



MINISTRY MEMORANDUM CIRCULAR NO. 19-81
Series of 1981

Subject: ADDITIONAL POLICY GUIDELINES AND PROCEDURES ON LAND VALUATION AND LANDOWNERS COMPENSATION INVOLVING OPERATION LAND TRANSFER (OLT) COVERED LANDS.

In order to accelerate land valuation and land compensation involving tenanted rice and corn landholdings covered by Operation Land Transfer pursuant to Presidential Decree No. 27, the following additional guidelines and procedures are hereby prescribed for the guidance of all concerned:

I. COVERAGE

This shall apply to tenanted rice and corn landholdings with areas of:

- a) over seven (7) hectares;
- b) seven (7) hectares or less belonging to landowners who are not entitled to right of retention under LOI No. 474;
- c) rice and corn landholdings tenanted after October 21, 1972 and placed under OLT coverage pursuant to Department Memorandum Circular No. 2, series of 1978;
- d) tenanted rice and corn landholdings voluntarily offered for OLT coverage;
- e) homelots involved in Ministry Memorandum Circular No. 23, series of 1978, implementing LOI No. 705.

II. LAND VALUATION

A. Policy Statement

Presidential Decree No. 27 provides -

"For the purpose of determining the cost of the land to be transferred to the tenant-farmer pursuant to this Decree, the value of the land shall be

"Hindi na matatalikuran pa ang pagbabago ng ayos ng pananakahan. Higit kaysa pangarap na makita ang ating mga magsasaka na pag-aari ang lupang kanilang binubuhay."

- PANGULONG FERDINAND MARCOS

equivalent to two and one-half (2 1/2) times the average harvest of the three normal crop years immediately preceding the promulgation of this Decree."

B. Guidelines and Procedures in the Determination of Average Gross Production (AGP)

1. Basis of Valuation for Farmholdings

The basis of valuation of farmholding under Operation Land Transfer shall be the average gross production pursuant to P.D. No. 27.

To facilitate and systematize the determination of the Average Gross Production (AGP), OLT-covered farmholdings shall be classified into four (4) land categories, namely: (1) lowland rice irrigated or irrigated riceland; (2) lowland rice unirrigated or rainfed riceland; (3) upland rice; and (4) cornland.

2. Basis of Valuation for Homelots

The valuation of homelots covered by Operation Land Transfer shall be in accordance with LOI No. 705 as implemented by Ministry Memorandum Circular No. 23, series of 1978, which shall continue to be in full force and effect for this purpose.

3. Schemes of Establishing Average Gross Production (AGP)

3.1 Landowner-Tenant Production Agreement (LTPA) -

Agreement between landowners and tenant-farmers as to average gross production of farmholdings can be a basis for the determination of the value of the landowner's land, provided, the same is within the context of P.D. No. 27 and subject to the approval of the Minister of Agrarian Reform or his duly authorized representative, the Regional Director.

The Landowner-Tenant Production Agreement is considered valid if the following

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requirements are satisfactorily complied with:

- 3.1.1. Both landowner and tenant-farmers have mutually established the AGP pursuant to the provisions of P.D. No. 27;
- 3.1.2 There is no coercion, pressure and/or harassment applied to either of the parties in establishing the AGP; and
- 3.1.3 The AGP thus established is within normal production level in the barangay where the subject landholding is located during the three normal crop years immediately preceding October 21, 1972.

The Landowner-Tenant Production Agreement shall be authenticated by two responsible witnesses other than the MAR field personnel, preferably, the Barangay Chairman or in his absence, any member of the Barangay Council, or ARBA Barangay Chapter President and a respected or recognized leader of the community who shall be present during the formalization of the LTPA.

3.2 Land Valuation Under the Barangay Committee on Land Production (BCLP) -

The Barangay Committee on Land Production duly constituted pursuant to Department Memorandum Circular No. 26, series of 1973 and MAR Memorandum Circular No. 9, series of 1977, shall proceed to establish the AGP by land category in every barangay covered by Operation Land Transfer, i.e., (1) lowland rice irrigated or irrigated riceland; (2) lowland rice unirrigated or rainfed riceland; (3) upland rice; and (4) cornland, based on the three (3) normal crop years immediately preceding the promulgation of P.D. No. 27 on October 21, 1972. Towards this end, the BCLP shall:

- 3.2.1 determine the specific landholdings falling under each land category;
- 3.2.2 determine the three (3) normal crop years immediately preceding October 21, 1972;

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- 3.2.3 establish the average gross harvest during the three (3) normal crop years for each land category on the basis of production data gathered from tenant-tillers and land-owners; available records of thresher operators, rice millers, government agencies like MAR, BAEx, BAEcon, BPI and other available sources, seeing to it that the proceedings of the establishment of AGP should be open to the public;
- 3.2.4 compare its production data and as far as practicable, reconcile the same with production data of adjacent barangays;
- 3.2.5 accomplish OLT Valuation Form and post the same in the most conspicuous place in the barangay, municipal hall and in the Agrarian Reform Team Office for a period of fifteen (15) days, a report as to the date and place of said posting to be submitted by the BCLP Secretary to the MARFT, copy furnished the MARD and MARRO.

