



Republic of the Philippines
DEPARTMENT of AGRARIAN REFORM

ADMINISTRATIVE ORDER NO. 09
Series of 1991

Subject: RULES AND PROCEDURES ON LEASEHOLD OPERATIONS IN
TENANTED COCONUT LANDS

I. PRELIMINARY STATEMENT

Under Section 12 of RA 6657, the DAR is mandated to determine and fix immediately the lease rentals in tenanted lands under the retention limit and lands not yet acquired under RA 6657. Pursuant to said provision, DAR Administrative Order No. 4, series of 1989 was issued providing the guidelines for the establishment of leasehold and the determination of lease rentals for tenanted lands.

However, experience has shown that tenurial and working relationships in coconut lands have peculiar characteristics. Thus, the following guidelines are hereby promulgated as a supplement to Administrative Order No. 4 series of 1989 insofar as leasehold in coconut lands are concerned.

II. COVERAGE

These rules shall apply to all tenanted coconut lands including, but not limited to, the areas retained by the landowner and those not yet acquired for distribution pursuant to RA 6657.

III. GOVERNING PRINCIPLES

A. A tenancy relationship is essential in the establishment of agricultural leasehold. Such relationship exists when the following requisites are present:

1. The parties are the landowner and the tenant;
2. There is consent by the landowner for the tenant to work on the land --- either orally or in writing, expressly or impliedly;
3. The subject land is agricultural in nature;
4. The purpose is agricultural production;
5. There is personal cultivation on the part of the tenant; and
6. There is sharing of harvests or there is a consideration for the lease of the land in an amount certain in money or in produce, or both.

- B. Cultivation is not limited to the plowing and harrowing of the land, but also the husbanding of the ground to forward the products of the earth by general industry; the taking care of the land and fruits growing thereon; fencing of certain areas; and the clearing thereof by gathering dried leaves and cutting of grasses. In coconut lands, cultivation shall include the periodic cleaning of the coconut plantation to improve its production.
- C. The change of crop or the shift to other agricultural purposes and/or the indiscriminate cutting of coconut trees shall not affect the security of tenure of the tenant-lessee.
- D. The lease rental of the land shall be paid in an amount certain in money or in produce, or both, as may be agreed upon by the parties. Before the parties agree on the mode of lease rental, the DAR may encourage payment in kind to cushion the effect of fluctuating prices, especially in coconuts and/or copra.
- E. In general, the average normal harvest during the three agricultural years immediately before the date the leasehold relationship was established, or 15 June 1988 shall be used in computing for the lease rental. However, the contracting parties may opt and agree to compute the average normal harvest of one whole year immediately before the date the leasehold relationship was established, or 15 June 1988. (Refer to Annex 1 for the sample computation.)

An agricultural year shall be understood to mean the period of time from the preparation of the land to the first harvest and thereafter, from harvest to harvest.

- F. If at the time of the fixing of lease rentals the coconut land is still suffering from crop failure due to the effects of fortuitous events or force majeure to the extent of 75% as certified by the Department of Agriculture, said lease rental shall not be more than the equivalent of 25% of the average gross harvest, computed on a yearly basis, after deducting the allowable deductible items. This yearly computation shall be used until such time that the trees have recovered and the average normal harvest can be established, in which case a readjustment of the rental shall be made on the basis of such average.
- G. The tenancy relationship in coconut lands, as in other agricultural lands, shall include the whole farm being worked by the tenant. As such, the lessor and the lessee may agree to maximize utilization of the areas or spaces between the coconut trees by planting intercrops therein. The lease rental for the intercrops shall be computed pursuant to Administrative Order No. 4, series

of 1989 and shall either form part of the existing leasehold agreement or embodied under a separate leasehold contract.

H. The application of the allowable deductible items in coconut shall depend on the final product. If the final product is copra, the deductible items are:

1. The cost of harvesting, which shall include picking and piling;
2. The cost of loading and hauling; and
3. The cost of processing, which shall include husking, splitting, scooping, and drying.

If the final product is green nuts, the deductible items above shall be used except for the cost of processing. If the final product is husked nuts, the costs in items H.1 and H.2 and the cost of husking shall be used.

