

REPUBLIC ACT NO. 3844

(August 8, 1963)

AN ACT TO ORDAIN THE AGRICULTURAL LAND REFORM CODE AND TO INSTITUTE LAND REFORMS IN THE PHILIPPINES, INCLUDING THE ABOLITION OF TENANCY AND THE CHANNELING OF CAPITAL INTO INDUSTRY, PROVIDE FOR THE NECESSARY IMPLEMENTING AGENCIES, APPROPRIATE FUNDS THEREFOR AND FOR OTHER PURPOSES

PRELIMINARY CHAPTER

TITLE, DECLARATION OF POLICY AND COMPOSITION OF CODE

SECTION 1. *Title.* — This Act shall be known as the Agricultural Land Reform Code.

SECTION 2. *Declaration of Policy.* — It is the policy of the State:

- (1) To establish owner-cultivatorship and the economic family-size farm as the basis of Philippine agriculture and, as a consequence, divert landlord capital in agriculture to industrial development;
- (2) To achieve a dignified existence for the small farmers free from pernicious institutional restraints and practices;
- (3) To create a truly viable social and economic structure in agriculture conducive to greater productivity and higher farm incomes;
- (4) To apply all labor laws equally and without discrimination to both industrial and agricultural wage earners;
- (5) To provide a more vigorous and systematic land resettlement program and public land distribution; and
- (6) To make the small farmers more independent, self-reliant and responsible citizens, and a source of genuine strength in our democratic society.

SECTION 3. *Composition of Code.* — In pursuance of the policy enunciated in Section two, the following are established under this Code:

- (1) An agricultural leasehold system to replace all existing share tenancy systems in agriculture;
- (2) A declaration of rights for agricultural labor;
- (3) An authority for the acquisition and equitable distribution of agricultural land;
- (4) An institution to finance the acquisition and distribution of agricultural land;
- (5) A machinery to extend credit and similar assistance to agriculture;
- (6) A machinery to provide marketing, management, and other technical services to agriculture;
- (7) A unified administration for formulating and implementing projects of land reform;
- (8) An expanded program of land capability survey, classification, and registration; and
- (9) A judicial system to decide issues arising under this Code and other related laws and regulations.

CHAPTER I

AGRICULTURAL LEASEHOLD SYSTEM

SECTION 4. *Abolition of Agricultural Share Tenancy.* — Agricultural share tenancy, as herein defined, is hereby declared to be contrary to public policy and shall be abolished: *Provided*, That existing share tenancy contracts may continue in force and effect in any region or locality, to be governed in the meantime by the pertinent provisions of Republic Act Numbered Eleven hundred and ninety-nine, as amended, until the end of the agricultural year when the National Land Reform Council proclaims that all the government machineries and agencies in that region or locality relating to leasehold envisioned in this Code are operating, unless such contracts provide for a shorter period or the tenant sooner exercise his option to elect the leasehold system: *Provided, further*, That in order not to jeopardize international commitments, lands devoted to crops covered by marketing allotments shall be made the subject of a separate proclamation that adequate provisions, such as the organization of cooperatives, marketing agreements, or other similar workable arrangements, have been made to insure efficient management on all matters requiring synchronization of the agricultural with the processing phases of such crops: *Provided, furthermore*, That where the agricultural share tenancy contract has ceased

to be operative by virtue of this Code, or where such a tenancy contract has been entered into in violation of the provisions of this Code and is, therefore, null and void, and the tenant continues in possession of the land for cultivation, there shall be presumed to exist a leasehold relationship under the provisions of this Code, without prejudice to the right of the landowner and the former tenant to enter into any other lawful contract in relation to the land formerly under tenancy contract, as long as in the interim the security of tenure of the former tenant under Republic Act Numbered Eleven hundred and ninety-nine, as amended, and as provided in this Code, is not impaired: *Provided, finally*, That if a lawful leasehold tenancy contract was entered into prior to the effectivity of this Code, the rights and obligations arising therefrom shall continue to subsist until modified by the parties in accordance with the provisions of this Code.

SECTION 5. *Establishment of Agricultural Leasehold Relation.* — The agricultural leasehold relation shall be established by operation of law in accordance with Section four of this Code and, in other cases, either orally or in writing, expressly or impliedly.

SECTION 6. *Parties to Agricultural Leasehold Relation.* — The agricultural leasehold relation shall be limited to the person who furnishes the landholding, either as owner, civil law lessee, usufructuary, or legal possessor, and the person who personally cultivates the same.

SECTION 7. *Tenure of Agricultural Leasehold Relation.* — The agricultural leasehold relation once established shall confer upon the agricultural lessee the right to continue working on the landholding until such leasehold relation is extinguished. The agricultural lessee shall be entitled to security of tenure on his landholding and cannot be ejected therefrom unless authorized by the Court for causes herein provided.

SECTION 8. *Extinguishment of Agricultural Leasehold Relation.* — The agricultural leasehold relation established under this Code shall be extinguished by:

- (1) Abandonment of the landholding without the knowledge of the agricultural lessor;
- (2) Voluntary surrender of the landholding by the agricultural lessee, written notice of which shall be served three months in advance; or
- (3) Absence of the persons under Section nine to succeed to the lessee, in the event of death or permanent incapacity of the lessee.

SECTION 9. *Agricultural Leasehold Relation Not Extinguished by Death or Incapacity of the Parties.* — In case of death or permanent incapacity of the agricultural lessee to work his landholding, the leasehold shall continue between the agricultural lessor and the person who can cultivate the landholding personally,

chosen by the agricultural lessor within one month from such death or permanent incapacity, from among the following: (a) the surviving spouse; (b) the eldest direct descendant by consanguinity; or (c) the next eldest descendant or descendants in the order of their age: *Provided*, That in case the death or permanent incapacity of the agricultural lessee occurs during the agricultural year, such choice shall be exercised at the end of that agricultural year: *Provided, further*, That in the event the agricultural lessor fails to exercise his choice within the periods herein provided, the priority shall be in accordance with the order herein established.

In case of death or permanent incapacity of the agricultural lessor, the leasehold shall bind his legal heirs.

SECTION 10. *Agricultural Leasehold Relation Not Extinguished by Expiration of Period, etc.* — The agricultural leasehold relation under this Code shall not be extinguished by mere expiration of the term or period in a leasehold contract nor by the sale, alienation or transfer of the legal possession of the landholding. In case the agricultural lessor sells, alienates or transfers the legal possession of the landholding, the purchaser or transferee thereof shall be subrogated to the rights and substituted to the obligations of the agricultural lessor.

SECTION 11. *Lessee's Right of Pre-emption.* — In case the agricultural lessor decides to sell the landholding, the agricultural lessee shall have the preferential right to buy the same under reasonable terms and conditions: *Provided*, That the entire landholding offered for sale must be pre-empted by the Land Authority if the landowner so desires, unless the majority of the lessees object to such acquisition: *Provided, further*, That where there are two or more agricultural lessees, each shall be entitled to said preferential right only to the extent of the area actually cultivated by him. The right of pre-emption under this Section may be exercised within ninety days from notice in writing which shall be served by the owner on all lessees affected.

SECTION 12. *Lessee's Right of Redemption.* — In case the landholding is sold to a third person without the knowledge of the agricultural lessee, the latter shall have the right to redeem the same at a reasonable price and consideration: *Provided*, That the entire landholding sold must be redeemed: *Provided, further*, That where these are two or more agricultural lessees, each shall be entitled to said right of redemption only to the extent of the area actually cultivated by him. The right of redemption under this Section may be exercised within two years from the registration of the sale, and shall have priority over any other right of legal redemption.

SECTION 13. *Affidavit Required in Sale of Land Subject to Right of Pre-emption.* — No deed of sale of agricultural land under cultivation by an agricultural lessee or lessees shall be recorded in the Registry of Property unless accompanied by an affidavit of the vendor that he has given the written notice required in Section eleven of this Chapter or that the land is not worked by an agricultural lessee.

SECTION 14. *Right of Pre-emption and Redemption Not Applicable to Land to be Converted into Residential, Industrial and Similar Purposes.* — The right of pre-emption and redemption granted under Sections eleven and twelve of this Chapter cannot be exercised over landholdings suitably located which the owner bought or holds for conversion into residential, commercial, industrial or other similar non-agricultural purposes: *Provided, however,* That the conversion be in good faith and is substantially carried out within one year from the date of sale. Should the owner fail to comply with the above condition, the agricultural lessee shall have the right to repurchase under reasonable terms and conditions said landholding from said owner within one year after the aforementioned period for conversion has expired: *Provided, however,* That the tenure of one year shall cease to run from the time the agricultural lessee petitions the Land Authority to acquire the land under the provisions of paragraph 11 of Section fifty-one.

SECTION 15. *Agricultural Leasehold Contract in General.* — The agricultural lessor and the agricultural lessee shall be free to enter into any kind of terms, conditions or stipulations in a leasehold contract, as long as they are not contrary to law, morals or public policy. A term, condition or stipulation in an agricultural leasehold contract is considered contrary to law, morals or public policy:

- (1) If the agricultural lessee is required to pay a rental in excess of that which is hereinafter provided for in this Chapter;
- (2) If the agricultural lessee is required to pay a consideration in excess of the fair rental value as defined herein, for the use of work animals and/or farm implements belonging to the agricultural lessor or to any other person; or
- (3) If it is imposed as a condition in the agricultural leasehold contract: (a) that the agricultural lessee is required to rent work animals or to hire farm implements from the agricultural lessor or a third person, or to make use of any store or services operated by the agricultural lessor or a third person; or (b) that the agricultural lessee is required to perform any work or render any service other than his duties and obligations provided in this Chapter with or without compensation; or (c) that the agricultural lessee is required to answer for any fine, deductions and/or assessments.

Any contract by which the agricultural lessee is required to accept a loan or to make payment therefor in kind shall also be contrary to law, morals or public policy.

SECTION 16. *Nature and Continuity of Conditions of Leasehold Contract.* — In the absence of any agreement as to the period, the terms and conditions of a leasehold contract shall continue until modified by the parties: *Provided,* That in no case shall any modification of its terms and conditions prejudice the right of the agricultural lessee to the security of his tenure on the landholding:

Provided, further, That in case of a contract with a period an agricultural lessor may not, upon the expiration of the period increase the rental except in accordance with the provisions of Section thirty-four.

SECTION 17. *Form and Registration of Contract.* — Should the parties decide to reduce their agreement into writing, the agricultural leasehold contract shall be drawn in quadruplicate in a language or dialect known to the agricultural lessee and signed or thumb-marked both by the agricultural lessee personally and by the agricultural lessor or his authorized representative, before two witnesses, to be chosen by each party. If the agricultural lessee does not know how to read, the contents of the document shall be read and explained to him by his witness. The contracting parties shall acknowledge the execution of the contract before the justice of the peace of the municipality where the land is situated. No fees or stamps of any kind shall be required in the preparation and acknowledgment of the instrument. Each of the contracting parties shall retain a copy of the contract. The justice of the peace shall cause the third copy to be delivered to the municipal treasurer of the municipality where the land is located and the fourth copy to the Office of the Agrarian Counsel.

Except in case of mistake, violence, intimidation, undue influence, or fraud, an agricultural contract reduced in writing and registered as hereinafter provided, shall be conclusive between the contracting parties, if not denounced or impugned within thirty days after its registration.

SECTION 18. *Registration of Leasehold Contract.* — The municipal treasurer shall, upon receipt of his copy of the contract, require the agricultural lessee and agricultural lessor to present their respective copies of the contract, and shall cause to be annotated thereon the date, time and place of registration as well as its entry or registration number.

SECTION 19. *Registry of Agricultural Leasehold Contracts.* — The Municipal Treasurer of the municipality wherein the land is situated shall keep a record of all such contracts drawn and executed within his jurisdiction, to be known as "Registry of Agricultural Leasehold Contracts". He shall keep this registry together with a copy of each contract entered therein, and make annotations on said registry of all subsequent acts relative to each contract, such as its renewal, novation, cancellation, etc. No registration fees or documentary stamps shall be required in the registration of said contracts or of any subsequent acts relative thereto.

SECTION 20. *Memorandum of Loans.* — No obligation to pay money on account of loans including interest thereon obtained by the agricultural lessee from the agricultural lessor or his representative shall be enforceable unless the same or a memorandum thereof be in writing in a language or dialect known to the agricultural lessee, and signed or thumb-marked by him, or by his agent.

SECTION 21. *Exemption from Lien and/or Execution.* — The following shall be exempt from lien and/or execution against the agricultural lessee:

(1) Twenty-five *per centum* of the entire produce of the land under cultivation; and

(2) Work animals and farm implements belonging to the agricultural lessee: *Provided*, That their value does not exceed one thousand pesos. But no article or species of property mentioned in this Section shall be exempt from execution issued upon a judgment recovered for its price or upon a judgment of foreclosure of a mortgage thereon.

SECTION 22. *Use of Accepted Standards of Weights and Measures.* — In all transactions entered into between the agricultural lessee and the agricultural lessor concerning agricultural products the official or, upon agreement of the parties, the accepted standards of weights and measures shall be used.

SECTION 23. *Rights of Agricultural Lessee in General.* — It shall be the right of the agricultural lessee:

(1) To have possession and peaceful enjoyment of the land;

(2) To manage and work on the land in a manner and method of cultivation and harvest which conform to proven farm practices;

(3) To mechanize all or any phase of his farm work; and

(4) To deal with millers and processors and attend to the issuance of *quedans* and warehouse receipts for the produce due him.

SECTION 24. *Right to a Home Lot.* — The agricultural lessee shall have the right to continue in the exclusive possession and enjoyment of any home lot he may have occupied upon the effectivity of this Code, which shall be considered as included in the leasehold.

SECTION 25. *Right to be Indemnified for Labor.* — The agricultural lessee shall have the right to be indemnified for the cost and expenses incurred in the cultivation, planting or harvesting and other expenses incidental to the improvement of his crop in case he surrenders or abandons his landholding for just cause or is ejected therefrom. In addition, he has the right to be indemnified for one-half of the necessary and useful improvements made by him on the landholding: *Provided*, That these improvements are tangible and have not yet lost their utility at the time of surrender and/or abandonment of the landholding, at which time their value shall be determined for the purpose of the indemnity for improvements.

