747.027.45	798.534.16	1,197,801.26
1959-60	3.952.630.15	677.593.74	1.016.390.62
1960-61	—	1.752.468.15	2.628.702.24
1961-62	—	1.992.020.71	2.988.031.07
1962-63	—	3.312.663.33	4.968.995.01
1963-64	—	1.838.476.82	2.754.715.24
1964-65	—	1.659.558.63	2.489.337.96
1965-66	—	961.863.86	1.442.795.81
1966-67	—	807.978.80	1.211.968.20
	₱12.217.775.76	₱15.007.932.71	₱22.508.899.21

Pursuant to paragraph (d) (1) above, the amount of ₱644,002.76 should be deducted from the ₱12,217,775.76 due the CENTRAL, thereby reducing the total amount to be paid

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to it to ₱11,573,773.00 and increasing the amounts due the PLANTERS and their laborers to ₱15,265,533.81 and ₱22,895,300.87, respectively, 60%, of the ₱644,002.76 being added to the share of the laborers and 40% thereof or ₱257,601.10 being added to that of the PLANTERS.

As indicated, all the above figures or amounts are as of November 30, 1978, hence, for purposes of implementation or execution, corresponding additional amounts should be added to cover the respective interests from December 1, 1978 to the date of payment.

(h) Finally, relative to the amount and value of the by-products and derivatives of the milled sugarcane, the CENTRAL is hereby ordered to make an accounting thereof corresponding to crop years 1954-55 to crop years 1966-67, and to pay to the ASOCIACION for the benefit of the PLANTERS, at the same ratio fixed above for the proceeds of unrefined sugar, the corresponding value thereof, and the PLANTERS are in turn sentenced to pay their respective laborers, under the supervision of the Secretary of Labor,[17] 60% of the amount to be paid to them by the CENTRAL thru the ASOCIACION. as in the case of the proceeds of unrefined sugar.

Resolution of the TASICA incidents

1. *Re: The issues of jurisdiction and of joinder of TASICA*

Considering that, as already explained earlier, although TASICA was not a party in the proceedings in the court below, the basic issues between the original parties raised in their pleadings contemplate also the crop years subsequent to 1959-60 and inasmuch as the production figures during those crop years which are already before Us as part of the record of this case are not disputed, thus obviating also the necessity of supplemental pleadings as well as the presentation of evidence

[17] Now, Minister of Labor.

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thereon, for the same would be a mere formality, the Court holds that under these peculiar circumstances, it has jurisdiction to include as it has included above in this adjudication the matters involving said crop years. In this connection, it is to be noted that, according to the record, notice of the rehearing of this cage was sent by registered mail to counsel of record of TASICA, and nothing further has been heard from said counsel on this point at issue, which to Our mind indicates that TASICA has already lost interest in it.

Based on the foregoing consideration that the incidents involving TASICA in this appeal stage of this case are but incidental to the continuation of the issues duly raised in the court *a quo*, the Court holds that TASICA is a mere transferee *pendente lite* of the interests of the CENTRAL in this case within the contemplation of Section 20 of Rule 3 and that, therefore, this judgment binds TASICA without the need of its being formally impleaded as a party hereto.

For the reasons already stated earlier which the Court considers satisfactory, the motion for contempt filed by the plaintiffs-appellees against TASICA is denied.

2. *Percentage of disputed portions in 1963-64 crop year's production*

Anent the issue of whether the disputed portion for crop years 1963-64 should be 10% instead of 7-½%, the Court, as maybe observed has computed the same on the basis of 7-½%. At the moment, We are of the view that, unless clear evidence is presented to show that there were planters of the Talisay-Silay milling district who milled in the Ma-ao Sugar Central and the Bacolod-Murcia Milling Co. for the specific purpose of evading the provisions of Section 1 of Republic Act 809, something which is seemingly against the interest of the said farmers themselves, the position of the CENTRAL that the said milling in those other centrals was done in the ordinary course and with the authority of the Sugar Administrator, is well taken. If the plaintiffs-appellees have the necessary evidence and they feel they can pursue the matter further, the right to do so is hereby reserved for them.

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All of the CENTRAL's counterclaims are hereby accordingly overruled.

In G.R. No. L-21304, the petition is hereby dismissed the issues raised therein, as We have demonstrated a few pages back, having already become moot and academic.

No attorney's fees, bad faith on the part of the CENTRAL in the premises not having been sufficiently shown.

No costs in both cases.

Castro, C.J., Antonio, Concepcion Jr., Santos, Fernandez, and *Guerrero, JJ.*, concur.

Fernando, J., joins in the opinion and reserves the right to file a brief concurrence on the constitutional issues involved.

Makasiar, J., concurs in the result.

Teehankee, Aquino, Abad Santos, De Castro, and *Melencio-Herrera, JJ.*, took no part.

SECOND DIVISION

[G.R. No. L-41430. February 19, 1979]

ANGEL BAUTISTA, *petitioner*, *vs.* **MATILDE LIM for and in behalf of the Intestate Estate of Pedro Lim, and Hon. MOISES F. DALISAY, Presiding Judge of the Court of First Instance of Lanao del Norte, Branch V**, *respondents*.