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SUBJECT: RULES AND PROCEDURES GOVERNING  
AGRICULTURAL LEASEHOLD AND THE  
DETERMINATION OF LEASE RENTAL  
FOR TENANTED LANDS

I. PREFATORY STATEMENT

In order to protect and improve the tenurial and economic status of tenant-tillers in agricultural lands within the retained areas and areas not yet acquired pursuant to R.A. 6657, the DAR shall determine and fix immediately the lease rentals thereof in accordance with Section 34 of R.A. 3844, as amended.

The DAR shall likewise immediately and periodically review and adjust the rentals for all crops for all regions to progressively improve the condition of the farmer-lessees.

II. POLICY

Pursuant to Section 12 of R.A. 6657, the following are the policies on agricultural leasehold and lease rental determination.

- A. By operation of law, all share-crop tenants of agricultural lands covered by this Order are automatically converted into agricultural lessees as of June 15, 1988;
  - B. The lease rental to be paid by all agricultural lessees shall not be more than the equivalent of twenty-five percent (25%) of the average normal harvest during the three (3) agricultural years immediately preceding June 15, 1988, after deducting the amount used for seeds and the cost of harvesting, threshing, loading, hauling and processing, or whichever is applicable.
  - C. If the land has been cultivated for a period of less than three (3) agricultural years prior to June 15, 1988, the initial rental shall be based on the average normal harvest during the preceding agricultural years when the land was actually cultivated, or on the harvest of the first agricultural year in the case of newly cultivated lands, if that harvest is normal.
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After the lapse of the first three (3) normal or usual harvests, the final rental shall be based on the average normal harvest during these three (3) preceding agricultural years.

If there has been no normal harvest, the estimated normal harvest during the three (3) agricultural years immediately preceding shall be considered as the normal or usual harvest.

- D. The Municipal Agrarian Reform Officer (MARO) shall determine and fix the rental pursuant to Section 12 of R.A. 6657, based on production records available in the locality.
- E. If capital improvements are introduced on the farm by the lessor with the consent of the lessee and subsequently result in increased productivity, the rental shall be increased proportionately.

Capital improvement is understood to mean any permanent and tangible improvement on the land that will result in increased productivity.

- F. All leasehold agreements shall be in writing using the prescribed leasehold contract form duly notarized and registered with the Municipal Treasurer's Office.
- G. Existing leasehold contracts shall be respected provided that the agreed lease rentals do not exceed the maximum provided by law.

### III. COVERAGE

These Rules shall apply to all tenanted agricultural lands including but not limited to the following:

- A. Retained areas under R.A. 6657 and P.D. 27;
- B. Tenanted agricultural lands not yet acquired for distribution under CARP pursuant to R.A. 6657.
- C. All tenanted areas under Section 10 of R.A. 6657 which may be covered by this Order.

### IV. EFFECTIVITY OF LEASEHOLD

- A. Leasehold arrangements covered by this Order shall take effect on the first agricultural year

immediately following the leasehold relationship, as follows:

1. Tenanted rice and corn lands and lands planted to other perennial crops, as of November 10, 1971;
  2. Tenanted sugar lands, as of July 4, 1974, upon the termination of the Philippine International Commitment as embodied in the Laurel-Langley Agreement.
  3. Tenanted coconut and other lands planted to permanent crops, as of June 15, 1988, when R.A. 6657 took effect.
  4. Other tenanted agricultural lands, upon the establishment of a leasehold relationship through contract or court order.
- B. The agricultural leasehold relationship involving lands within the retained area shall be valid from the establishment of leasehold up to the time DAR shall acquire the retained land or up to the date the contract is terminated in accordance with law.

#### V. PROCEDURES

##### A. Identification Phase

The MARO shall identify all landholdings still under share tenancy as of the effectivity of R.A. 6657, the landowner thereof and the share tenants.

