

HISTORICAL CONDITIONS OF THE FUNCTIONING OF AGRICULTURAL COOPERATIVES IN POLAND

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Summary. *The article presents in terms of history the main types of rural cooperatives appearing in the Polish agriculture. In the past, cooperatives dominated in rural areas, being the main distributor of foodstuffs, means of production, fuel and building materials and ensuring the reception the produced goods for the rural population. Several types of cooperatives have been developed, such as supply and sale, dairy, gardening and beekeeping and savings and loan cooperatives. The agricultural circles cooperatives derive their origin from the later years (1973). Cooperatives were obliged to associate in the central cooperative unions and after the liquidation of the latter in 1990, lost their organizational, financial, credit and logistics support. Since then they are noted to be being regressed.*

Introduction. Socio-economic movement, which emerged cooperatives, started at the beginning of the nineteenth century as a way to adapt to the challenges of a new economic formation (capitalism). Practical experience connected with the ideology of cooperatives has been generalized in the form of the so-called Rochdale principles, which were based on a voluntary and open membership, the division of surplus in proportion to the rotation of shareholders, reduction of the interest rates, political and religious neutrality. The ideas of cooperatives were included in the organizational framework in subsequent meetings of the International Cooperative Alliance (since 1895). At the Congress in 1995 the concept of cooperatives was formulated in the following way: "A cooperative is an autonomous association of persons united voluntarily in order to meet the aspirations and needs of the economic, cultural and social rights, by establishing a joint democratically managed enterprises" [Cioch, 2009]. The development of new forms of cooperatives, and their rapid development, and attracting the rural community for these ideas were the main features of the cooperative movement. For the urban environment there were proper consumers' cooperative societies, cooperatives for housing and commerce. But for the rural environment cooperative farms, credit, agricultural and commercial or of agricultural processing cooperatives were of major importance.

In Poland cooperative development started in the years of 1860-1870. During the Prussian partition and the First World War cooperatives reached its highest level of organization and economic development. They contributed not only to the economic development of these lands, but played a major role in the fight against the policy of germanization. On the lands of the Austrian partition commune cooperatives and lending cooperative were developed, and in the

Russian partition there were consumers', credit and dairy cooperative societies. In the interwar period till 1934 many separate cooperative relationships were maintained. After that period there was a partial unification of cooperatives with the increasing degree of subordination to the state. Immediately after World War II a complete unification of the cooperatives was made by establishing one audit institution and one central organization. In addition, the cooperative movement was included in the planned economy, thereby lost its specific character. With hindsight we can say that in this period a number of errors had been committed, which discouraged farmers from joining the cooperative movement (Strużek, 1960). Generally speaking cooperatives is a historical category that appears in most countries of the world regardless of political systems. The Organization of the United Nations and its specialized agencies are also interested in the development of cooperatives and treat them as democratic and humanitarian forms of social and economic activities. In the EU there are more than 40 thousand cooperatives in rural areas employing about 600 thousand people and bringing together 9 million cooperative members. Every year 38.5% of the production in the agricultural sector with a value of €260 billion is generated by cooperatives [Torti et al, 2013].

Material, purpose and scope of research. In the past agricultural cooperatives took the dominant position in rural areas and were involved in all aspects of socio-political, economic, cultural and educational life. This position was first disrupted when the reorganization of the administrative structure of the country took place by reducing the number of “gromadas” (groups of rural settlements in the former Polish administrative division) from 4313 to 2365 “gminas”- (communes) (1973) and the emergence of 49 provinces. Cooperative units had been adapted to the new administrative system by introducing provincial agricultural departments as a mandatory scheme of a cooperative. These departments were formed in the new provinces at the expense of grassroots cooperatives. From that time agricultural cooperatives began to regress. That process deepened in the subsequent years, as the economic situation in the country worsened. Further decline in agricultural cooperatives refers to 1990 when the Law on changes in the organization and activities of the cooperatives appeared.