SECTION 26. *Obligations of the Lessee.* — It shall be the obligation of the agricultural lessee:

- (1) To cultivate and take care of the farm, growing crops, and other improvements on the landholding as a good father of a family and perform all the work therein in accordance with proven farm practices;
- (2) To inform the agricultural lessor within a reasonable time of any trespass committed by third persons upon the farm, without prejudice to his direct action against the trespasser;
- (3) To take reasonable care of the work animals and farm implements delivered to him by the agricultural lessor and see that they are not used for purposes other than those intended or used by another without the knowledge and consent of the agricultural lessor: *Provided, however,* That if said work animals get lost or die, or said farm implements get lost or are destroyed, through the negligence of the agricultural lessee, he shall be held responsible and made answerable therefor to the extent of the value of the work animals and/or farm implements at the time of the loss, death or destruction;
- (4) To keep his farm and growing crops attended to during the work season. In case of unjustified abandonment or neglect of his farm, any or all of his expected produce may, upon order of the Court, be forfeited in favor of the agricultural lessor to the extent of the damage caused thereby;
- (5) To notify the agricultural lessor at least three days before the date of harvesting or, whenever applicable, of threshing; and
- (6) To pay the lease rental to the agricultural lessor when it falls due.

SECTION 27. *Prohibitions to Agricultural Lessee.* — It shall be unlawful for the agricultural lessee:

- (1) To contract to work additional landholdings belonging to a different agricultural lessor or to acquire and personally cultivate an economic family-size farm, without the knowledge and consent of the agricultural lessor with whom he had entered first into household, if the first landholding is of sufficient size to make him and the members of his immediate farm household fully occupied in its cultivation; or
- (2) To employ a sub-lessee on his landholding: *Provided, however,* That in case of illness or temporary incapacity he may employ laborers whose services on his landholding shall be on his account.

SECTION 28. *Termination of Leasehold by Agricultural Lessee During Agricultural Year.* — The agricultural lessee may terminate the leasehold during the agricultural year for any of the following causes:

- (1) Cruel, inhuman or offensive, treatment of the agricultural lessee or any member of his immediate farm household by the agricultural lessor or his representative with the knowledge and consent of the lessor;
- (2) Non-compliance on the part of the agricultural lessor with any of the obligations imposed upon him by the provisions of this Code or by his contact with the agricultural lessee;
- (3) Compulsion of the agricultural lessee or any member of his immediate farm household by the agricultural lessor to do any work or render any service not in any way connected with farm work or even without compulsion if no compensation is paid;
- (4) Commission of a crime by the agricultural lessor or his representative against the agricultural lessee or any member of his immediate farm household;
or
- (5) Voluntary surrender due to circumstances more advantageous to him and his family.

SECTION 29. *Rights of the Agricultural Lessor.* — It shall be the right of the agricultural lessor:

- (1) To inspect and observe the extent of compliance with the terms and conditions of their contract and the provisions of this Chapter;
- (2) To propose a change in the use of the landholding to other agricultural purposes, or in the kind of crops to be planted: *Provided*, That in case of disagreement as to the proposed change, the same shall be settled by the Court according to the best interest of the parties concerned: *Provided, further*, That in no case shall an agricultural lessee be ejected as a consequence of the conversion of the land to some other agricultural purpose or because of a change in the crop to be planted;
- (3) To require the agricultural lessee, taking into consideration his financial capacity and the credit facilities available to him, to adopt in his farm proven farm practices necessary to the conservation of the land, improvement of its fertility and increase of its productivity: *Provided*, That in case of disagreement

as to what proven farm practice the lessee shall adopt, the same shall be settled by the Court according to the best interest of the parties concerned; and

(4) To mortgage expected rentals.

SECTION 30. *Obligations of the Agricultural Lessor.* — It shall be the obligation of the agricultural lessor:

(1) To keep the agricultural lessee in peaceful possession and cultivation of his landholding; and

(2) To keep intact such permanent useful improvements existing on the landholding at the start of the leasehold relation as irrigation and drainage system and marketing allotments, which in the case of sugar quotas shall refer both to domestic and export quotas, provisions of existing laws to the contrary notwithstanding.

SECTION 31. *Prohibitions to the Agricultural Lessor.* — It shall be unlawful for the agricultural lessor:

(1) To dispossess the agricultural lessee of his landholding except upon authorization by the Court under Section thirty-six. Should the agricultural lessee be dispossessed of his landholding without authorization from the Court, the agricultural lessor shall be liable for damages suffered by the agricultural lessee in addition to the fine or imprisonment prescribed in this Code for unauthorized dispossession;

(2) To require the agricultural lessee to assume, directly or indirectly, the payment of the taxes or part thereof levied by the government on the landholding;

(3) To require the agricultural lessee to assume, directly or indirectly, any part of the rent, "canon" or other consideration which the agricultural lessor is under obligation to pay to third persons for the use of the land;

(4) To deal with millers or processors without written authorization of the lessee in cases where the crop has to be sold in processed form before payment of the rental; or

(5) To discourage, directly or indirectly, the formation, maintenance or growth of unions or organizations of agricultural lessees in his landholding, or to initiate, dominate, assist or interfere in the formation or administration of any such union or organization.

SECTION 32. *Cost of Irrigation System.* — The cost of construction of a permanent irrigation system, including distributory canals, may be borne exclusively by the agricultural lessor who shall be entitled to an increase in rental proportionate to the resultant increase in production: *Provided*, That if the agricultural lessor refuses to bear the expenses of construction the agricultural lessee or lessees may shoulder the same, in which case the former shall not be entitled to an increase in rental and shall, upon the termination of the relationship, pay the lessee or his heir the reasonable value of the improvement at the time of the termination: *Provided, further*, That if the irrigation system constructed does not work, it shall not be considered as an improvement within the meaning of this Section.

SECTION 33. *Manner, Time and Place of Rental Payment.* — The consideration for the lease of the land shall be paid in an amount certain in money or in produce, or both, payable at the place agreed upon by the parties immediately after threshing or processing if the consideration is in kind, or within a reasonable time thereafter, if not in kind.

In no case shall the agricultural lessor require the agricultural lessee to file a bond, make a deposit or pay the rental in advance, in money or in kind or in both, but a special and preferential lien is hereby created in favor of the agricultural lessor over such portion of the gross harvest necessary for the payment of the rental due in his favor.

SECTION 34. *Consideration for the Lease of Riceland and Lands Devoted to Other Crops.* — The consideration for the lease of riceland and lands devoted to other crops shall not be more than the equivalent of twenty-five *per centum* of the average normal harvest during the three agricultural years immediately preceding the date the leasehold was established after deducting the amount used for seeds and the cost of harvesting, threshing, loading, hauling and processing, whichever are applicable: *Provided*, That if the land has been cultivated for a period of less than three years, the initial consideration shall be based on the average normal harvest during the preceding years when the land was actually cultivated, or on the harvest of the first year in the case of newly-cultivated lands, if that harvest is normal: *Provided, further*, That after the lapse of the first three normal harvests, the final consideration shall be based on the average normal harvest during these three preceding agricultural years: *Provided, furthermore*, That in the absence of any agreement between the parties as to the rental, the maximum allowed herein shall apply: *Provided, finally*, That if capital improvements are introduced on the farm not by the lessee to increase its productivity, the rental shall be increased proportionately to the consequent increase in production due to said improvements. In case of disagreement, the Court shall determine the reasonable increase in rental.

SECTION 35. *Exemption from Leasehold of Other Kinds of Lands.* — Notwithstanding the provisions of the preceding Sections, in the case of fishponds, saltbeds, and lands principally planted to citrus, coconuts, cacao, coffee, durian, and

other similar permanent trees at the time of the approval of this Code, the consideration, as well as the tenancy system prevailing, shall be governed by the provisions of Republic Act Numbered Eleven hundred and ninety-nine, as amended.

SECTION 36. *Possession of Landholding; Exceptions.* — Notwithstanding any agreement as to the period or future surrender, of the land, an agricultural lessee shall continue in the enjoyment and possession of his landholding except when his dispossession has been authorized by the Court in a judgment that is final and executory if after due hearing it is shown that:

- (1) The agricultural lessor-owner or a member of his immediate family will personally cultivate the landholding or will convert the landholding, if suitably located, into residential, factory, hospital or school site or other useful non-agricultural purposes: *Provided*; That the agricultural lessee shall be entitled to disturbance compensation equivalent to five years rental on his landholding in addition to his rights under Sections twenty-five and thirty-four, except when the land owned and leased by the agricultural lessor, is not more than five hectares, in which case instead of disturbance compensation the lessee may be entitled to an advanced notice of at least one agricultural year before ejectment proceedings are filed against him: *Provided, further*, That should the landholder not cultivate the land himself for three years or fail to substantially carry out such conversion within one year after the dispossession of the tenant, it shall be presumed that he acted in bad faith and the tenant shall have the right to demand possession of the land and recover damages for any loss incurred by him because of said dispossessions.
- (2) The agricultural lessee failed to substantially comply with any of the terms and conditions of the contract or any of the provisions of this Code unless his failure is caused by fortuitous event or *force majeure*;
- (3) The agricultural lessee planted crops or used the landholding for a purpose other than what had been previously agreed upon;
- (4) The agricultural lessee failed to adopt proven farm practices as determined under paragraph 3 of Section twenty-nine;
- (5) The land or other substantial permanent improvement thereon is substantially damaged or destroyed or has unreasonably deteriorated through the fault or negligence of the agricultural lessee;
- (6) The agricultural lessee does not pay the lease rental when it falls due: *Provided*, That if the non-payment of the rental shall be due to crop failure to the extent of seventy-five *per centum* as a result of a fortuitous event, the non-

payment shall not be a ground for dispossession, although the obligation to pay the rental due that particular crop is not thereby extinguished; or

(7) The lessee employed a sub-lessee on his landholding in violation of the terms of paragraph 2 of Section twenty-seven.

SECTION 37. *Burden of Proof.* — The burden of proof to show the existence of a lawful cause for the ejection of an agricultural lessee shall rest upon the agricultural lessor.

SECTION 38. *Statute of Limitations.* — An action to enforce any cause of action under this Code shall be barred if not commenced within three years after such cause of action accrued.

CHAPTER II

BILL OF RIGHTS FOR AGRICULTURAL LABOR

SECTION 39. *Rights for Agricultural Labor.* — To enable the farm workers to enjoy the same rights and opportunities in life as industrial workers, they shall enjoy the following:

- (1) Right to self-organization;
- (2) Right to engage in concerted activities;
- (3) Right to minimum wage;
- (4) Right to work for not more than eight hours;
- (5) Right to claim for damages for death or injuries sustained while at work;
- (6) Right to compensation for personal injuries, death or illness; and
- (7) Right against suspension or lay-off.

SECTION 40. *Right to Self-Organization.* — The farm workers shall have the right to self-organization and to form, join or assist farm workers' organizations of their own choosing for the purpose of collective bargaining through representatives of their own choosing: *Provided*, That this right shall be exercised in a manner as will not unduly interfere with the normal farm operations. Individuals employed as supervisors shall not be eligible for membership in farm workers' organizations under their supervision but may form separate organizations of their own.

SECTION 41. *Right to Engage in Concerted Activities.* — The farm workers shall also have the right to engage in concerted activities for the purpose of collective bargaining and other mutual aid or protection.

For the purpose of this and the preceding Section, it shall be the duty of the farm employer or manager to allow the farm workers, labor leaders, organizers, advisers and helpers complete freedom to enter and leave the farm, plantation or compound at the portion of the same where said farm workers live or stay permanently or temporarily.

SECTION 42. *Right to Minimum Wage.* — Notwithstanding any provision of law or contract to the contrary, farm workers in farm enterprises shall be entitled to at least P3.50 a day for eight hours' work: *Provided*, That this wage may, however, be increased by the Minimum Wage Board as provided for in Republic Act Numbered Six hundred and two.

SECTION 43. *Right to Eight Hours' Work.* — Notwithstanding the provision of existing laws to the contrary, farm workers shall not be required to work for more than eight hours daily. When the work is not continuous, the time during which the farm worker is not working and can leave his working place and can rest completely shall not be counted.

Work may be performed beyond eight hours a day in case of actual or impending emergencies caused by serious accidents, fire, flood, typhoon, epidemic, or other disaster or calamity, or in case of urgent work to be performed on farm machines, equipment or installations in order to avoid a serious loss which the farm employer or manager would otherwise suffer, or some other just cause of a similar nature, but in all such cases the farm workers shall be entitled to receive compensation for the overtime work performed at the same rate as their regular wages, plus at least twenty-five *per centum* additional, based on their daily wages.

No farm employer or manager shall compel a farm worker to work during Sundays and legal holidays: *Provided, however*, That should the farm worker agree to work on said days, he shall be paid an additional sum of at least twenty-five *per centum* of his regular compensation; *Provided, further*, That the farm employer or manager shall not be held liable for any claim for overtime work which he had not previously authorized, except if the work rendered was to avoid damages to crops, produce, work animals or implements, buildings or the like.

Any agreement or contract between the farm employer or manager and the farm worker contrary to the provisions of this Section shall be null and void.

SECTION 44. *Right of Action for Damages.* — Notwithstanding the provisions of existing laws to the contrary, Act Numbered Eighteen hundred and seventy-four, as amended, entitled "An Act to extend and regulate the responsibility of employers for personal injuries and death suffered by their employees while at work", shall apply to farm workers insofar as it may be applicable.

SECTION 45. *Right to Compensation for Personal Injuries, Death, or Illness.* — Notwithstanding the provisions of existing laws to the contrary, Act Numbered Thirty-four hundred and twenty-eight, as amended, entitled "An Act prescribing the compensation to be received by employees for personal injuries, death or illness contracted in the performance of their duties", shall apply to farm workers insofar as it may be applicable.

SECTION 46. *Right Against Suspension of Lay-off.* — The landowner, farm employer or farm manager shall not suspend, lay-off or dismiss any farm worker without just cause from the time a farm workers' organization or group of farm workers has presented to the landowner a petition or complaint regarding any matter likely to cause a strike or lockout and a copy thereof furnished with the Department of Labor, or while an agricultural dispute is pending before the Court of Agrarian Relations. If it is proved during the said period that a worker has been suspended or dismissed without just cause, the Court may direct the reinstatement and the payment of his wage during the time of his suspension or dismissal or of any sum he should have received had he not been suspended or dismissed, without prejudice to any criminal liability of the landowner, farm employer or farm manager as prescribed by Section twenty-four of Commonwealth Act Numbered One hundred and three, as amended.

SECTION 47. *Other Applicable Provisions.* — All other existing laws applicable to non-agricultural workers in private enterprises which are not inconsistent with this Code shall likewise apply to farm workers, farm labor organizations and agrarian disputes as defined in this Code, as well as to relations between farm management and farm labor and the functions of the Department of Labor and other agencies.