3.3 Resolution of Protest and/or Appeal -

- 3.3.1 Any interested party who does not agree with the production data as determined and posted by the BCLP may file his protest in writing with the BCLP Secretary within ten (10) days from the last day of posting. Thereafter, no protest shall be accepted.
- 3.3.2 The BCLP shall resolve the protest within ten (10) days from receipt thereof. If the protestant is not satisfied with the decision of the BCLP, he may within five (5) days from receipt of the decision appeal to the Regional Director concerned through MAR Team Leader. The Regional Director shall render decision thereon within ten (10) days from receipt of the appeal.

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- 3.3.3 In case the BCLP fails to resolve the protest within the prescribed period, the MAR Technologist in his capacity as Secretary of the BCLP shall elevate the protest to the MAR Team Leader. The MAR Team Leader shall within ten (10) days from receipt thereof conduct summary investigation and submit his recommendation to the MAR Regional Director through MAR District Officer who shall render decision thereon within ten (10) days from receipt thereof.
- 3.3.4 Should there be no protest within the prescribed period, the average gross production data established by the BCLP shall be forwarded to the Regional Director through MAR Team Leader and MAR District Officer for approval.

4. Application of Land Valuation Schemes

To accelerate land valuation in OLT-covered areas and as a matter of policy, the AGP established and approved under the BCLP scheme shall be used as basis, pursuant to P.D. No. 27. However, in cases where the landowner and the tenant-farmers formally opted to mutually establish the land value under the LTPA scheme, the same shall be allowed in accordance with the guidelines and procedures herein provided:

4.1 Where land value has not yet been established

- 4.1.1 MARFT shall proceed with the organization and operation of the BCLP pursuant to DAR Memorandum Circular No. 26, series of 1973 and MAR Memorandum Circular No. 9, series of 1977.
- 4.1.2 In case Landowner (LO) and Farmer-Beneficiary (FB) formally opted to establish land value under the LTPA scheme of land valuation, documentation of the same shall be effected immediately.

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4.2 Where the land value has already been established

- 4.2.1 MARFT office shall notify both FB and LO concerned on the BCLP approved AGP and invite them for conference to submit required documents relative to land transfer compensation claim. If both FB and LO formally opted to establish land value under the LTPA scheme, documentation of the same shall be effected immediately. (See attached sample notification letter, Annex A & B)
- 4.2.2 MARFT shall proceed with the documentation and processing of the land transfer claim using the approved AGP under the BCLP scheme of land valuation. Any question or issue presented formally by either the landowner or the farmer-beneficiary shall be settled immediately. In the event that such question or issue will have to be elevated to higher authorities, processing shall continue without prejudice to the final outcome or decision of the issue as presented.
- 4.2.3 In case FB concerned cannot present any valid proof or evidence relative to his lease rental/advanced payment made to his landowner, said FB shall be required to submit duly notarized affidavit, copy of which shall be furnished the landowner for confirmation. Pending confirmation of the same, the FB shall be advised to continue to pay his subsequent advance payment to the LBP pursuant to Memo Circular No. 6, series of 1978, which payment shall be credited in his favor and shall be released to the landowner of the farmholding, only upon prior written authorization of MAR District Officer.
- 4.2.4 In the event that the LO concerned failed to respond within 15 days from the date formal notice was issued, MARFT shall proceed with the documentation and processing of the land transfer claims and forward the same to the MARRO thru MARDO.
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- 4.2.5 MARDO and MARRO shall immediately effect processing of land transfer claims forwarded by MARFT from receipt thereof. Upon completion of the processing at the Regional Office, the Director shall notify landowner concerned of the action taken relative to his land transfer claim. (Please see ANNEX C)

III. LAND COMPENSATION

A. Policy Statement

Presidential Decree No. 27 provides -

"The total cost of the land, including interest at the rate of six (6) percent per annum, shall be paid by the tenant in fifteen (15) years of fifteen (15) equal annual amortization."

B. Guidelines and Procedures in Effecting Land Transfer Compensation Claims

1. Mode of Compensation to Landowners

Under P.D. 251, there are six (6) modes of payments prescribed. The more commonly opted by landowners are: payment through the Land Bank of the Philippines (LBP) or direct payment.

1.1 Payment through LBP -

At the option of the landowners, Land Bank of the Philippines shall finance the total value of the farmholding covered by Operation Land Transfer subject to existing laws, decrees, rules and regulations, and related issuances.