The aim of the study is to present retrospectively the most important types of agricultural cooperatives in accordance with their places in the movement and the role they played in the Polish agriculture. The cooperatives under discussion represented the state type (up to 1990), where the membership was on a mass scale, without filing application forms or the farmers being asked about their willingness to join the organization. In connection with it one can state that farmers appreciated cooperatives as the organization responsible for sourcing and sales for their farms, but after their termination they did not treat the fact of losing their memberships as any important value. Cooperatives did not become a social

community, because they did not have any social relationships, but a formal membership, without the possibility of influencing their fate and development. The study covers five types of agricultural cooperatives, which had their separate headquarters and were responsible for the economy. This concerned commune, dairy, gardening, beekeeping cooperatives and cooperative banks. However, cooperative agricultural societies are of the later period of operation (1973), but their adopted name was not adequate to their content. Objectives and tasks of agricultural production cooperatives are presented in a separate paper. The access to statistical data has also changed. Along with the liquidation of the cooperative associations in 1990, statistics on cooperatives also disappeared. The Central Statistical Office no longer distinguishes this form of ownership. The published data are now different in nature in accordance with the European qualification of business. According to the new qualifications the agricultural cooperatives are now in individual sectors, for example, in sectors of agriculture, forestry, hunting, trade and repair.

Supply and sale cooperatives. Commune cooperatives "Peasant Self-Help" became the basic link of cooperative organizations in the country, to which in a relatively short time other types of commercial cooperatives joined. Commune cooperatives began to supply farms and other economic agents with the means for agricultural production and rural residents were supplied with basic groceries. Over time other activities developed, such as contract farming of crops and livestock, purchase of these products and sale of animals for fattening and breeding. In the first, pioneering period, commune cooperatives organized and operated socio-educational and cultural life, which was treated as a prerequisite of a strong binding of cooperatives to rural community and also subjecting its economy to assessment and supervision of members. During the so-called "battle for commerce" aimed at reducing and eliminating the private sector in rural areas commune cooperatives were gradually gaining a dominant position as evidenced by their dynamic development.

Tab. 1 – Characteristics of the commune cooperatives "Peasant Self-Help"

Specification	1948	1955	1960	1980	1989
Number of cooperatives	3162	2872	2587	2479	1912
Number of members in thousands	1595	3503	3620	3546	3500
Number of retail outlets	13698	41936	56859	68941	71452
Number of collection centres	4317	46475	51270	3687	2965
Number of production facilities	2744	5281	5849	5741	5334

Source: reporting data on the above given years from the Headquarters of commune Cooperatives "Peasant Self-Help"

The above table indicates that the number of commune cooperatives decreased, especially after 1973, when the administrative division was changed ("gromada" – a group of rural settlements - was replaced by "gmina"- a commune) and the adjustment processes were in great need. It is worth noticing that

the number of members did not change there, where that process was of a formal nature. In contrast, the number of retail outlets grew and their network covered almost all the villages and even hamlets. Cooperatives operating within the nationwide business plan received aid from the state in supplying goods, when there was commodity deficit, financial support in the form of non-repayable grants and concessional loans, which were often redeemed, as well as in investment performance. In this way, cooperatives were gradually becoming intermediate units of the state cooperative type being cooperatives in name only. On the above phenomenon there indicates, for example, membership, which was not calculated in accordance with the number of the signed applications, but was based on the number of all the inhabitants of the given areas. Cooperatives did not comply with their obligation to submit an annual report to the general meeting and did not represent plans of work for the next period. There were no distribution of profits and dividend payments, because there were none. In view of the elimination of the private sector in rural areas commune cooperatives monopolized everything related to the retail and wholesale trade, supply and sale of agricultural products and the means of production, as well as contract farming in terms of plant and animal production and other services for the benefit of the environment. Management was hierarchical in nature, from the district associations of cooperatives, through the provincial ones and ending at the Head Office of Agricultural Cooperatives. In 1975 the reform of the administrative division of the country was committed, involving the liquidation of districts and the emergence of 49 new provinces. In this situation the district associations of cooperatives were liquidated and it was necessary to establish more provincial associations. In 1976 dairy, gardening and beekeeping cooperatives were joined to the union "Peasant Self-Help". In a relatively short time (1981) the idea was abandoned, as not meeting the basic requirements for the management of these business entities [Strużek, 1986]. Under the Act of 1990 on changes in the organization and activities of the cooperative movement, all the panels that had the cooperative relationships were liquidated. Instead the National Association of Cooperative Auditing and cooperative associations that could lead only non-economic activities were set up. The changes, which took place in that period in terms of political, economic and social life, caused that the economy based on a centralized management system was transformed into a system of the free market economy [Act, 1990]. To the phenomena, which are not reflected in the literature, there should be included the fact that in 1963 the organizing agriculture services were set up in the commune cooperatives (Resolution No. 325/63 ZG CRS). As an argument for the establishment of that service it was pointed out that the commune cooperatives were in need of extension of direct contacts with agricultural producers. As the basic responsibilities of that service the contracting of production and care for proper and timely