SECTION 48. *Exceptions to Preceding Section.* — The preceding Sections of this Chapter, except Sections forty, forty-one, forty-two and forty-three shall not apply to farm enterprises comprising not more than twelve hectares.

CHAPTER III

LAND AUTHORITY

ARTICLE I

Organization and Functions of the Land Authority

SECTION 49. *Creation of the Land Authority.* — For the purpose of carrying out the policy of establishing owner-cultivatorship and the economic family-size farm as the basis of Philippine agriculture and other policies enunciated in this Code, there is hereby created a Land Authority, hereinafter called the Authority, which shall be directly under the control and supervision of the President of the Philippines. The Authority shall be headed by a Governor who shall be appointed by the President with the consent of the Commission on Appointments.

He shall be assisted by two Deputy Governors who shall be appointed by the President with the consent of the Commission on Appointments, each of whom shall head such operating departments as may be set up by the Governor. The Governor and the Deputy Governors shall hold office for five years.

SECTION 50. *Qualifications and Compensation of Governors.* — No person shall be appointed Governor or Deputy Governor of the Authority unless he is a natural-born citizen of the Philippines, with adequate background and experience in land reform here and/or elsewhere, and at least thirty-five years of age.

The Governor shall receive an annual compensation of twenty-four thousand pesos; the Deputy Governors shall each receive an annual compensation of eighteen thousand pesos.

SECTION 51. *Powers and Functions.* — It shall be the responsibility of the Authority:

(1) To initiate and prosecute expropriation proceedings for the acquisition of private agricultural lands as defined in Section one hundred sixty-six of Chapter XI of this Code for the purpose of subdivision into economic family-size farm units and resale of said farm units to *bona fide* tenants, occupants and qualified farmers: *Provided*, That the powers herein granted shall apply only to private agricultural lands subject to the terms and conditions and order of priority hereinbelow specified:

a. all idle or abandoned private agricultural lands, except those held or purchased within one year from the approval of this Code by private individuals or corporations for the purpose of resale and subdivision into economic family-size farm units in accordance with the policies enunciated in this Code: *Provided*, That the subdivision and resale shall be substantially carried out within one year from the approval of this Code;

b. all private agricultural lands suitable for subdivision into economic family-size farm units, owned by private individuals or corporations worked by lessees, no substantial portion of whose landholding in relation to the area sought to be expropriated, is planted to permanent crops under labor administration, in excess of seventy-five hectares except all private agricultural lands under labor administration and lands acquired under Section seventy-one of this Code; and

c. in expropriating private agricultural lands declared by the National Land Reform Council or by the Land Authority within a land reform district to be necessary for the implementation of the

provisions of this Code, the following order of priority shall be observed:

1. idle or abandoned lands;
2. those whose area exceeds 1,024 hectares;
3. those whose area exceeds 500 hectares but is not more than 1,024 hectares;
4. those whose area exceeds 144 hectares but is not more than 500 hectares; and
5. those whose area exceeds 75 hectares but is not more than 144 hectares.

(2) To help *bonafide* farmers without lands or agricultural owner-cultivators of uneconomic-size farms to acquire and own economic family-size farm units;

(3) To administer and dispose of agricultural lands of the public domain under the custody and administration of the National Resettlement and Rehabilitation Administration prior to the approval of this Code and such other public agricultural lands as may hereafter be reserved by the President of the Philippines for resettlement and sale, in accordance with such terms and conditions as are set forth under this Chapter: *Provided*, That the exercise of the authority granted herein, as well as in the preceding sub-paragraph, shall not contravene public policy on the permanency of forest reserves or other laws intended for the preservation and conservation of public forests;

(4) To develop plans and initiate actions for the systematic opening of alienable and disposable lands of the public domain for speedy distribution to and development by deserving and qualified persons or corporations;

(5) To recommend to the President, from time to time after previous consultation with the Secretary of Agriculture and Natural Resources, what portion of the alienable or disposable public lands shall be reserved for settlement or disposition under this chapter;

(6) To give economic family-size farms to landless citizens of the Philippines who need, deserve, and are capable of cultivating the land personally, through organized resettlement, under the terms and conditions the Authority may prescribe, giving priority to qualified and deserving farmers in the province where such lands are located;

(7) To reclaim swamps and marshes, obtain titles thereto whenever feasible and subdivide them into economic family-size farms for distribution to deserving and qualified farmers;

- (8) To undertake measures which will insure the early issuance of titles to persons or corporations who have actually settled and cultivated disposable alienable lands of the public domain;
- (9) To survey, subdivide and set aside lands or areas of landholdings under its administration for economic family-size farms, large-scale farm operations, town sites, roads, parks, government centers and other civic improvements as circumstances may warrant and to submit subdivision survey plans conducted either by the government or private surveyors on parcels of lands under its administration for verification and approval either by the Director of Lands or by the Land Registration Commission;
- (10) To inform the Agricultural Productivity Commission and the Office of the Agrarian Counsel of the problems of settlers and farmers on lands under its administration;
- (11) To acquire for agricultural lessees exercising their right of pre-emption under Chapter I of this Code, any landholdings mentioned thereunder;
- (12) To conduct land capability survey and classification of the entire country and print maps;
- (13) To make such arrangements with the Land Bank with respect to titles of agricultural lands of the public domain under its administration as will be necessary to carry out the objectives of this Code;
- (14) To expropriate home lots occupied by agricultural lessees outside their landholdings for resale at cost to said agricultural lessees; and
- (15) To submit to the President of the Philippines and to both Houses of Congress through their presiding officers, to the Secretary of Finance and to the Auditor General within sixty days of the close of the fiscal year, an annual report showing its accomplishments during the year; the expropriation proceedings it has undertaken; the expenditures it has incurred and other financial transactions undertaken with respect thereto.

SECTION 52. *Appointment of Subordinate Officials and Employees.* — The Governor shall organize the personnel in such departments, divisions and sections of the Authority as will insure their maximum efficiency. He shall appoint, subject to civil service rules and regulations, fix the compensation, subject to WAPCO rules and regulations, and determine the duties of subordinate officials and employees as the exigencies of the service may require.

ARTICLE II

Expropriation of Private Agricultural Lands

SECTION 53. *Compulsory Purchase of Agricultural Lands.* — The Authority shall, upon petition in writing of at least one-third of the lessees and subject to the provisions of Chapter VII of this Code, institute and prosecute expropriation proceedings for the acquisition of private agricultural lands and home lots enumerated under Section fifty-one. In the event a landowner agrees to sell his property under the terms specified in this Chapter and the National Land Reform Council finds it suitable and necessary to acquire such property, a joint motion embodying the agreement, including the valuation of the property, shall be submitted by the Land Authority and the land-owner to the Court for approval: *Provided*, That in such case, any person qualified to be a beneficiary of such expropriation or purchase may object to the valuation as excessive, in which case the Court shall determine the just compensation in accordance with Section fifty-six of this Code.

SECTION 54. *Possession of the Land; Procedure.* — The Authority, after commencing the expropriation suit, may take immediate possession of the land upon deposit with the Court that has acquired jurisdiction over the expropriation proceedings in accordance with the Rules of Court, of money, and bonds of the Land Bank, in accordance with the proportions provided for under Section eighty of this Code, equal to the value as determined by the Court in accordance with the provisions of Section fifty-six hereof.

SECTION 55. *Expeditious Survey and Subdivision.* — Immediately after the Authority takes possession of lands to be acquired by it under this Code, it shall undertake a subdivision survey of the land into economic family-size farms which shall be immediately assigned to beneficiaries selected in accordance with Section one hundred and twenty-eight subject to such rules and regulations as it may prescribe.

SECTION 56. *Just Compensation.* — In determining the just compensation of the land to be expropriated pursuant to this Chapter, the Court, in land under leasehold, shall consider as a basis, without prejudice to considering other factors also, the annual lease rental income authorized by law capitalized at the rate of six *per centum per annum*.

The owner of the land expropriated shall be paid in accordance with Section eighty of this Act by the Land Bank and pursuant to an arrangement herein authorized.

SECTION 57. *Duty of Court in Expropriation Proceedings.* — In expropriation proceedings, it shall be the duty of the Court to include in its resolution or order of expropriation a provision that the Land Authority shall, after taking possession of the land and after the subdivision thereof, allow the Land Bank to have the title thereto for the purpose of paying the owner the just compensation therefor.

SECTION 58. *Issuance of Certificates of Title for Parcel or Lot.* — After the payment of just compensation on the land expropriated the Land Bank shall cause the issuance of separate certificates of titles for each parcel or lot in accordance with the subdivision survey made under Section fifty-five.

SECTION 59. *Prohibition Against Alienation and Ejectment.* — Upon the filing of the petition referred to in Section fifty-three the landowner may not alienate any portion of the land covered by such petition except in pursuance of the provisions of this Code, or enter into any form of contract to defeat the purposes of this Code, and no ejectment proceedings against any lessee or occupant of the land covered by the petition shall be instituted or prosecuted until it becomes certain that the land shall not be acquired by the Authority.

SECTION 60. *Disposition of Expropriated Land.* — After separate certificates of titles have been issued in accordance with Section fifty-eight, the Land Authority, on behalf of the Republic of the Philippines and in representation of the Land Bank as the financing agency, shall allot and sell each parcel or lot to a qualified beneficiary selected under Section fifty-five of this Code, subject to uniform terms and conditions imposed by the Land Bank: *Provided*, That the resale shall be at cost which shall mean the purchase price not more than six *per centum per annum*, which shall cover administrative expenses, and actual expenses for subdivision, surveying, and registration: *Provided, further*, That such cost shall be paid on the basis of an amortization plan not exceeding twenty-five years at the option of the beneficiary.

In case some agricultural lessees working portions of agricultural lands acquired by the government under this Code prefer to remain as lessees thereof, which preference shall be expressed in writing and attested by a representative of the Office of Agrarian Counsel, the resale and redistribution to them shall be deferred until such time that such lessees are ready and willing to assume the obligations and responsibilities of independent owners, which shall be manifested by a written notice to this effect by the lessees and which shall oblige the Land Authority forthwith to allot and sell such portions to such lessees under the same uniform terms and conditions. Pending the sale, such lessees shall continue to work on their landholdings and receive the produce thereof, subject, however, to the requirement that they pay the Land Bank the allowable rental established in Section thirty-four. The Land Bank shall apply the rental to the six percent added to the acquisition price and credit the balance to the acquisition cost in the name of the lessee as partial payment for the land.

The Land Authority shall administer said parcels of land during the period they are under lease. Competent management and adequate production credit shall be provided in accordance with the program developed by the Land Reform Project Team for such area.

SECTION 61. *Organization of Cooperative Associations.* — For the purpose of more efficient management, adoption of modern farm methods and

techniques, and spreading risk, either through diversification of farm projects or mutual assumption of risks the farmer beneficiaries may organize themselves into cooperative associations with the advice or assistance of the Agricultural Productivity Commission and in accordance with the guidelines established by said Commission for such associations.

SECTION 62. *Limitation on Land Rights.* — Except in case of hereditary succession by one heir, landholdings acquired under this Code may not be resold, mortgaged, encumbered or transferred until after the lapse of ten years from the date of full payment and acquisition and after such ten-year period, any transfer, sale or disposition may be made only in favor of persons qualified to acquire economic family-size farm units in accordance with the provisions of this Code: *Provided*, That a purchaser who acquired his landholding under a contract to sell may secure a loan on the same from any private lending institution or individual for an amount not exceeding his equity on said landholding upon a guaranty by the Land Bank.

SECTION 63. *Inscription of Specific Prohibition Against Resale and Subdivision of Landholding.* — Certificates of titles of landholdings acquired by the Land Authority and resold to purchasers shall contain therein a specific inscription prohibiting further subdivision and the resale, transfer or encumbrance of said landholdings except as provided in the preceding Section.

SECTION 64. *Exemption from Attachment.* — Lands acquired under the provisions of this Chapter shall be exempt from execution and attachment, except when the land itself is the property mortgaged, in accordance with Section sixty-two of this Code.

SECTION 65. *Precedence of Expropriation Cases.* — Expropriation cases filed by the Authority under provisions of this Chapter shall take precedence over all other civil cases pending before the Court and shall be terminated within a period not exceeding six months from the date of filing.

ARTICLE III

Distribution of Agricultural Lands of the Public Domain

SECTION 66. *Title to Public Agricultural Land.* — Upon reservation by the President of the Philippines of public agricultural land available for disposition by the Land Authority, such land shall be surveyed, titled and transferred to the Land Bank, which shall reduce said title into individual titles for specific parcels or lots in accordance with the subdivision survey conducted by the Land Authority under paragraph 9 of Section fifty-one: *Provided*, however, That existing laws governing the acquisition of public lands shall have been complied with.

The Land Authority shall thereupon distribute in accordance with the provisions of this Code, each parcel or lot, subject to the terms and conditions of the Land Bank, to a beneficiary selected pursuant to Section seventy-one or in accordance

with paragraph 3 of Section fifty-one, to a beneficiary selected pursuant to paragraph 3 of Section one hundred twenty-eight.

SECTION 67. *Census of Settlements.* — The Authority shall take a census of all settlements already made or started by farmers on their own initiative on public agricultural lands, forest lands, and on private titled lands which had been cleared, occupied and cultivated wholly or partially by them, with or without legal sanction. The census shall include, among other things, the *bona fide* character of the settlements, the character of the settlers or farmers, the exact status of the lands settled, the feasibility of enlarging the settlements, particularly in connection with the resources of the land occupied and the neighboring areas, actual and potential accessibility to markets, as well as strategic location of the settlement with respect to national security.

SECTION 68. *Assistance to Settlers in Transporting Themselves and Their Belongings.* — The Authority may, in certain projects, assist settlers in transporting themselves, their belongings, work animals and farm equipment, if any, from the communities from which they are migrating to the settlement areas reserved for the purpose and for subsistence necessary until credit can be provided by government financing agencies, or by any other credit institution by loaning to them the full amount required for such purposes. These loans from the Land Authority shall be non-interest bearing, shall constitute a lien upon the land, and shall be amortized over a period of ten years, payable annually beginning with the end of the third year, after the date of arrival in the settlement areas, subject to the right of the borrower to pay in the full at any time prior to the maturity of the loan.

SECTION 69. *Assistance to Settlers in Securing Equipment.* — The Authority may assist the settlers in securing equipment, supplies and materials needed; or assist the cooperative associations of the new settlers in securing the most advantageous prices or terms on farm implements and supplies needed.