I. In case there is large-scale replanting in the coconut area which may affect the normal coconut production in particular and the the leasehold arrangement in general, the existing leasehold contract shall be suspended upon the request of the leaseholder. A new lease rental may be computed proportionate to the decrease in production or to the extent of the effect of the replanting.

IV. PROCEDURES


The procedures provided for in Administrative Order No. 4-89 which are not inconsistent herewith shall apply to tenanted coconut lands.

V. EFFECTIVITY

This Administrative Order shall take effect ten (10) days after its publication in two (2) national newspapers of general circulation.

This Order supplements Administrative Order No. 4, Series of 1989.

Diliman, Quezon City, Sept. 2, 1991.


BENJAMIN T. LEONG
Secretary

ANNEX 1

SAMPLE COMPUTATION FOR LEASE RENTAL IN COCONUT: */

GIVEN:

Area	-	7 hectares
No. of trees/hectare	-	70 to 100 coco trees
No. of harvests/year	-	8 harvests
Frequency of harvest	-	Every 30 to 45 days
Age of coconut trees	-	20 to 50 years old
Buying price	-	P806 per 1,000 husked nuts

Cost of labor (final product is husked nut)

A. Harvesting		
Picking (pagkuhit/pag-akyat)	P90 per 1,000 nuts	
Piling (pag-iipon)	P35 per 1,000 nuts	
B. Hauling/Loading (paghakot/pagkarga)	P70 per 1,000 nuts	
C. Processing		
Husking (pagtatapas)	P60 per 1,000 nuts	

COMPUTATION:

1. Get the average normal harvest and gross income of the three agricultural years immediately before the date the leasehold relationship was established, or June 15, 1988.

May-June	(1st agri. year)	3,000 nuts
July-August	(2nd agri. year)	6,000 nuts
September-October	(3rd agri. year)	4,000 nuts
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Total		13,000 nuts
Average normal harvest (13,000/3)		4,333 nuts
Average gross income (4,333 nuts at P806 per 1,000 nuts)		P 3,492.40

2. Get the average deductible cost for the three agricultural years using the applicable deductible items.

1st agricultural year

Picking	(3,000 nuts at P90 per 1,000 nuts)	P 270.00
Piling	(3,000 nuts at P35 per 1,000 nuts)	105.00
Hauling	(3,000 nuts at P70 per 1,000 nuts)	210.00
Husking	(3,000 nuts at P60 per 1,000 nuts)	180.00
		=====
Total cost for the 1st agricultural year		765.00

2nd Agricultural Year

Picking	(6,000 nuts at P90 per 1,000 nuts)	P	540.00
Piling	(6,000 nuts at P35 per 1,000 nuts)		210.00
Hauling	(6,000 nuts at P70 per 1,000 nuts)		420.00
Husking	(6,000 nuts at P60 per 1,000 nuts)		360.00
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Total cost for the 2nd agricultural year			1,530.00

3rd Agricultural year

Picking	(4,000 nuts at P90 per 1,000 nuts)	P	360.00
Piling	(4,000 nuts at P35 per 1,000 nuts)		140.00
Hauling	(4,000 nuts at P70 per 1,000 nuts)		280.00
Husking	(4,000 nuts at P60 per 1,000 nuts)		240.00
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Total cost for the 3rd agricultural year			1,020.00

Average deductible cost

$$(P765 + P1,530 + P1,020)/3 \quad P \ 1,105.00$$

3. Compute for the net income.

$$\text{Net Income (Average gross income less average deductible costs or } P3,492.40 - P1,105.00) \quad P \ 2,387.40$$

4. Compute for the lease rental.

$$\text{Lease rental for the 7 hectares per harvest (25 per cent of } P2,387.40) \quad P \ 596.85$$

$$\text{Lease rental for one year (rental per harvest multiplied by the no. of harvest per year or } P596.85 \times 8 \text{ harvests)} \quad P4,774.80$$

*/ The data used were based on an actual interview with key coconut farmer-informants of Barangay Soledad, San Pablo City, Province of Laguna. It is important to underscore that the data obtained in this area is different from those of other coconut regions and provinces. For instance, in San Pablo City, most coconut final products are husked nuts and green nuts (buko). In some areas (e.g., Bicol region), the final product is copra, such that the cost of processing (e.g. splitting, scooping and drying) should be included in the computation of the deductible expenses.