supply of means of production were mentioned. Furthermore, the organizers of agricultural services were responsible for briefings, training and innovation (liming, use of fertilizers or fluids, mixes, in animal nutrition). In fact, the agriculture service aroused much controversy. Its competences and responsibilities were vague. This situation arose during the former administrative division of the country when distinctions among different agricultural services were blurred. All kinds of those services worked using similar forms, methods and means of agricultural consultancy. All were heading for dissemination of new means of production and promoted rational methods of fertilization and plant protection. Demonstration plots and shows were in widespread use as the dominant methods in the dissemination of agricultural progress. For this reason, the organizers of agricultural services operated more in the framework of the commune cooperatives and to a lesser extent they did it outside them. They often became specific advisors of the CEOs, served the local authorities, wrote reports and notifications, etc., instead of being the authentic connectors between the commune cooperatives and farmers. In the years 1975-1981 within the period of organizational and staffing solstices of the commune cooperatives (elimination of districts), their position as the agricultural service was completely liquidated in some provinces. Subsequent attempts to resuscitate that position (Resolution No. 34/82 ZG ZSR) did not produce the expected results, as full-time employees were employed for the contracting [Wawrzyniak, 2003].

Dairy cooperatives. Dairy cooperatives belong to one of the oldest forms of cooperatives, because they began to be invoked in Poland at the end of the nineteenth century. This is the only form of cooperatives, whose members receive a homogeneous final production in the form of milk. In the years 1951-1957 the dairy industry was under the state management. At the end of 1957 the state handed back to cooperatives the dairy industry assets. In 1962 there were 659 dairy cooperatives that processed over 3, 8 billion litres of milk. Cooperatives bought milk, which was brought by delivery men, at nearly 30 thousand collection points. In the process of concentrating of units made for economic reasons, the number of cooperatives began to fall. In 1970 there were 430, and in 1975 there were only 341 dairy cooperatives. Farmers and legal persons (the State Agricultural Farm, the Agricultural Production Cooperative) were members of the cooperatives, which had dairy cattle and were suppliers of milk. Hence, we can say that the members were homogeneous due to the type of production (milk). At the same time the number of members decreased in proportion, when owners of one or two cows were eliminated from the supply, and it was sought to concentrate production at larger farms. Dairy cooperatives besides buying milk, which was treated as a basic task, cared for the farm supply with the necessary equipment and means of production. In terms of raising milking cows they collaborated with the association of cattle breeders. With the

entry into force in 1990, the Law on changes in the organization of the cooperative activity, the central and regional associations were disbanded, which had a huge impact on the entire dairy industry. In this way the dairy cooperative movement was deprived of the coordinator in a difficult time of transition. It is estimated that cooperatives have not had time to adapt to the new conditions as an independent company. Restructuring processes have led to the situation that 100 dairy cooperatives that have passed the difficult process of adjustment to the new requirements related to the presence of the country in the European Union [National Association of Dairy Cooperative Auditing are currently operating in Poland. Dairy cooperatives belong to the type of organization that employed their own guidance services and used their own raw materials, almost from the beginning of the formation of cooperatives. In 1960 the association of cattle breeders was disbanded and a large staff of professionals, such as nutritional instructors, cow utility controllers and inseminators, together with their programmes, were transferred to cooperatives. Fates of the staff were vague, because in 1968 the gromada zoo technicians got their positions instead of 800 raw instructors, whose positions were liquidated on the wave of reorganization. Expectations for the zoo technicians in the context of the dairy industry have not been met, therefore, it was sought to establish the own service. In the years 1976-1986 the number of service ranged from 2.2 to 2.6 thousand people. In a statistical area for one instructor there were 540 suppliers of milk, 3.9 buying stations, 14.4 transport units and also some carters. Care for high quality milk, combined with milking hygiene and storage of milk (bleaching barns), nutritional issues, insemination, breeding progress and the like belonged to the basic responsibilities of instructors. [Wawrzyniak, 1991].