SECTION 70. *Providing Housing and Accommodations to Settlers.* — The Authority may help provide housing and other accommodations for the new settlers upon their arrival in the settlement areas by the stationing them in properly surveyed and subdivided lots reserved for the purpose: help them organize community activities; and cooperate with the Bureau of Health, the Bureau of Public Schools and other pertinent agencies of the Government, in providing services necessary for the proper establishment of community facilities.

SECTION 71. *Power of the Land Authority to Sell to Holders of Bonds Issued to Former Landowners Whose Lands Have Been Purchased for Redistribution.* — The Land Authority shall sell, for a price not less than the appraised value, any portion not exceeding one hundred forty-four hectares in the case of individuals or one thousand twenty-four hectares in the case of corporations of the public agricultural lands transferred to the Land Bank which is suitable for large-scale farm operations to any holder, who is qualified to acquire agricultural lands through

purchase, of bonds issued to former landowners whose lands have been purchased for redistribution under this Code, subject to the condition that the purchaser shall, within two years after acquisition, place under cultivation at least thirty *per centum* of the entire area under plantation administration and the remaining seventy *per centum* within five years from the date of acquisition. The Governor of the Land Authority shall issue the title of said land upon showing that the purchaser has begun the development and cultivation of his land under plantation administration: *Provided*, That public agricultural land sold as hereinabove specified shall not be the object of any expropriation as long as the same shall be developed and cultivated for large-scale production under farm labor management, except as allowed by the Constitution.

The selling price of the portion of the public agricultural land sold under this Section shall be credited to the Government's subscription to the Land Bank. As payment for the land sold under this Section, the Land Bank shall accept as sole instruments of payment the bonds issued pursuant to Section seventy-six. Issued bonds accepted as payment for the land sold shall be cancelled to the extent of the amount paid.

All sales under this Code shall be subject to the provision of Chapter V of the Public Land Act covering sales of public agricultural lands insofar as they are not inconsistent with the provisions of this Code.

SECTION 72. *Duplicate Records to be Furnished the Bureau of Lands.* — The Land Authority shall furnish the Bureau of Lands with the duplicate records of proceedings on applications for the sale or other disposition of public agricultural lands under its administration.

SECTION 73. *Transfer of Appropriations, Powers, Functions, etc.* — The National Resettlement and Rehabilitation Administration and the Land Tenure administration are hereby abolished and their powers and functions not inconsistent with this Code, balances of all appropriations, funds, equipment, records and supplies, as well as agricultural lands, public and private, under their administration, are hereby transferred to the Authority: *Provided*, That the function of the Land Tenure Administration with respect to the expropriation of urban lands as provided by existing laws is hereby transferred to and all hereafter be undertaken by the People's Homesite and housing Corporation.

In addition to the appropriations herein transferred there is hereby appropriated from the general funds in the National Treasury not otherwise appropriated the sum of five million pesos, or so much thereof as may be necessary, to carry out the purposes of this Code.

To carry out the land capability survey and classification mentioned in paragraph 12 of Section fifty-one and Section one hundred thirty-two of this Code,

there is hereby appropriated out of the unappropriated funds of the National Treasury the amount of ten million pesos.

CHAPTER IV

LAND BANK

SECTION 74. *Creation.* — To finance the acquisition by the Government of landed estates for division and resale to small landholders, as well as the purchase of the landholding by the agricultural lessee from the landowner, there is hereby established a body corporate to be known as the "Land Bank of the Philippines", hereinafter called the "Bank", which shall have its principal place of business in Manila. The legal existence of the Bank shall be for a period of fifty years counting from the date of the approval hereof. The Bank shall be subject to such rules and regulations as the Central Bank may from time to time promulgate.

SECTION 75. *Powers in General.* — To carry out this main purpose, the Bank shall have the power:

- (1) To prescribe, repeal, and alter its own by laws, to determine its operating policies, and to issue such rules and regulations as may be necessary to achieve the main purpose for the creation of the Bank;
- (2) To adopt, alter and use a corporate seal;
- (3) To acquire and own real and personal property and to sell, mortgage or otherwise dispose of the same;
- (4) To sue and be sued, make contracts, and borrow money from both local and foreign sources. Such loans shall be subject to approval by the President of the Philippines and shall be fully guaranteed by the Government of the Philippines;
- (5) Upon recommendation of the Committee on Investments, to hold, own, purchase, acquire, sell or otherwise invest, or reinvest in stocks, bonds or other securities capable of giving the Bank a reasonably assured income sufficient to support its financing activities and give its private stockholders a fair return on their holdings: *Provided, however,* That pending the organization of the Committee on Investments, the Bank may exercise the powers herein provided without the recommendation of said Committee on Investments: *Provided, further,* That in case of the dissolution of the Land Bank all unsold public lands transferred to it which may be allocated to the Government of the Philippines in the course of liquidation of the business of the Bank shall revert to the Department of Agriculture and Natural Resources; and

(6) To provide, free of charge, investment counselling and technical services to landowners whose lands have been acquired by the Land Bank. For this purpose, the Land Bank may contract the services of private consultants.

SECTION 76. *Issuance of Bonds.* — The Land Bank shall, upon recommendation by the Board of Trustees and approval of the Monetary Board of the Central Bank, issue bonds, debentures and other evidences of indebtedness at such terms, rates and conditions as the Bank may determine up to an aggregate amount not exceeding, at any one time, five times its unimpaired capital and surplus. Such bonds and other obligations shall be secured by the assets of the Bank and shall be fully tax exempt both as to principal and income. Said income shall be paid to the bondholder every six (6) months from the date of issue. These bonds and other obligations shall be fully negotiable and unconditionally guaranteed by the Government of the Republic of the Philippines and shall be redeemable at the option of the Bank at or prior to maturity, which in no case shall exceed twenty-five years. These negotiable instruments of indebtedness shall be mortgageable in accordance with established banking procedures and practices to government institutions not to exceed sixty *per centum* of their face value to enable the holders of such bonds to make use of them in investments in productive enterprises. They shall also be accepted as payments for reparation equipment and materials.

The Board of Trustees shall have the power to prescribe rules and regulations for the registration of the bonds issued by the Bank at the request of the holders thereof.

SECTION 77. *Issuance of Preferred Shares of Stock to Finance Acquisition of Landed Estates.* — The Land Bank shall issue, from time to time, preferred shares of stock in such quantities not exceeding six hundred million pesos worth of preferred shares as may be necessary to pay the owners of landed estates in accordance with Sections eighty and eighty-one of this Code. The amount of shares that the Bank may issue shall not exceed the aggregate amount need to pay for acquired estates in the proportions prescribed in said Section eighty of this Code. The Board of Trustees shall include as a necessary part of the by-laws that it shall issue under Section seventy-five of this Code, such formula as it deems adequate for determining the net asset value of its holdings as a guide and basis for the issuance of preferred shares. The shares of stock issued under the authority of this provision shall be guaranteed a rate of return of six *per centum per annum*. In the event that the earnings of the Bank for any single fiscal year are not sufficient to enable the Bank, after making reasonable allowance for administration, contingencies and growth, to declare dividends at the guaranteed rate, the amount equivalent to the difference between the Bank's earnings available for dividends and that necessary to pay the guaranteed rate shall be paid by the Bank out of its own assets but the Government shall, on the same day that the Bank makes such payment, reimburse the latter in full, for which purpose such amounts as may be necessary to enable the Government to

make such reimbursements are hereby appropriated out of any moneys in the National Treasury not otherwise appropriated. The Bank shall give sufficient notice to the Budget Commissioner and the President of the Philippines in the event that it is not able to pay the guaranteed rate of return on any fiscal period. The guaranteed rate of return on these shares shall not preclude the holders thereof from participating at a percentage higher than six *per centum* should the earnings of the Bank for the corresponding fiscal period exceed the guaranteed rate of return. The Board of Trustees shall declare and distribute dividends within three months after the close of each fiscal year at the guaranteed rate unless a higher rate of return is justified by the Bank's earnings after making reasonable allowance for administration, contingencies and growth, in which case dividends shall be declared and distributed at a higher rate. The capital gains derived from the sale or transfer of such shares and all income derived therefrom in the form of dividends shall be fully exempt from taxes.

SECTION 78. *Special Guaranty Fund.* — In the event that the Bank shall be unable to pay the bonds, debentures, and other obligations issued by it, a fixed amount thereof shall be paid from a special guaranty fund to be set up by the Government, to guarantee the obligation of the Land Bank, and established in accordance with this Section, and thereupon, to the extent of the amounts so paid, the Government of the Republic of the Philippines shall succeed to all the rights of the holders of such bonds, debentures or other obligations: *Provided, however,* That for the next four years after the establishment of the Bank, the payment to the special guaranty fund should not exceed one million pesos per year, after which period, the Government shall pay into the guaranty fund the sum of five hundred thousand pesos each year until the cumulative total of such guaranty fund is no less than twenty percent of the outstanding net obligation of the Land Bank at the end of any single calendar year.

The guaranty fund shall be administered by the Central Bank of the Philippines in the manner most consistent with its charter. For the purpose of such fund, there shall be appropriated annually the sum of one million pesos out of any moneys in the National Treasury not otherwise appropriated, until the total amount of twenty million pesos shall have been attained.

SECTION 79. *Receiving Payments and Time Deposits.* — The Bank, under the supervision of the Monetary Board and subject to the provisions of the General Banking Act, shall receive savings and time deposits from the small landholders in whose favor public lands or landed estates acquired by the Land Authority have been sold and, for this purpose, establish, and maintain branches and offices in such areas as may be necessary to service such deposits. The Monetary Board shall supervise and authorize the Bank to receive savings and time deposits from the public in areas where facilities for such a service do not exist or cannot be adequately provided by other deposit institutions.

SECTION 80. *Making Payment to Owners of Landed Estates.* — The Land bank shall make payments in the form herein prescribed to the owners of land acquired by the Land Authority for division and resale under this Code. Such payment shall be made in the following manner: ten *per centum* in cash and the remaining balance in six percent, tax-free, redeemable bonds issued by the Bank in accordance with Section seventy-six, unless the landowner desires to be paid in shares of stock issued by the Land Bank in accordance with Section seventy-seven in an amount not exceeding thirty *per centum* of the purchase price.

In the event there is an existing lien on encumbrance on the land in favor of any Government institution at the time of acquisition by the Land Bank, the bonds and/or shares, in that order, shall be accepted as substitute collaterals to secure the indebtedness.

The profits accruing from payment shall be exempt from the tax on capital gains.

SECTION 81. *Capital.* — The authorized capital stock of the Bank shall be one billion five hundred million pesos divided into ninety million shares with a par value of ten pesos each, which shall be fully subscribed by the Government and sixty million preferred shares with a par value of ten pesos each which shall be issued in accordance with the provisions of Sections seventy-seven and eighty-three of this Code. Of the total capital subscribed by the Government, two hundred million pesos shall be paid by the Government within one year from the approval of this Code, and one hundred million pesos every year thereafter for two years for which purpose the amount of two hundred million pesos is hereby appropriated upon the effectivity of this Code, and one hundred million pesos every year for the next two years thereafter, out of the funds in the National Treasury not otherwise appropriated for the purpose: *Provided*, That if there are not enough funds in the National Treasury for the appropriation herein made, the Secretary of Finance, with the approval of the President of the Philippines, shall issue bonds or other evidence of indebtedness to be negotiated either locally or abroad in such amount as may be necessary to cover any deficiency in the amount above-appropriated but not exceeding four hundred million pesos, the proceeds of which are hereby appropriated: *Provided, further*, That the bonds to be issued locally shall not be supported by the Central Bank: *Provided, finally*, That there is automatically appropriated out of the unappropriated funds in the National Treasury such amounts as is necessary to cover the losses which shall include among other things loss of earnings occasioned by the limitation of the resale cost herein provided such that said amount together with the administrative expenses mentioned in Section ninety hereof shall not exceed in the aggregate the equivalent of two and one-half *per centum* of its assets limited therein.

SECTION 82. *Government Shares.* — All shares of stock in the Bank subscribed or owned by the Government shall not be entitled to participate in the income earned by the Bank from its investments and other operations, whether in the

form of cash or stock dividends or otherwise. Amounts expended for the administration of the Bank shall not be deemed as a participation of the Government in income.

SECTION 83. *Preferred Shares.* — All preferred shares of stock issued under Section seventy-seven of this Code shall be entitled to the income earned by the Bank on its investments and other operations and shall have a limited right to elect annually one member of the Board of Trustees and one member of the Committee on Investments: *Provided*, That the holders of such preferred shares of stock shall not bring derivative suits against the Bank. Such preferred shares shall be fully transferable: *Provided, further*, That upon the liquidation of the Bank, the redemption of such preferred shares shall be given priority and shall be guaranteed at par value.

SECTION 84. *Voting of Shares.* — The voting power of all the shares of stock of the Land Bank owned or controlled by the Government shall be vested in the President of the Philippines or in such person or persons as he may from time to time designate.

SECTION 85. *Use of Bonds.* — The bonds issued by the Land Bank may be used by the holder thereof and shall be accepted in the amount of their face value as any of the following:

- (1) Payment for agricultural lands or other real properties purchased from the Government;
- (2) Payment for the purchase of shares of stock of all or substantially all of the assets of the following Government owned or controlled corporations: The National Development Company; Cebu Portland Cement Company; National Shipyards and Steel Corporation; Manila Gas Corporation; and the Manila Hotel Company.

Upon offer by the bondholder, the corporation owned or controlled by the Government shall, through its Board of Directors, negotiate with such bondholder with respect to the price and other terms and conditions of the sale. In case there are various bondholders making the offer, the one willing to purchase under terms and conditions most favorable to the corporation shall be preferred. If no price is acceptable to the corporation, the same shall be determined by a Committee of Appraisers composed of three members, one to be appointed by the corporation, another by the bondholder making the highest or only offer, and the third by the two members so chosen. The expenses of appraisal shall be borne equally by the corporation and the successful purchaser.

Should the Government offer for sale to the public any or all of the shares of stock or the assets of any of the Government owned or controlled corporations enumerated herein, the bidder who offers to pay in bonds of the

Land Bank shall be preferred provided that the various bids be equal in every respect except in the medium of payment.

(3) Surety or performance bonds in all cases where the Government may require or accept real property as bonds; and

(4) Payment for, reparations goods.