##### B. Determination and Fixing of Rental

The MARO and the Barangay Agrarian Reform Committee (BARC) concerned shall jointly conduct a mediation conference between the landowner and the tenant-tiller(s) for the purpose of fixing the lease rental. For this purpose, the following steps shall be followed:

1. Both parties shall be required to submit production data or any document as proof of the average normal harvest, including the deductible item(s) enumerated under the succeeding paragraphs, during the three (3) agricultural years immediately preceding the date the leasehold relationship was established, or June 15, 1988.



2. On the basis of the documents and/or evidence presented, the MARD and BARC shall proceed with the computation of the lease rental applying the formula prescribed under Section 34 of R.A. 3844, as amended, as follows:

- a) Get the normal or usual harvest for three (3) agricultural years immediately preceding the date when the leasehold relationship was established;
- b) From each normal or usual harvest, deduct the amount used for seeds and the cost of harvesting, threshing, loading, hauling and processing, or whichever is applicable;
- c) Determine the total normal net harvest for the three (3) to get the average normal net harvest;
- d) Divide the total normal net harvest by three (3) to get the average normal net harvest;
- e) Multiply the average normal harvest by 25%.

The resulting product shall be the fixed lease rental per agricultural year for that particular land unless the landowner and tenant has agreed to a lower lease rental.

C. Documentation Phase

1. The agreement between the parties as to the fixing of rental should be reduced in writing in the prescribed agricultural leasehold contract which shall be drawn up in five copies in the language or dialect known to the agricultural lessee and signed or thumbmarked by the parties or their duly authorized representatives before two witnesses.
2. Before the contracting parties affix their signatures on the contract, the MARD or BARC shall explain to the parties the terms and conditions in the aforesaid contract including the rights and obligations of both parties.
3. The contracting parties shall acknowledge the execution of the contract before the Municipal Trial Court Judge where the land is situated or before a DAR lawyer commissioned as a Notary Public. The MARD shall register the contract with the Municipal Treasurer.

B. In case of disagreement or non-approval of the parties involved in the determination of lease rental, the MARO shall determine the rental in the manner prescribed under Paragraph V.B.2 of this Order. The MARO shall comply with the following requirements:

1. The MARO shall prepare a corresponding leasehold documentation folder which shall contain the following:

a) Documents and/or evidence presented and/or gathered by the tenant-filler, landowner, MARO and other parties involved relative to tenure relationship as well as production data, deductible item(s) provided for by law, and other relevant information;

b) Minutes of conferences/meetings held for the purpose of establishing tenure relationship, determining and fixing rental, and resolving conflicts, if any;

c) Worksheet forms used in the computation of lease rentals;

d) Investigation Report, if any.

2. On the basis of the documentation folder, the MARO shall prepare the order of lease rental in five (5) copies using the prescribed form, and shall affix his initial below the space provided for the signature of the Provincial Agrarian Reform Officer (PARO).

3. The order of lease rental together with the documentation folder shall be forwarded to the PARO for consideration and approval. The MARO shall retain a duplicate set of the documentation folder.

4. The PARO, in considering the recommendation of the MARO, shall be guided by the provisions of Section 12 of R.A 6657, Section 34 of R.A. 3844 and other pertinent provisions of existing laws.

The PARO shall approve, disapprove or revise the lease rental recommended by the MARO and shall sign and issue the order of lease rental.

5. The PARO shall furnish a copy of the order of lease rental to all parties concerned, including the MARO and the DAR Regional

Director. The original copy shall be retained by the PARO for file.

VI. RESOLUTION OF PROTEST

Any party who disagrees with the Order fixing the rental may bring the matter to the DAR Adjudication Board (DARAB) within fifteen (15) days from receipt thereof otherwise the Order becomes final and executory.

VII. PERIODIC REVIEW

The Secretary may direct a periodic review and adjustment of the rental structure for all leaseholds regardless of crops, including rice and corn, in all regions.

VIII. EFFECTIVITY

This Administrative Order shall take effect ten (10) days after its publication in two (2) national newspapers of general circulation pursuant to Section 49 of R.A. 6657. All orders, circulars, rules and regulations inconsistent herewith are hereby revoked, amended, or modified as the case may be.

Quezon City, MARCH 2, 1989.

  
PHILIP ELLA JUICO  
Secretary