Gardening and beekeeping cooperatives. In 1944-1949 152 cooperatives with 37.5 thousand members were founded in the country. Gardening and beekeeping cooperatives organized 580 collection points, 600 retail outlets and 111 fruit and vegetable processing plants. At the beginning of 1950 the business was taken by the state. Cooperatives revived under Resolution No. 114 of the Council of Ministers in 1957 started specializing in supply of production and sale of horticultural products and bee articles. In 1961 the organization and intensification of horticultural production were included business in the scope of the horticultural cooperatives. Adoption of this activity has changed fundamentally socio-economic nature of horticultural cooperatives as a specialist organization providing support for the needs of producers in both the production and buying and selling of horticultural crops and bee articles. The next step was the foundation of the local and provincial cooperatives and the Horticultural Cooperatives Headquarters as the umbrella organization for gardening and beekeeping cooperatives. Thus less and less to say had a regular member of a cooperative. A characteristic feature of the horticultural cooperatives was that

they were working alongside the state-owned enterprises and small private producers. They were buying within one third of fruits and vegetables. Those cooperatives also processed and exported the horticultural crops. Through their terrain associations the cooperatives has put a lot of pressure on modernization of the production of fruit and vegetables and performed a wide range of actions related to bees [Cooperatives, 1993].

Savings and loan cooperatives. Savings and loan cooperatives (SLC) were registered in different regions of the country under various names, such as cooperative banks, people's banks, Stefczyk's cash offices or cash cooperatives. Initially, they were banking companies, operating on the principles of cooperative organizations. The tasks of cooperatives covered credit and loan support of peasants and their crafts, accounting for institutions buying the agricultural products from farmers and support for other economic entities. SLC loan activities in about 80% were covered by a loan refinance that cooperatives received from the Agricultural Bank and in 20% by resources of local origin. In 1950 a part of the savings and loan cooperatives was transformed into the Commune Cooperative Banks (CCB). There appeared 1255 banks that organizationally were subordinated to the Agricultural Bank. Therefore, they became an auxiliary instrument with extended range operations, especially in terms of financing the purchase of agricultural products. These transformations deprived bank cooperatives of independence and self-government. The Banking Law of 1960 defined the status of the SLC and the scope of their activities and entitled them to use the name " bank ". In 1975 following the merger of the Agricultural Bank and of savings and loan cooperatives there emerged the Food Economy Bank (FEB). With regard to cooperative banks that bank served as the central cooperative association as well as the organizational and financial control panel. There was also a kind of division of service, ie. FEB dealt mainly with the socialized sector of agriculture and food production, while cooperative banks were engaged in financing the private sector. At the same time the network of cooperative banks was being adapted to the administrative division of the country. Cooperative banks or their branches worked in every commune, adapting activities to the local self-government units (communes). Another Banking Act of 1989 increased the autonomy of individual cooperative banks (there were 1660 of them) and allowed them to broaden the scope and object of activities. Links with FEB were broken; the latter was transformed into a bank of a commercial nature [Kulawik, 1998].

Cooperative agricultural societies. Cooperative agricultural societies came from agricultural circles, which began to restore their activity in 1957. In order to strengthen their organization, the Agricultural Development Fund (ADF, 1959) was established to the disposal of agricultural circles. It was created on separate accounts with the difference between the compulsory and free-