SECTION 86. *Board of Trustees.* — The affairs and business of the Bank shall be directed, its powers exercised and its property managed and preserved by a Board of Trustees. Such Board shall be composed of one Chairman and four members, one of whom shall be the head of the Land Authority who shall be an *ex-officio* member of such Board and another to be elected by the holders of preferred shares. The Chairman and two members of the Board of Trustees shall serve on full-time basis with the Bank. With the exception of the head of the Land Authority and the member elected by the holders of preferred shares, the Chairman and all members of the Board shall be appointed by the President with the consent of the Commission on Appointments for a term of seven years, except that the first Chairman and members to be appointed under this Code shall serve for a period of three, five and seven years, such terms to be specified in their respective appointments. Thereafter the Chairman and members, with the exception of the *ex-officio* member, appointed after such initial appointment shall serve for a term of seven years including any Chairman or member who is appointed in place of one who resigns or is removed or otherwise vacates his position before the expiration of his seven-year term. The Chairman and the two full-time members of the Board shall act as the heads of such operating departments as may be set up by the Board under the authority granted by Section eighty-seven of this Code. The Chairman shall have authority, exercisable at his discretion, to determine from time to time the organizational divisions to be headed by each member serving full time and to make the corresponding shifts in designations pursuant thereto. The compensation of the Chairman and the members of the Board of Trustees serving full time shall be twenty-four thousand and eighteen thousand pesos, respectively. The other members of the Board shall receive a per diem of one hundred pesos for each session of the Board that they attend.

SECTION 87. *The Chairman and Vice-Chairman.* — The Chairman of the Board shall be the chief executive officer of the Bank. He shall have direct control and supervision of the business of the Bank in all matters which are not by this Code or by the by-laws of the Bank specifically reserved to be done by the Board of Trustees. He shall be assisted by an Executive Vice-Chairman and one or more vice-chairman who shall be chosen and may be removed by the Board of Trustees. The salaries of the Vice-Chairmen shall be fixed by the Board of Trustees with the approval of the President of the Philippines.

SECTION 88. *Qualifications of Members.* — No person shall be appointed Chairman or member of the Board unless he is a man of accepted integrity, probity, training and experience in the field of banking and finance, at least thirty-five years of age and possessed of demonstrated administrative skill and ability.

SECTION 89. *Committee on Investments.* — There shall be a Committee on Investments composed of three members; the member of the Board of Trustees elected by the holders of preferred shares as Chairman, one member to be appointed by the President of the Philippines from among the government members of the Board of Trustees, and another member to be selected by the holders of preferred shares under Section eighty-three of this Code. The Committee on Investments shall recommend to the Board of Trustees the corporations or entities from which the Land Bank shall purchase shares of stock.

The Land Bank shall not invest in any corporation, partnership or company wherein any member of the Board of Trustees or of the Committee on Investments or his spouse, direct descendant or ascendant has substantial pecuniary interest or has participation in the management or control of the enterprise except with the unanimous vote of the members of the Board of Trustees and of the Committee on Investments, excluding the member interested, in a joint meeting held for that purpose where full and fair information of the extent of such interest or participation has been adequately disclosed in writing and recorded in the minutes of the meeting: *Provided*, That such interested member shall not in any manner participate in the deliberations and shall refrain from exerting any pressure or influence whatever on any official or member of the Bank whose functions bear on or relate to the investment of the funds of the Bank in the enterprise: *Provided, further*, That the total investment in any single corporation, partnership, company, or association shall not exceed five *per centum* of the total investible funds.

SECTION 90. *Personnel; Cost of Administration.* — The Administrative expenses of the Bank during any single fiscal year shall not in any case exceed two and one-half *per centum* of its total assets. The Board of Trustees shall provide for an organization and staff of officers and employees necessary to carry out the functions of the Bank, fix their compensation, and appoint and remove such officers and employees for cause. The Bank officers and employees shall be subject to the rules and regulations issued by the Civil Service Commission but shall not fall under the Wage and Position Classification Office. The Board of Trustees shall recommend to the Civil Service Commission rules and regulations for the recruitment, appointment, compensation, administration, conduct, promotion and removal of all Bank officers and employees under a strict merit system and prepare and conduct examinations under the supervision of said Commission.

SECTION 91. *Legal counsel.* — The Secretary of Justice shall be *ex-officio* legal adviser of the Bank. Any provision of law to the contrary notwithstanding, the Land Bank shall have its own Legal Department, the chief and

members of which shall be appointed by the Board of Trustees. The composition, budget and operating expenses of the Office of the Legal Counsel and the salaries and traveling expenses of its officers and employees shall be fixed by the Board of Trustees and paid by the Bank.

SECTION 92. *Auditor.* — The Auditor General shall be the *ex-officio* auditor of the Bank and shall appoint a representative, who shall be the auditor in charge of the auditing office of the Bank. The Auditor General shall, upon the recommendation of the auditor of the Bank, appoint or remove the personnel of the auditing office. The compensation, budget and operating expenses of the auditing office and the salaries and traveling expenses of the officers and employees thereof shall be fixed by the Board of Trustees and paid by the Bank notwithstanding any provision of law to the contrary.

SECTION 93. *Report on Condition of Bank.* — The representative of the Auditor General shall make a quarterly report on the condition of the Bank to the President of the Philippines, to the Senate through its President, to the House of Representatives through its Speaker, to the Secretary of Finance, to the Auditor General and to the Board of Trustees of the Bank. The report shall contain, among other things, a statement of the resources and liabilities including earnings and expenses, the amount of capital stock, surplus, reserve and profits, as well as losses, bad debts, and suspended and overdue paper carried in the books as assets of the Bank, and a plantilla of the Bank.

SECTION 94. *Auditing Rules and Regulations.* — The Auditor General shall, with respect to the Bank, formulate improved and progressive auditing rules and regulations designed to expedite the operations of the Bank and prevent the occurrence of delays and bottlenecks in its work.

SECTION 95. *Removal of Members.* — The President of the Philippines may, at any time, remove the Chairman or any member of the Board appointed by him if the interest of the Bank so requires, for any of the following causes:

- (1) Mismanagement, grave abuse of discretion, infidelity in the conduct of fiduciary relations, or gross neglect in the performance of duties;
- (2) Dishonesty, corruption, or any act involving moral turpitude; and
- (3) Any act or performance tending to prejudice or impair the substantial rights of the stockholders.

Conviction of the Chairman or a member for a crime carrying with it a penalty greater than *arresto mayor* shall cause the removal of such Chairman or member without the necessity of Presidential action.

The Chairman or member may, in any of the above cases, be civilly liable for any damage that may have been suffered by the stockholders.

SECTION 96. *Transfer of Claims and Liabilities.* — The assets of the former Land Tenure Administration and the National Resettlement and Rehabilitation Administration in the form of claims and receivables arising from the sale or transfer of private and public lands, agricultural equipment, machinery, tools and work animals, but excluding advances made for subsistence, to small landholders shall, after an exhaustive evaluation to determine their true asset value, be irrevocably transferred to the Bank under such arrangements as the Land Authority and the Bank shall agree upon. Thereafter, the Bank shall have authority and jurisdiction to administer the claims, to collect and make adjustments on the same and, generally, to do all other acts properly pertaining to the administration of claims held by a financial institution. The Land Authority, upon request of the Bank, shall assist the latter in the collection of such claims. The Land Authority shall be entitled to collect from the Bank no more than the actual cost of such collection services as it may extend. The claims transferred under this Section shall not be considered as part of the Government's subscription to the capital of the Bank.

SECTION 97. *Regulation.* — The Bank shall not be subject to the laws, rules and regulations governing banks and other financial institutions of whatever type except with respect to the receipt of savings and time deposits in accordance with Section seventy-nine of this Code, in which case the legal reserve and other requirements prescribed by the Central Bank for such deposits shall apply. The Bank shall be operated as an autonomous body and shall be under the supervision of the Central Bank.

SECTION 98. *Tax Exemption.* — The operations, as well as holdings, equipment, property, income and earnings of the Bank from whatever sources shall be fully exempt from taxation.

SECTION 99. *Organization of Bank.* — The Bank shall be organized within one year from the date that this Code takes effect.

SECTION 100. *Penalty for Violation of the Provisions of this Chapter.* — Any trustee, officer, employee or agent of the Bank who violates or permits the violation of any of the provisions of this Chapter, or any person aiding or abetting the violations of any of the provisions of this Chapter, shall be punished by a fine not to exceed ten thousand pesos or by imprisonment of not more than five years, or both such fine and imprisonment at the discretion of the Court.

CHAPTER V

AGRICULTURAL CREDIT ADMINISTRATION

SECTION 101. *Reorganization of ACCFA to Align Its Activities.* — The administrative machinery of the Agricultural Credit and Cooperative Financing

Administration created under Republic Act Numbered Eight hundred twenty-one, as amended by Republic Act Numbered Twelve hundred and eighty-five, shall be reorganized to enable it to align its activities with the requirements and objectives of this Code and shall be known as the Agricultural Credit Administration.

SECTION 102. *Financing.* — To finance the additional credit functions of the Agricultural Credit Administration as a result of the land reform program laid down in this Code, there is hereby appropriated the sum of one hundred fifty million pesos out of funds in the National Treasury not otherwise appropriated in addition to existing appropriations for the Agricultural Credit and Cooperative Financing Administration.

SECTION 103. *Privilege of Rediscounting.* — The Agricultural Credit Administration is hereby granted the privilege of rediscounting with the Central Bank of the Philippines, the Development Bank of the Philippines and the Philippine National Bank eligible evidence of indebtedness acquired by it in carrying on its authorized activities, at an interest rate equal to the lowest charged by the above financing institution on any private person or entity.

SECTION 104. *Power to Obtain Additional Funds.* — Nothing in this Section shall limit the power of the Agricultural Credit Administration to obtain from the Central Bank of the Philippines, the Development Bank of the Philippines, the Philippine National Bank and other financing institutions, such additional funds as may be necessary for the effective implementation of this Act: *Provided*, That such additional funds are to be utilized as loans to farmers and/or farmers' cooperatives.

SECTION 105. *Loaning Activities.* — Loaning activities of the Agricultural Credit Administration shall be directed to stimulate the development and operation of farmers' cooperatives. The term "Farmers' Cooperatives" shall be taken to include all cooperatives relating to the production and marketing of agricultural products and those formed to manage and/or own, on a cooperative basis, services and facilities, such as irrigation and transport system, established to support production and/or marketing of agricultural products.

Under such rules and regulations in accordance with generally accepted banking practices and procedures as may be promulgated by the Agricultural Credit Administration, Rural Banks and Development Banks may, in their respective localities, be designated to act as agents of the Agricultural Credit Administration in regard to its loaning activities.

SECTION 106. *Credit to Small Farmers.* — Production loans and loans for the purchase of work animals, tillage equipment, seeds, fertilizers, poultry, livestock, feed and other similar items, may be extended to small farmers as defined in Republic Act Numbered Eight hundred twenty-one, based upon their paying capacity and such securities as they can provide, and under such terms and conditions as the Agricultural Credit Administration may impose, provided the amount thereof does not

exceed two thousand pesos, or such amount as may be fixed by the President, but in no case shall the amount of loan exceed eighty *per centum* of the value of the collateral pledged. In instances where credit is extended for items which are not consumed in their use, such items may be pledged as security therefor. The Agricultural Credit Administration shall promulgate such rules and regulations as may be necessary in the extension of the loans herein authorized so as to assure their repayment: *Provided*, That such rules and regulations shall follow and be in accordance with generally accepted financing practices and procedures.

SECTION 107. *Security for Loans.* — The production of the borrower, after deducting the lease rental and/or liens thereon, shall be accepted as security for loans: *Provided*, That said production is pledged to the Agricultural Credit Administration with appropriate safeguards to insure against its unauthorized disposition: *Provided, further*, That the amount of loan shall not exceed sixty *per centum* of the value of the estimated production.

SECTION 108. *Loans to Cooperatives.* — The Agricultural Credit Administration is hereby authorized to extend such types of loans as it may deem necessary for the effective implementation of this Code, to eligible farmers' cooperatives as herein defined, under such terms and conditions as it may impose and with such securities as it may require. A farmers' cooperative that has been registered with the Securities and Exchange Commission and affiliated with the Agricultural Credit Administration shall be eligible for loans if, in the judgment of the latter, its organization, management and business policies are of such character as will insure the safety and effective use of such loans.

SECTION 109. *Loans for Construction or Acquisition by Purchase of Facilities.* — Loans for the construction or acquisition by purchase of facilities of farmers' cooperatives may be granted by the Agricultural Credit Administration.

SECTION 110. *Interest on Loans.* — The total charges including interest and insurance fees on all kinds of loans shall not be more than eight *per centum per annum*: *Provided*, That if an impairment of the capitalization of the Agricultural Credit Administration is imminent by reason of the limitation of the interest rate herein provided, there is automatically appropriated out of the unappropriated funds in the National Treasury such amounts as is necessary to cover the losses of the Agricultural Credit Administration, but not exceeding six million pesos for any one year.

SECTION 111. *Institution of Supervised Credit.* — To provide for the effective use of credit by farmers, the Agricultural Credit Administration may institute a program of supervised credit in cooperation with the Agricultural Productivity Commission.

SECTION 112. *Guidance to Cooperatives.* — The Agricultural Credit Administration shall have the power to register and provide credit guidance or

assistance to all agricultural cooperatives including irrigation cooperatives and other cooperative associations or fund corporations.

SECTION 113. *Auditing of Operations.* — For the effective supervision of farmers' cooperatives, the head of the Agricultural Credit Administration shall have the power to audit their operations, records and books of account and to issue subpoena and subpoena duces tecum to compel the attendance of witnesses and the production of books, documents and records in the conduct of such audit or of any inquiry into their affairs. Any person who, without lawful cause, fails to obey such *subpoena* or *subpoena duces tecum* shall, upon application of the head of Agricultural Credit Administration with the proper court, be liable to punishment for contempt in the manner provided by law and if he is an officer of the association, to suspension or removal from office.

SECTION 114. *Prosecution of Officials.* — The Agricultural Credit Administration, through the appropriate provincial or city fiscal, shall have the power to file and prosecute any and all actions which it may have against any and all officials or employees of farmers' cooperatives arising from misfeasance or malfeasance in office.

SECTION 115. *Free Notarial Services.* — Any justice of the peace, in his capacity as notary *ex-officio*, shall render service free of charge to any person applying for a loan under this Code either in administering the oath or in the acknowledgment of instruments relating to such loan.

SECTION 116. *Free Registration of Deeds.* — Any register of deeds shall accept for registration, free of charge any instrument relative to a loan made under this Code.