The MARFT shall assist the landowner concerned and the farmer-beneficiaries in the documentation of claims for land transfer compensation in accordance with the guidelines and procedures embodied in the Procedures Manual on Land Transfer Compensation System.

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1.2 Direct Payment -

On the basis of land value establish pursuant to P.D. 27, the landowner and farmer-beneficiary may mutually agree on a direct payment in kind or in cash.

- 1.2.1 If in kind - the cavan of palay shall weigh not less than fifty (50) kilos. (For more detailed instructions and illustrations, please refer to ANNEX D)
- 1.2.2 If in cash - the land value initially expressed in kind pursuant to P.D. 27 shall be converted to peso, using the government buying support price at the time the decree was promulgated, except on those landholdings covered by OLT placement orders pursuant to DAR Memorandum Circular No. 2, series of 1970, where the peso value of the commodity shall be based on the government buying support price at the time the official order of placement was issued. However, in case of those landholdings under voluntary offer for OLT coverage pursuant to DAR Memorandum Circular No. 11, series of 1978, the peso value of the commodity shall be based on the government buying support price at the time the voluntary offer was made by the landowner, provided that this condition shall apply only to the retained areas.

This mode of land compensation may be resorted to, subject to the following conditions:

- Both Landowners and Farmer-Beneficiaries formally opted for a direct payment agreement;
- Landowner submits legal evidence(s) of ownership; and
- Subject landholding is free from liens or encumbrances.



2. Determination of Farmer-beneficiaries obligation relative to land transfer payment

- 2.1 A farmer-beneficiary of OLT is obliged to pay the total cost of the land transferred to him, including interest at six (6) percent per annum in fifteen (15) years of fifteen (15) equal annual amortizations.
- 2.2 The lease rentals paid by farmer-beneficiary on crops planted on October 21, 1972 and/or planted thereafter, shall be credited as advanced payment of the cost of the land, except in those landholdings covered by OLT placement orders pursuant to DAR Memo Circular Nos. 2 and 11, series of 1978, where the lease rental paid by farmer-beneficiary beginning with the agricultural year immediately following the date of the placement order shall be credited as advanced payment. In case of voluntary offer for OLT coverage, lease rentals paid by farmer-beneficiary shall be credited as advanced payment from the date of such voluntary offer.

If such advanced payment made by farmer-beneficiaries is to be converted in pesos, the amount to be credited shall be the money value of the commodity at the time of payment.

- 2.3 In all cases, the balance shall be paid in full, whether in cash or in kind by farmer-beneficiaries in fifteen (15) equal annual amortizations from the date said balance was determined, provided further, the farmer-beneficiaries have the right to accelerate such amortization payments.

For more detailed illustrations on applications of the foregoing guidelines and procedures, please refer to annexes which form part of this circular.

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All other orders, memoranda, circulars inconsistent herewith are hereby revoked, amended and/or modified as the case may be.

For immediate compliance.

Diliman, Quezon City, December 29, 1981.

A large, stylized handwritten signature in dark ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

CONRADO F. ESTRELLA
Minister

SAMPLE LETTER/NOTICE TO LANDOWNER

DateMr. _____

We are pleased to inform you that the Barangay Committee on Land Production (BCLP) in Barangay _____ where your landholding is situated had already established the Average Gross Production (AGP) of the different land categories pursuant to P.D. No. 27 and other related issuances.

To expedite the documentation and processing of your land transfer claim, may we request you to get in touch with/visit MAR Field Team Office at _____, on _____, 1981. Please submit and/or bring with you the following documents:

1. A xerox copy of the title of your land duly certified by the Register of Deeds;
2. An approved survey or sketch plan of the said land. If the land is untitled, a certified copy of the approved survey plan; and
3. If the claimant name is different from that appearing in the title, submit proof/s of the claims such as: sales agreement, deed of sale, heirship approved by the court, power of attorney, etc.

In case you and the tenant-beneficiaries concerned have opted to establish the AGP/LV under the landowner-tenant production agreement scheme of Land Valuation, it is requested that you and your tenants contact our Team Office so that the required documentation can be completed. The MAR Field Team is required to complete the processing of land transfer claim within fifteen (15) days from the date formal notice had been issued and thereafter subject land transfer claim shall be forwarded to the District and Regional Office for processing.

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APPENDIX "B"

Place _____

Date _____

AMORTIZATION PAYMENT RECEIPT

Received from _____ a total of
(FARMER-BENEFICIARY)

_____ Pesos (₱ _____)/_____
cavans as amortization payment for the year _____ under a direct
payment, in kind/cash payment to the provisions of P.D. No. 27.