SECTION 117. *Writing-off Unsecured and Outstanding Loans.* — Subject to the approval of the President upon recommendation of the Auditor General, the Agricultural Credit Administration may write-off from its books, unsecured and outstanding loans and accounts receivable which may become uncollectible by reason of the death or disappearance of the debtor, should there be no visible means of collecting the same in the foreseeable future, or where the debtor has been verified to have no income or property whatsoever with which to effect payment. In all cases, the writing-off shall be after five years from the date the debtor defaults.

SECTION 118. *Exemption from Duties, Taxes and Levies.* — The Agricultural Credit Administration is hereby exempted from the payment of all duties, taxes, levies, and fees, including docket and sheriff's fees, of whatever nature or kind, in the performance of its functions and in the exercise of its powers hereunder.

CHAPTER VI

AGRICULTURAL PRODUCTIVITY COMMISSION

SECTION 119. *Creation of the Agricultural Productivity Commission.* — For the purpose of accelerating progressive improvement in the productivity of farms, the advancement of farmers and the strengthening of existing agricultural extension services through the consolidation of all/promotional, educational and informational activities pertaining to agriculture, the present Bureau of Agricultural Extension of the Department of Agriculture and Natural Resources is hereby placed directly under the executive supervision and control of the President and hereinafter renamed Agricultural Productivity Commission.

Upon the effectivity of this Code, the Agricultural Tenancy Commission of the Department of Justice, together with its powers, duties, responsibilities, files, records supplies, equipment, personnel and unexpended balance of appropriations, is hereby placed under the Agricultural Productivity Commission as a separate office thereof.

SECTION 120. *Commissioner of the Agricultural Productivity Commission.* — The Agricultural Productivity Commission shall be administered by an Agricultural Productivity Commissioner who shall be appointed by the President with the consent of the Commission on Appointments and who shall have a compensation of sixteen thousand pesos *per annum*. No person shall be appointed as a Agricultural Productivity Commissioner unless he be a holder of at least a Bachelor of Science degree in Agricultural from a reputable school or college of agriculture and shall have practiced agriculture for at least five years, and who is of recognized competence in agricultural economics or any of its equivalents.

SECTION 121. *Powers and Duties.* — The Agricultural Productivity Commissioner shall exercise the same powers and duties vested in the Director of the Bureau of Agricultural Extension.

SECTION 122. *Division on Cooperatives.* — In addition to the existing divisions of the Bureau of Agriculture Extension, herein renamed as Agricultural Productivity Commission, there shall be a Division of Cooperatives and such other divisions and sections as the Agricultural Productivity Commissioner may deem necessary to organize in order to carry out the promotional and educational activities of the Commission.

SECTION 123. *Recruitment, Selection and Training of Extension Workers.* — The extension workers shall be recruited and selected from graduates of agricultural college with adequate practical experience and training in actual crop, tree, poultry and livestock farming: *Provided, however,* That in the event there are no graduates of agricultural colleges available, graduates of agricultural high schools may be temporarily employed. Training of extension workers shall be done in conjunction with research institutions to insure their maximum efficiency.

SECTION 124. *Functions of Extension Workers.* — In addition to their functions under Republic Act Numbered Six hundred eighty, it shall be the duty of extension workers:

- (1) To reside in the locality where they are assigned, to disseminate technical information to farmers, and to demonstrate improved farm management practices and techniques;
- (2) To work with individual farmers in farm planning and budgeting, guide them in the proper conduct of farm business and work out schedules of repayment of loans obtained by farmers;
- (3) To assist farmers in securing the services or assistance of other agencies, or their personnel, having to do with relevant activities and problems of farmers;
- (4) To visit newly-established independent farm operators either singly or collectively at least once a month;
- (5) To conduct educational activities that will acquaint leaseholders and other independent farm operators with their rights and responsibilities under this Code;
- (6) To encourage the formation and growth of private associations, study clubs, committees and other organized groups of farmers, familiarize them with modern methods of farming and interest them to actively participate, collaborate or take the initiative in agricultural research, experimentation and implementation of projects in cooperation with the Agricultural Productivity Commissioner and other agencies; and
- (7) To promote, stimulate and assist in the organization of farmers' cooperatives.

SECTION 125. *Appropriation.* — In addition to the funds herein transferred, there is hereby appropriated from the general funds in the National Treasury not otherwise appropriated the sum of five million pesos, or so much thereof as may be necessary to carry out the purposes of this Chapter.

CHAPTER VII

LAND REFORM PROJECT ADMINISTRATION

SECTION 126. *Creation of National Land Reform Council.* — There is hereby created a National Land Reform Council, hereinafter called the Council, which shall be composed of the Governor of the Land Authority, who shall act as Chairman, the Administrator of the Agricultural Credit Administration, the Chairman of the Board of Trustees of the Land Bank, the Commissioner of the Agricultural Productivity Commission and another member appointed by the President upon recommendation of the minority party receiving the second largest number of votes in the last Presidential election who shall hold office at the pleasure of such minority

party, unless sooner removed for cause by the President as members and the Agrarian Counsel as legal counsel: *Provided*, That the Council shall not be considered fully constituted and ready to function until after the member representing the minority party has been appointed by the President of the Philippines: *Provided, further*, That the minority party shall submit its recommendation to the President within sixty days from the approval of this Code, in the absence of which the Council shall be deemed to be so constituted even without such member from the minority party: *Provided, finally*, That the minority representative shall receive a per diem of fifty pesos for each day he attends a council meeting, chargeable to the appropriations of the Land Authority.

SECTION 127. *Meetings; Resolutions.* — The Chairman of the Council shall convoke the Council as its responsibilities enumerated in Section one hundred twenty-eight may warrant, and shall preside over its meetings.

It shall be the duty of the members to attend any meeting of the Council upon the call of the Chairman. In case of inability, a member may require the officer next in rank in his agency to attend the meeting in his behalf.

A majority vote of the members present if there is a quorum shall be necessary for the approval of a resolution. Upon such approval the resolution shall be final and binding upon all members of the Council and their respective agencies insofar as their functions, powers and duties required under this Code are concerned.

The refusal of any member to implement any resolution or part thereof falling within the scope of the powers granted to his agency shall be sufficient ground for the President of the Philippines to remove said member from office or to impose upon him disciplinary or administrative sanctions.

SECTION 128. *Functions of National Land Reform Council.* — It shall be the responsibility of the Council:

- (1) To construct the general program of land reform contemplated by this Code;
- (2) To establish guidelines, plans and policies for its member-agencies relative to any particular land reform project;
- (3) To formulate such rules and regulations as may be necessary to carry out the provisions of this Code for (a) the selection of agricultural land to be acquired and distributed under this Code; (b) the determination of sizes of family farms as defined in Section one hundred sixty-six; and (c) the selection of beneficiaries to family farms available for distribution: *Provided*, That priority shall be given in the following order: First, to members of the immediate family of the former owner of the land within the first degree of consanguinity who will cultivate the land personally with the aid of labor

available within his farm household; Second, to the actual occupants personally cultivating the land either as agricultural lessees or otherwise with respect to the area under their cultivation; Third, to farmers falling under the preceding category who are cultivating uneconomic-size farms with respect to idle or abandoned lands; Fourth, to owner-operators of uneconomic-size farms; and Fifth, to such other categories as may be fixed by virtue of this Code, taking into consideration the needs and qualifications of the applicants:

(4) To revise, approve, or reject any land reform proposal or project; and

(5) To proclaim in accordance with the provisions of this Code, which proclamation shall be considered as having been promulgated immediately after three successive weekly publications in at least two newspapers of general circulation in the region or locality affected by the proclamation, preference being given to local newspapers, if any, that all the government machineries and agencies in any region or locality relating to leasehold envisioned in this Code are operating: *Provided*, That the conversion to leasehold in the proclaimed area shall become effective at the beginning of the next succeeding agricultural year after such promulgation: *Provided*, further, That the proclamation shall be made after having considered factors affecting feasibility and fund requirements and the other factors embodied in Sections one hundred twenty-nine, one hundred thirty and one hundred thirty-one.

SECTION 129. *Creation of Land Reform Districts.* — The Council shall exercise the functions enumerated in the preceding Section for particular areas which the Council shall select and designate as land reform districts. A district shall constitute one or more reform projects, each project to comprise either a large landed estate or several areas within small estates. In the selection of a district, the Council shall consider factors affecting the feasibility of acquiring for redistribution the areas within the district, including:

(1) The productivity of the area;

(2) Its suitability for economic family-size farms;

(3) The tenancy rate in the area;

(4) The minimum fixed capital outlay required to develop the area;

(5) The proximity of the area to resettlement projects; and

(6) The number of farmers that cultivate uneconomic-size farms, the ability and readiness of such farmers to be resettled, and the availability of idle or

abandoned lands that may be acquired or expropriated as well as of other resettlement facilities.

SECTION 130. *Regional Land Reform Committee.* — For the purpose of implementing the program and policies of the Council on the local level, the Council shall establish in each region of the Philippines a Regional Land Reform Committee which shall be composed of the representatives of the agencies composing the National Land Reform Council and shall be under the chairmanship of the representative of the Land Authority. The committee shall recommend to the Council such plans for projects of land reform in its jurisdiction as it may deem appropriate. The Committee shall conduct public hearings, gather and analyze data, estimate the essentials of such plans for projects or programs and consolidate its findings in a report to be submitted to the Council for its consideration. The decision of the Council upon such projects or programs shall be returned to the Committee, within thirty days from the submission thereof, for early implementation or execution by said Committee and the agencies represented therein.

SECTION 131. *Land Reform Project Team.* — The Regional Land Reform Committee shall direct and assign a Land Reform Project Team for any project or projects within the region, to be composed of an appropriate number of personnel from the member-agencies. The team shall be headed by a representative of the Land Authority designated by the Committee, but each agency shall, in every case, be duly represented by at least one member in the Team. On the basis of national, regional, and local policies and programs formulated and approved by the Council through the Committee, the Team shall determine (a) the suitability of any area for redistribution into economic family-size farms; (b) the economic size of farm units; (c) the feasibility of acquiring and distributing the area; (d) the willingness of the lessees to assume the responsibilities of ownership; and (e) the financial and other requirements of the project. For this purpose, it shall gather data, obtain opinions, conduct surveys, pursue investigations, and incorporate any information thus established in a development program for the area concerned to be submitted in the form of a consolidated report to the Committee.

CHAPTER VIII

LAND CAPABILITY SURVEY AND CLASSIFICATION

SECTION 132. *Land Survey to Conform to Legal Requirements.* — To provide the necessary basis for the implementation of the land reform program formulated under this Code, the Land Authority is hereby authorized to undertake a land capability survey and classification in cooperation with the relevant agencies that will be directly benefited by such survey and classification. The survey shall be made to conform to the requirements of the Department of Agriculture and Natural Resources for implementation of Agricultural programs and forestry inventory, of the

Board of Technical Surveys and Maps, and of the National Economic Council and other agencies for agricultural planning and other purposes.

SECTION 133. *Cadastral Survey.* — To resolve the rights of landholders holding unregistered property, the Bureau of Lands is directed to undertake an expanded cadastral survey and land registration program commencing within three months from the passage of this Code.

SECTION 134. *Costs of Fees and Charges.* — Notwithstanding any provisions of law to the contrary, the following rules shall apply with respect to the costs, fees and charges in the survey, monumenting, and registration of lands of whatever description and nature had in relation to cadastral proceedings undertaken by the National Government, either alone through its offices, agencies and instrumentalities, or in conjunction with provincial and municipal governments.

SECTION 135. *Apportionment of Cost of Survey.* — One-half of the cost of survey and monumenting and registration proceedings shall be fully assessed and collected against each and all of the lots included in cadastral proceedings and shall be apportioned in accordance with the area thereof, but in no case shall less than ten pesos be charged against each lot, the other half being chargeable to the National Government. The amounts taxed against each of the lots or parcels of land shall be considered as a special assessment of taxes against the respective parcels, shall constitute a first lien upon the land and shall be collected by the Director of Lands or his duly authorized representatives in equal installments within a period of three years, bearing interest at the rate of six *per centum per annum*. The first installment shall become due and payable at the same time as the general land taxes for the year next succeeding the year in which the assessment of the cost shall be received by the Provincial Treasurer, and shall be collected in the same manner as such general taxes. Each succeeding installment shall become due and payable at the same time as the general land taxes for the corresponding current year and shall be collected in the same manner. The Director of Lands shall for this purpose send to the officer in charge of such collection a copy of said assessment of costs: *Provided, however,* That the amounts representing the proportional shares of the costs taxed against lots surveyed at the request and expense of their owner and for which a plan other than the cadastral plan has been made by a duly authorized surveyor prior to the decision in the cadastral proceeding, or which have been registered in accordance with the provisions of Act Numbered Four hundred ninety-six, entitled "The Land Registration Act", or surveyed, patented, or leased under the Public Land and Mining Laws, prior to the decision in the cadastral proceeding, or have been declared to the public lands by the Court, shall not constitute a lien against said lot nor shall be collected from the owner thereof: *Provided, further,* That the owner of any lot may, if he so desires, pay any installment of the costs taxed against his lot at any time before the same becomes due.

SECTION 136. *Payment of Costs of Land in Its Entirety in Case of Transfer of Land.* — In case of the sale, transfer, or conveyance, for a pecuniary consideration, of any property, or part thereof, registered by virtue of a decree issued in a cadastral proceeding, prior to the payment of the total amount of the costs taxed against such property in accordance with the preceding Section endorsed as an encumbrance or lien upon each cadastral certificate of title, the vendor or his legal representative shall pay such costs in their entirety in case the order apportioning the costs has already been issued in the cadastral proceeding in which the property being sold, transferred, or conveyed is included, and the register of deeds concerned shall demand of the vendor, before registering the deed for such sale, transfer, or conveyance of said property, that he exhibit a receipt signed by the Director of Lands or his duly authorized representative showing that such encumbrance or lien has been paid.

SECTION 137. *Costs of Registration Proceedings.* — The costs of the registration proceedings under the provisions of this Code shall consist of a sum equivalent to ten *per centum* of the costs of the survey and monumenting of the land. The amount of the costs of the proceeding so taxed shall be for all services rendered by the Land Registration Commission and the clerk or his deputies in each cadastral proceeding, and the expense of publication, mailing, and posting notice, as well as the notices of the decision and the order apportioning the cost shall be borne by the Land Registration Commission.

SECTION 138. *Laws Covering Survey and Registration of Land in Forces.* — Unless otherwise provided in this Chapter, all provisions of law covering the survey and registration of land shall remain in full force and effect.

SECTION 139. *Revolving Fund.* — All amounts collected by the Bureau of Lands or its duly authorized representatives from the owners of the various lots as costs of proceedings, survey, and monumenting in relation to the cadastral survey program herein described shall be paid into a Special Cadastral Program Revolving Fund to finance the cadastral land survey and registration of other unregistered lands.

SECTION 140. *Appropriation.* — To finance and support the expanded cadastral land survey and registration program set forth herein, the amount of one hundred million pesos is hereby appropriated out of funds in the National Treasury not otherwise appropriated, which amount shall be paid into a "Special Cadastral Program Revolving Fund", to finance the cadastral land survey and registration of other unregistered areas.

CHAPTER IX

COURTS OF AGRARIAN RELATIONS

SECTION 141. *Creation.* — Courts of Agrarian Relations are hereby organized and established throughout the Philippines in conformity with the provisions of this Chapter.

SECTION 142. *Regional Districts.* — Regional districts for the Courts of Agrarian Relations in the Philippines are constituted as follows:

The first Regional District shall consist of the provinces of Cagayan, Batanes, Isabela and Nueva Vizcaya, with seat in Tuguegarao, Cagayan for Branch I and in Ilagan, Isabela for Branch II;

The second Regional District, of the provinces of Ilocos Norte, Ilocos Sur, Abra, Mountain Province, La Union and the City of Baguio, with seat in Laoag, Ilocos Norte for Branch I and in San Fernando, La Union for Branch II;

The third Regional District of the provinces of Pangasinan and Zambales, and the City of Dagupan, with seat in Lingayen, Pangasinan for Branch I, in Tayug, Pangasinan for Branch II and in Iba, Zambales for Branch III;

The fourth Regional District, of the provinces of Nueva Ecija and Tarlac, and Cabanatuan City, with seat in Cabanatuan City for Branch I, in Guimba, Nueva Ecija for Branch II, in Tarlac, Tarlac for Branch III and in Moncada, Tarlac for Branch IV;

The fifth Regional District, of the provinces of Pampanga, Bataan and Bulacan, with seat in Malolos, Bulacan for Branch I, in San Fernando, Pampanga for Branch II, in Angeles, Pampanga for Branch III and in Balanga, Bataan for Branch IV;

The sixth Regional District, of the City of Manila, Quezon City, Pasay City, the province of Rizal, the City of Cavite, the province of Cavite, the City of Tagaytay, Trece Martires

City, and the province of Palawan, with seat in Manila for Branch I (Executive Judge), in Cavite City for Branch II and in Pasig, Rizal for Branch III; The seventh Regional District, of the province of Laguna, the City of San Pablo, the province of Batangas, the City of Lipa, and the provinces of Oriental Mindoro and Occidental Mindoro, with seat in Los Baños, Laguna for Branch I, in Batangas, Batangas for Branch II and in Mamburao, Mindoro Occidental for Branch III;

The eight Regional District, of the province of Quezon, the subprovince of Aurora, the City of Lucena, and the province of Camarines Norte, with seat in the City of Lucena for Branch I and in Daet, Camarines Norte for Branch II;

The ninth Regional District, of the province of Camarines Sur, Naga City, Legaspi City and the provinces of Albay, Catanduanes, Sorsogon and Masbate, with seat in Naga City for Branch I, in Legaspi City for Branch II and in Sorsogon, Sorsogon for Branch III;

The tenth Regional District, of the province of Capiz, Roxas City, the provinces of Aklan, Romblon, Marinduque and Iloilo, the City of Iloilo, and the province of Antique, with seat in the City of Iloilo for Branch I and in Roxas City for Branch II;

The eleventh Regional District, of the province of Occidental Negros, the Cities of Bacolod and Silay, the province of Oriental Negros, Dumaguete City, and the subprovince of Siquijor, with seat in Bacolod City for Branch I, in

Dumaguete City for Branch II and in San Carlos City for Branch III;

The twelfth Regional District, of the province of Samar, the City of Calbayog, the province of Leyte, and the Cities of Ormoc and Tacloban, with seat in Catbalogan, Samar for Branch I and in Ormoc City for Branch II;

The thirteenth Regional District, of the province of Cebu, the City of Cebu, and the province of Bohol, with seat in the City of Cebu for Branch I and in Tagbilaran, Bohol for Branch II;

The fourteenth Regional District, of the provinces of Surigao and Agusan, Butuan City, the province of Oriental Misamis, Cagayan de Oro City, the provinces of Bukidnon, Lanao del Sur and Lanao del Norte, and the Cities of Iligan and Marawi, with seat in Cagayan de Oro City for Branch I and in Iligan City for Branch II;

The fifteenth Regional District, of the province of Davao the City of Davao, the provinces of Cotabato and Occidental Misamis, Ozamiz City, the provinces of Zamboanga del Norte and Zamboanga del Sur, Zamboanga City, Basilan City and the province of Sulu, with seat in the City of Davao for Branch I, Cotabato City for Branch II and Ozamiz City for Branch III.

SECTION 143. *Judges of Agrarian Relations.* — The judicial function of the Courts of Agrarian Relations shall be vested in an Executive Judge and the Regional District Judges, who shall be appointed from time to time, depending on the need for their services, by the President of the Philippines with the consent of the Commission on Appointments: *Provided, however,* That the Executive Judge and the eight Associate Judges, at the time of the approval of this Code, of the Court of Agrarian Relations established and organized under Republic Act Numbered Twelve hundred and sixty-seven, shall continue as Agrarian Judges without need of new

appointments by the President of the Philippines and new confirmation of the Commission on Appointments: *Provided, further*, That upon the approval of this Code, the said Executive Judge shall continue as such with authority to exercise the usual administrative functions over the Court of Agrarian Relations not incompatible with the provisions of this Chapter and shall have his office in Manila without prejudice to his holding court in any district where the requirements of the service so warrant, and the eight Associate Judges shall be assigned as Regional District Judges by the Executive Judge to any of the regional districts as constituted in the preceding Section.

SECTION 144. *Qualifications of Judges; Tenure of Office; Compensation.* — No person shall be appointed as Executive Judge or Regional District Judge unless he has been a citizen of the Philippines for ten years and has practiced law in the Philippines for a period of not less than ten years or has held during a like period, within the Philippines, an office requiring admission to the practice of law in the Philippines as an indispensable requisite.

Regional District Judges shall be appointed to serve during good behavior, until they reach the age of seventy years or become incapacitated to discharge the duties of their office, unless sooner removed in accordance with law.

The judges may be suspended or removed in the same manner and upon the same grounds as judges of the Court of First Instance:

The Executive Judge shall receive an annual compensation which shall be equal to that allowed or may hereafter be allowed for judges of the Court of First Instance and the Regional District Judges shall receive an annual compensation of one thousand pesos less than that of the Executive Judge.

SECTION 145. *Leave Privileges; Traveling Expenses.* — Judges of the Courts of Agrarian Relations shall be entitled to same retirement and leave privileges now granted or may hereafter be granted to judges of the court of First Instance. They shall be entitled to traveling expenses when performing their duties outside official stations.

SECTION 146. *Vacation of Courts of Agrarian Relations.* — The yearly vacation of Courts of Agrarian Relations shall begin with the first of April and close with the first of June each year.

SECTION 147. *Assignment of Judges to Vacation Duty.* — During the month of January of each year the Executive Judge shall issue an order naming the judges who are to remain on duty during the court vacation of that year; and,

consistently with the requirements of the judicial service, the assignment shall be so made that no judge shall be assigned to vacation duty, unless upon his own request, with greater frequency than once in two years.

Such order shall specify, in the case of each judge assigned to vacation duty, the territory over which in addition to his own district his authority as vacation judge shall extend.

The Executive Judge may from time to time modify his order assigning the judges to vacation duty as newly arising conditions or emergencies may require.

A judge assigned to vacation duty shall not ordinarily be required to hold court during such vacation; but the Executive Judge may, when in his judgment the emergency shall require, direct any judge assigned to vacation duty to hold during the vacation a special term of court in any district.

SECTION 148. *Judges of Regional Districts.* — Four judges shall be commissioned for each of the fourth and fifth Regional Districts; three judges shall be commissioned for each of the third, sixth, seventh, ninth, eleventh and fifteenth Regional Districts; and two judges for each of the other Regional Districts.

SECTION 149. *Oath of Office.* — Before entering upon the discharge of the duties of their office, the judges shall take and subscribe to an oath of office in accordance with the provisions of Section twenty-three of the Revised Administrative Code.

SECTION 150. *Division of Business Between Branches.* — All business appertaining to the Courts of Agrarian Relations of each Regional District shall be equitably distributed among the judges of the branches in such manner as shall be agreed upon by the judges themselves. Should the judges fail to agree on the distribution of business, then the Executive Judge shall make the distribution.

SECTION 151. *Judges' Certification as to Work Completed.* — The judges of the Courts of Agrarian Relations shall certify at the end of each month that all petitions and motions in all cases pending decision or resolution for a period of thirty days from submission by the parties have been determined and decided before the date of the making of the certificate. No leave shall be granted and no salary shall be paid without such certificate.

SECTION 152. *Official Station of Regional District Judges.* — Within thirty days after the approval of this Code, the Executive Judge shall issue an order designating the official station of the judges of the branches of each of the Regional Districts.

SECTION 153. *Time and Place of Holding Court.* — Sessions of the Court shall be convened on all working days when there are cases ready for trial or other court business to be dispatched. The hours for the daily session of the Court shall be from nine to twelve in the morning, and from three to five in the afternoon, except on

Saturdays, when a morning session only shall be required: but the judge may extend the hours of session whenever in his judgment it is proper to do so. The judge, in his discretion, may order that but one session per day shall be held instead of two, at such hours as he may deem expedient for the convenience both of the Court and of the public; but the number of hours that the Court shall be in session per day shall be not less than five.

Sessions of the Court shall be held at the places of the official station of the respective judges: *Provided, however,* That whenever necessary in the interest of speedy and inexpensive justice and litigation, a judge shall hold court in the municipality where the subject matter of the dispute is located, utilizing the sala of the local justice of the peace court for this purpose.

A brief monthly report which shall be submitted within the first five days of the succeeding month showing the number and nature of the cases tried in his sala, the place of hearing in each case, the progress of the litigation with corresponding dates and the disposition made thereon shall be rendered by every judge under his signature and copies thereof shall be furnished the Executive Judge, who shall compile and report in an appropriate form the decisions promulgated in important cases. A judge who fails or neglects to make his report shall, upon first offense, be liable to warning by the Executive Judge, and upon repeated failure or neglect may be suspended or removed from office.

SECTION 154. *Jurisdiction of the Court.* — The Court shall have original and exclusive jurisdiction over:

- (1) All cases or actions involving matters, controversies, disputes, or money claims arising from agrarian relations: *Provided, however,* That all cases still pending in the Court of Agrarian Relations, established under Republic Act Numbered Twelve hundred and sixty-seven, at the time of the effectivity of this Code, shall be transferred to and continued in the respective Courts of Agrarian Relations within whose district the sites of the cases are located;
- (2) All cases or actions involving violations of Chapters I and II of this Code and Republic Act Number Eight hundred and nine; and
- (3) Expropriations to be instituted by the Land Authority: *Provided, however,* That expropriation proceedings instituted by the Land Tenure Administration pending in the Court of First Instance at the time of the effectivity of this Code shall be transferred to and continued in the respective Courts of Agrarian Relations within whose district the subject matter or property is located.

SECTION 155. *Powers of the Court; Rules and Procedures.* — The Courts of Agrarian Relations shall have all the powers and prerogatives inherent in or belonging to the Court of First Instance.

The Courts of Agrarian Relations shall be governed by the Rules of Court: *Provided*, That in the hearing, investigation and determination of any question or controversy pending before them, the Courts without impairing substantial rights, shall not be bound strictly by the technical rules of evidence and procedure, except in expropriation cases.

SECTION 156. *Appeals.* — Appeals from an order or decision of the Courts of Agrarian Relations may be taken to the Court of Appeals on questions of fact and of fact and law or to the Supreme Court on pure questions of law, as the case may be, in accordance with rules governing appeals from the Court of First Instance as provided in the Rules of Court.

SECTION 157. *Detail of Judges to Another District.* — Whenever any judge in any of the Court shall certify to the Executive Judge that the condition of the docket in his Court is such as to require the assistance of an additional judge, or when there is any vacancy in any Court, the Executive Judge may, in the interest of justice, with the approval of the Supreme Court, assign any judge of the Court of Agrarian Relations whose docket permits his temporary absence from said Court, to hold session in the Court needing such assistance or where such vacancy exists.

Whenever a judge appointed or assigned in any branch of the Court shall leave his district by transfer or assignment to another Court of equal jurisdiction without having decided a case totally heard by him and which was duly argued or opportunity given for argument to the parties of their counsel, it shall be lawful for him to prepare and sign his decision in said case anywhere within the Philippines and send the same by registered mail to the clerk of court to be filed in the Court as of the date when the same was received by the clerk, in the same manner as if the judge had been present in the Court to direct the filing of the judgment: *Provided, however*, That if a case has been heard only in part, the Supreme Court, upon petition of any of the interested parties to the case and the recommendation of the respective district judge, may also authorize the judge who has partly heard the case to continue hearing and to decide said case notwithstanding his transfer or appointment to another court of equal jurisdiction.

SECTION 158. *Personnel of the Courts of Agrarian Relations.* — (1) *Court Commissioners; Qualifications and Compensation.* — There shall be twenty-four Court Commissioners who shall receive an annual compensation of nine thousand pesos each and shall be appointed by the President with the consent of the Commission on Appointments. A Court Commissioner shall be a member of the Philippine Bar and must have been engaged in the practice of law for five years or must have held a position in the government requiring the qualifications of a lawyer for the same period. A Court Commissioner may be assigned by the Executive Judge

to assist in the hearing and investigation of cases. Subject to the latter's direction and supervision, he may hear evidence for the Court on any disputed point or issue in any given case or cases and shall after said hearing submit a report of all the cases heard by him together with the records thereof within the period prescribed by the Court. During the hearing he may rule upon questions of pleading and procedure but not on the merits of the case.

(2) *Clerks of Court; Qualifications, Duties, Compensation and Bond.* — There shall be as many Clerks of Court as there are judges, who shall be appointed by the President of the Philippines with the consent of the Commission on Appointments. Deputy Clerks of Court and such other employees as may be required shall be appointed by the Executive Judge, subject to Civil Service law, rules and regulations.