(LANDOWNER)

To be accomplished in triplicate:

Original copy for the landowner
Duplicate copy for the farmer-beneficiary
Triplicate copy for the MARFT

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Enclosed herewith is the Primer of Land Transfer Payments for your ready reference and guidance.

Your prompt cooperation on this matter is highly appreciated.

Very truly yours,

Team Leader

Encl.: a/s

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SAMPLE LETTER/NOTICE TO FARMER

Date

Mr. _____

We are pleased to inform you that the Barangay Committee on Land Production (BCLP) in Barangay _____, where your farmholding is situated had already established the Average Gross Production (AGP) of the different land categories pursuant to the rules and regulations of P.D. No. 27 and other related issuances.

To expedite the documentation and processing of the land transfer claim of the owner of your farmholding and to establish your annual amortization schedule/annual payment relative thereto, may we request you to contact/visit the MAR Field Team Office at _____ on _____, 1981. Please bring with you the receipts and proofs of lease rental/advanced payment to the landowner on crops planted from October 21, 1972 to date.

We count on your prompt cooperation on this regard.

Very truly yours,

Team Leader

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SAMPLE LETTER/NOTICE TO LANDOWNER

Date

Mr./Mrs. _____

Please be informed that we have initiated the processing of your land transfer claim despite your non-submission/uncompleteness of the necessary documents pertinent thereto which we requested per our letter dated _____.

The claim is now ready for transmission to the Land Bank of the Philippines (LBP) through the MAR Central Office (MARCO).

To speed up the documentation and processing of your land transfer claim, may we request you to submit to the _____ all the necessary documents pertinent to your claim.

We earnestly request for your utmost cooperation on this regard.

Very truly yours,

Regional Director

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Detailed Illustration on the Determination of Farmer-
Beneficiaries (FBs) Obligation Relative to Land Transfer
Payments

I. Basic Assumptions

Average Gross Production	- - -	114 cavans
Land Value in kind (114 x 2.5)	- - -	285 cavans
Government buying price in 1972 at 50 kilos/cavan	- - -	P35.00

A. Direct Payment in Kind

1. Given:

AGP	- - - - -	114
Constant Factor	- - - - -	2.5
No. of years to pay	- - - - -	15 years

2. Formula:

$$\begin{aligned}\text{Land Value} &= \text{AGP} \times 2.5 \\ \text{Annual amortization} &= \frac{\text{AGP} \times 2.5}{15}\end{aligned}$$

$$\text{Hence: } \frac{114 \times 2.5}{15} = 19 \text{ cavans/year}$$

3. If lease rental/advanced payment have been paid by FB on crops planted on or after October 21, 1972, the same shall be credited as part of the cost of the land.

Example:

Land Value	-	285 cavans
Less: LR/advance payment made end of 1979	-	168 cavans
Balance	-	117 cavans

$$\text{Hence: } \frac{117}{15} = 7.8 \text{ cavans as annual amortization for fifteen (15) years}$$

If FBs opted for earlier period of paying, his land transfer account, i.e., say within eight (8) years

$$\text{Hence: } \frac{117}{8} = 14.63 \text{ cavans}$$

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- B. Payment in Cash - may be effected on a direct payment scheme or thru the Land Bank of the Philippines. In determining the actual amount to be paid by the FBs in peso, the universal financing procedure shall be adopted.

Illustration:

1. Assuming:

$$\text{AGP} = 114 \text{ cavs.} \times 2.5 = 285 \text{ land value in kind}$$

Therefore:

$$285 \times \text{P}35.00 = \text{P}9,975.00 \text{ (peso value of the land as of October 21, 1972)}$$

2. Annual Amortization = Land Value x Capital Recovery Factor for 15 years at 6%

$$\text{Hence: } \text{P}9,975.00 \times .102963 = \text{P}1,027.05$$

3. Assuming that the liquidation of FBs obligation is effected on the 7th year, the total amount due and demandable is equal to $\text{P}1,027.05 \times 7 = \text{P}7,189.35$

Since the principal portion of $\text{P}7,189.35$ by the end of 7th year is approximately equal to $\text{P}3,597.18$

Therefore:

$$\text{Total land value} = \text{P}9,975.00$$

$$\text{Less: } \quad \quad \quad \underline{3,597.18}$$

$$\text{P}6,377.82 \text{ balance of the capital by the end of 7th year}$$

4. Assuming that the total Lease Rental (LR)/Advanced payment based on the government buying price at the time of payment is equal to $\text{P}8,520.00$

Therefore:

$$\text{Actual Amount paid} = \text{P}8,520.00$$

$$\text{Less: } \quad \quad \quad \underline{7,189.35}$$

$$\text{P}1,330.65 \text{ amount paid in excess of what is due and demandable by year ending the 7th year which will be credited on the principal portion of the farmers obligation}$$

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