No person shall be eligible for appointment as Clerk of Court unless he is duly authorized to practice law in the Philippines.

Before entering upon the discharge of the duties of his office, he shall file a bond in the amount of ten thousand pesos in the same manner and form as required of the Clerk of the Supreme Court, such bond to be approved by, and filed with, the Treasurer of the Philippines and shall be subject to inspection by interested parties. The Clerk of Court shall require his deputy to give an adequate bond as security against loss by reason of his wrong-doing or gross negligence.

The Clerks of Court shall each receive an annual compensation of seven thousand two hundred pesos. They shall exercise the same powers and perform the same duties on all matters within the jurisdiction of the Courts as those exercised by the Clerks of Court of the Courts of First Instance.

Clerks of Courts and other subordinate employees of the Courts of Agrarian Relations shall, for administrative purposes, belong to the Department of Justice; but in the performance of their duties, they shall be subject to the supervision of the judges of the Court to which they respectively pertain.

The Commissioners, otherwise known as Hearing Officers of the Court of Agrarian Relations, as well as the Clerks of Court at the time of the approval of this Code, shall continue as such without the need of new appointment by the President of the Philippines and new confirmation by the Commission on Appointments.

SECTION 159. *Appropriation.* — There is hereby appropriated the sum of three million five hundred thousand pesos, or so much thereof as may be necessary, out of the unappropriated funds in the Philippine Treasury for expenses for courtrooms and court offices, including equipment for the Courts and their personnel, for salaries, and for other necessary expenses that may be incurred in carrying out the provisions of this Chapter. The amount appropriated shall be carried in succeeding appropriations for the Courts of Agrarian Relations.

CHAPTER X

OFFICE OF AGRARIAN COUNSEL

SECTION 160. *Creation of Office of Agrarian Counsel.* — To strengthen the legal assistance to agricultural lessees and agricultural owner-cultivators referred to in this Code, the Tenancy Mediation Commission is hereby expanded and shall hereafter be known as the Office of the Agrarian Counsel. The head of the Office shall hereafter be known as Agrarian Counsel and shall have the rank, qualifications and salary of First Assistant Solicitor General. He shall be assisted by a Deputy Agrarian Counsel, who shall have the rank, qualifications and salary of Assistant Solicitor General. The Agrarian Counsel and Deputy Agrarian Counsel shall be appointed by the President with the consent of the Commission on Appointments of Congress and shall be under the direct supervision of the Secretary of Justice.

SECTION 161. *Special Attorneys.* — There is hereby created in the Office of the Agrarian Counsel eighty additional positions of Special Attorneys, who shall be appointed by the President upon recommendation of the Secretary of Justice and with the consent of the Commission on Appointments. They shall have the rank, qualifications and salary provided by law for a solicitor in the Office of the Solicitor General with the lowest rank.

SECTION 162. *Appointment of Subordinate Officials.* — The Agrarian Counsel shall appoint the subordinate officials and employees of the Office of Agrarian Counsel, subject to civil service rules and regulations, fix their compensation and prescribe their duties. The compensation of special attorneys transferred to the Office of Agrarian Counsel shall be fixed on salary scales corresponding to solicitors of the Office of the Solicitor General: *Provided*, That in the fixing of their salary seniority in rank shall be taken into account.

The Agrarian Counsel shall have the power to organize such divisions and sections as will insure maximum efficiency of the Office.

SECTION 163. *Functions of the Office of Agrarian Counsel.* — It shall be the responsibility of the Office of the Agrarian counsel, upon proper notification by the party concerned or by the association or organization to which belongs, to represent agricultural lessees, agricultural farm workers and agricultural owner-cultivators referred to in this Code who cannot engage the services of competent private counsel in cases before the Court of Agrarian Relations.

SECTION 164. *Authority to Administer Oath.* — The Agrarian Counsel, the Deputy Agrarian Counsel and the Special Attorneys of the Office of Agrarian Counsel are hereby authorized to administer oaths free of charge.

SECTION 165. *Appropriations.* — There is hereby appropriated, in addition to the appropriation of the Tenancy Mediation Commission for Fiscal Year 1964, the sum of three million pesos, or so much thereof as may be necessary, out of the unappropriated funds in the National Treasury, for salaries, wages, purchase of motor vehicles, supplies, equipment, and other sundry expenses. The amount

appropriated herein shall be carried in the appropriations for the Office of the Agrarian Counsel in the General Appropriations Acts for succeeding fiscal years.

CHAPTER XI

GENERAL PROVISIONS

SECTION 166. *Definition of Terms.* — As used in Chapter I of this Code:

- (1) "Agricultural Land" means land devoted to any growth, including but not limited to crop lands, salt beds, fish ponds, idle land and abandoned land as defined in paragraphs 18 and 19 of this Section, respectively.
- (2) "Agricultural lessee" means a person who, by himself and with the aid available from within his immediate farm household, cultivates the land belonging to, or possessed by, another with the latter's consent for purposes of production, for a price certain in money or in produce or both. It is distinguished from civil lessee as understood in the Civil Code of the Philippines.
- (3) "Agricultural lessor" means a person, natural or juridical, who, either as owner, civil law lessee, usufructuary, or legal possessor, lets or grants to another the cultivation and use of his land for a price certain.
- (4) "Agricultural year" means the period of time required for raising a particular agricultural product, including the preparation of the land, sowing, planting and harvesting of crops and, whenever applicable, threshing of said crops: *Provided, however,* That in case of crops yielding more than one harvest from planting, "agricultural year" shall be the period from the preparation of the land to the first harvest and thereafter from harvest to harvest. In both cases, the period may be shorter or longer than a calendar year.
- (5) "Court" means the Court of Agrarian Relations.
- (6) "Fair rental value" means the value not in excess of allowable depreciation plus six per cent interest *per annum* on the investment computed at its market value: *Provided,* That the fair rental value for work animal or animals and farm implements used to produce the crop shall not exceed five per cent of the gross harvest for the work animal or animals and five per cent for implements.
- (7) "Farm implements" means hand tools or machines ordinarily employed in a farm enterprise.
- (8) "Immediate farm household" means the members of the family of the lessee or lessor and other persons who are dependent upon him for support and who usually help him in his activities.

(9) "Incapacity" means any cause or circumstance which prevents the lessee from fulfilling his contractual and other obligations under this Code.

(10) "Inspect" means to enter, examine and observe. Under no circumstance, however, shall such entrance, examination and observation be utilized to commit any act of intimidation or coercion nor shall it be utilized to impair the civil rights of the individuals affected.

(11) "Proven farm practices" means sound farming practices generally accepted through usage or officially recommended by the Agricultural Productivity Commission for a particular type of farm.

(12) "Work animals" means animals ordinarily employed in a farm enterprise, such as carabaos, horses, bullocks, etc.

(13) "Personal cultivation" means cultivation by the lessee or lessor in person and/or with the aid of labor from within his immediate household.

As used in Chapter II:

(14) "Farm employer" includes any person acting directly or indirectly in the interest of a farm employer whether for profit or not, as well as a labor contractor, but shall not include any labor organization (otherwise than when acting as a farm employer) or anyone acting in the capacity of an officer or agent of such labor organization.

(15) "Farm worker" includes any agricultural wage, salary or piece but is not limited to a farm worker of a particular farm employer unless this Code explicitly states otherwise and any individual whose work has ceased as a consequence of, or in connection with, a current agrarian dispute or an unfair labor practice and who has not obtained a substantially equivalent and regular employment.

Whenever the term "farm worker" is used in this Code, it shall be understood to include farm laborer and/or farm employee.

(16) "Farm workers' organization" includes any union or association of farm workers which exists, in whole or in part, for the purpose of collective bargaining or dealing with farm employers concerning terms and conditions of employment.

(17) "Agrarian dispute" means any controversy relating to terms, tenure or conditions of employment, or concerning an association or representation of persons in negotiating, fixing, maintaining, changing, or seeking to arrange terms or

conditions of employment, regardless of whether the disputants stand in the proximate relation of farm employers and employees.

As used in Chapter III of this Code:

(18) "Idle lands" means land not devoted directly to any crop or to any definite economic purpose for at least one year prior to the notice of expropriation except for reasons other than *force majeure* or any other fortuitous event but used to be devoted or is suitable to such crop or is contiguous to land devoted directly to any crop and does not include land devoted permanently or regularly to other essential and more productive purpose.

(19) "Abandoned lands" means lands devoted to any crop at least one year prior to the notice of expropriation, but which was not utilized by the owner for his benefit for the past five years prior to such notice of expropriation.

(20) "Economic family-sized farm units" means an area of farm land that permits efficient use of labor and capital resources of the farm family and will produce an income sufficient to provide a modest standard of living to meet a farm family's needs for food, clothing, shelter, and education with possible allowance for payment of yearly installments on the land, and reasonable reserves to absorb yearly fluctuations in income.

(21) "Suitably for economic family-size farm" refers to situations where a parcel of land whose characteristics, such as climate, soil, topography, availability of water and location, will support a farm family if operated in economic family-size farm units and does not include those where large-scale operations will result in greater production and more efficient use of land.

(22) "Agricultural owner-cultivator" means any person who, providing capital and management, personally cultivates his own land with the aid of his immediate family and household.

(23) "Owner-manager" means the owner of a parcel of land devoted to agricultural production who provides the capital and management in the farm enterprise.

(24) "Labor administration" means cases where farm workers are employed wholly in the agricultural production.

(25) "Share tenancy" as used in this Code means the relationship which exists whenever two persons agree on a joint undertaking for agricultural production wherein one party furnishes the land and the other his labor, with either or both contributing any one or several of the items of production, the tenant cultivating the

land personally with the aid of labor available from members of his immediate farm household, and the produce thereof to be divided between the landholder and the tenant.

(26) "Tax free" in reference to bonds and shares of stock issued by the Land Bank as payment for acquired private agricultural land shall mean all government taxes, except gift tax and inheritance tax.

SECTION 167. *Penal Provisions.* — (1) Violation of the provisions of Section thirteen and twenty-seven and paragraph 1 of Section thirty-one of this Code shall be punished by a fine not exceeding one thousand pesos or imprisonment not exceeding one year or both in the discretion of the court. In case of juridical persons, the manager or the person who has charge of the management or administration of the property or, in his default, the person acting in his stead, shall be liable under this Section.

(2) Any person, natural or juridical, who induces another, as tenant, to execute or enter into a share tenancy contract with himself or with another in violation of this Code shall be punished by a fine not exceeding five thousand pesos with subsidiary imprisonment in accordance with the Revised Penal Code: *Provided*, That the execution of a share tenancy contract shall be considered *prima facie* evidence of such inducement as to the owner, civil law lessee, usufructuary or legal possessor. In case of juridical persons, the manager or the person who has charge of the management or administration of the property or, in his default, the person acting in his stead, shall be liable under this Section.

(3) Any person who executes an affidavit as required by Section thirteen of Chapter I, knowing the contents thereof to be false, shall be punished by a fine not exceeding one thousand pesos or imprisonment of not more than one year, or both, in the discretion of the court.

(4) Any person who wilfully violates the provisions of Sections forty and forty-one of this Code shall be punished by a fine of not less than one hundred pesos nor more than one thousand pesos or by imprisonment of not less than one month nor more than one year, or both such fine and imprisonment, in the discretion of the court. If any violation of Sections forty and forty-one of this Code is committed by a corporation, partnership or association, the manager or, in his default, the person acting as such when the violation took place shall be criminally responsible.

(5) Any person who wilfully violates the provisions of Section forty-two of this Code shall, upon conviction thereof, be subject to a fine of not more than two thousand pesos, or upon second conviction, to imprisonment of not more than one year or both such fine and imprisonment, in the discretion of the court. If any violation of the provisions of Section forty-two of this Code is committed by a

corporation, partnership or association, the manager or, in his default, the person acting as such when the violation took place shall be criminally responsible.

SECTION 168. *Pending Application for Mechanization.* — Any provision of this Code to the contrary notwithstanding, any application for mechanization where corresponding certifications for suitability for mechanization and for availability for resettlement by the Agricultural Tenancy Commission and the National Resettlement and Rehabilitation Administration, respectively, have been issued and proper notices served on the tenants at least two months prior to the approval of this Code shall be given due course and decided in accordance with the pertinent provisions and requirements of Republic Act Numbered Eleven hundred and ninety-nine, as amended.

SECTION 169. *Personnel of Reorganized or Abolished Agencies.* — Permanent officials and employees of all existing government agencies which are abolished or reorganized under this Code, subject to Civil Service Rules and regulations, shall be absorbed and shall not be divested of their positions except presidential appointees: *Provided*, That those presidential appointees who cannot be absorbed and such officials and employees who prefer to be laid-off shall be given gratuity equivalent to one month salary for every year of service but in no case more than twenty-four month's salary, in addition to all benefits to which they are entitled under existing laws and regulations.

To carry out the provisions of this Section, there is hereby appropriated the sum of five hundred thousand pesos out of the unappropriated funds in the National Treasury.

SECTION 170. *Budgeting and Disbursing of Appropriated Funds.* — Any provision of this Code or of any existing law to the contrary notwithstanding, not more than sixty *per centum* of the specific appropriations provided in this Code for operating expenditures shall be used for personnel services: *Provided*, That in the case of the appropriations for the Agricultural Productivity Commission not more than twenty *per centum* shall be spent for office personnel and other administrative expenses thereof: *Provided, further*, That the total operating expenditures of the Agricultural Credit Administration shall not exceed three *per centum* of its total capitalization in addition to the allowance for losses under Section one hundred ten: *Provided, furthermore*, That all unexpended balances of all appropriations provided in this Code for operating expenditures shall revert to the National Treasury at the end of the fiscal year in conformity with the provisions of Section twenty-three of Republic Act Numbered Nine hundred ninety-two: *And provided, finally*, That all the financial requirements of the various agencies established in this Code for their operation except the Land Bank and the Agricultural Credit Administration shall be proposed in the President's budget in order that such appropriation as may be necessary therefor may be provided in the General Appropriation Acts for the succeeding fiscal years.

SECTION 171. *Separability of Provisions.* — If, for any reason, any section or provision of this Code shall be questioned in any court, and shall be held to be unconstitutional or invalid, no other section or provision of this Code shall be affected thereby.

SECTION 172. *Prior Inconsistent Laws.* — All laws or parts of any law inconsistent with the provisions of this Code are hereby repealed.

SECTION 173. *Effective Date.* — This Code shall take effect upon its approval.

Approved: August 8, 1963