market purchases. The ADF was the basis for the purchase of agricultural equipment, and thanks to that fund tractors and agricultural machinery above all found their way to the individual sector. Local governments of agricultural circles did not really cope with the management of equipment, therefore, in 1965 the Intersociety Machinery Bases (IMB) were established, which accepted the concept of Cooperative Agricultural Societies (CAS) in 1973. The accepted name has not been adequate to the idea of cooperatives, because the agricultural circles from large areas of the communes were the shareholders without being able to influence their businesses. The Cooperative Agricultural Societies were a political project, which began to be implemented at the period of changes in the administrative division of the country in 1973, when, as already mentioned, instead of the 4313 former administrative units 2365 communes were introduced. The CAS had to start a new organizational model of servicing the rural areas and agriculture in the form of a cooperative. They were supposed to be multi-sector and multi-employing units of agricultural circles in the commune on the basis of the existing IMB and subsidiaries of the State Machine Centres. The establishment of cooperatives did not mean the cessation of agricultural circles and rural women associations, which remained the main link in the development of a socio-productive activity in the village. The CAS had to relieve the circles from the direct management of the machinery equipment and to entrust this task to a specialist staff. The range of influence of the CAS was wider than that of the previous Intersociety Machinery Bases, which were assessed as economically weak, organizationally inefficient and poorly managed units that did not meet the expectations of peasants. The concept of the CAS was to entrust them to a particular role in the reconstruction of the agricultural system, which had to embody through another link in the form of the team farms of the agricultural cooperatives. Those farms were to be responsible for the development of land falling out of production and thus the land transferred for pensions, as well as neglected, impoverished and economically inefficient farm land. In 1975 after passing on the two-level administrative system (commune-province) the process of establishing of the new CAS in relation to the initial assumptions became intensified. The need for this was due to the ease of the contacts between the provincial circles and the CAS boards, and not with many dispersed agricultural circles. In 1980 the number of the cooperative agricultural societies accounted for 1844, or 77.9% if related to the then communes. In 1989 the cooperative agricultural societies passed - like the rest of the economy - a complex process of transformation from the centrally planned to the market economy. This process was important, both for agriculture and rural areas, as well as for the whole food industry. The CAS lost their domination over the machinery circles and had to reorient the existing modes of operation, in terms of meeting the simple services for agriculture in the form of harvesting, plow-

ing, spraying or machinery repair. Farmers began to own tractors, harvesters, agricultural special tools, they became independent entities. The CAS became the organizational units operating under "the Cooperative Law" and the subject of economic activity became services for agriculture and other types of services resulting from the needs of the rural environment. Cooperatives could also deal with the production of resources and materials for agriculture, agricultural processing, production and even running a farm [the Cooperative Law, 2003]. The share of individual farms in the entity structure of production services for individual agricultural units has decreased and now ranges from 22 to 25%. In 2013 the number of the cooperative agricultural circles dropped to 570, or 30.9% compared to that of 1980. In addition several other organizations, including about 500 self-employed non-cooperative agricultural circles are working for farmers, such as the leading agricultural circles, the Intersociety Machinery Bases and service production plants. In a legal sense the CAS do not belong anymore to large socio-professional organizations of peasants, but are regulated by the Cooperative Law in terms of their functions [Bomba, 2013].

The situation with agricultural cooperatives since 1989. The breakthrough moment that changed the situation of agricultural cooperatives, was the law of 1990 on the changes in the organization and activities of cooperatives [The Law, 1990]. The system transformation initiated at that time, referred to as the "Balcerowicz Plan" resulted in a short time in the liquidation of the Supreme Council of Cooperatives and its transformation into the National Council of Cooperatives. The consequences of this law were extensive and far beyond naming changes. All the central cooperative associations fulfilling the supervision and inspection of the cooperatives were terminated. In their place, the national (branch) cooperative councils could be invoked, and the membership in them was voluntary. The liquidation of the compulsory central associations before that caused the disappearance of the protective umbrella over the cooperatives. That umbrella was in the form of the top-down control of the entities and in addition deprived them of the budgetary subsidies, investment allowances or loans, which were often redeemed. Currently, the National Council of Cooperatives is the supreme organ of the cooperative self-government in Poland. It represents the Polish cooperative movement in the country and abroad, initiates and issues opinions on legislation of cooperatives, develops intercooperative collaboration and spreads the ideas of the cooperative interaction. The branch cooperatives established the national inspection associations that cover all the discussed agricultural cooperatives.

In a short period of time cooperatives had to learn how to function in a market economy, without external coordination and top-down management. After the first period of independence and satisfaction caused by the lack of any dependence on the central government they began to understand the danger

posed by the law. By a single piece of legislation the cooperative societies were left to themselves, and of that test not all the units came out unscathed. Firstly, cooperatives did not have time to adapt to the new conditions as independent companies. Secondly, the traditional techno-economic ties were severed, as well as the exemplary common commercial, plant maintenance, transport, cultural and educational infrastructure was lost. Only those units survived, which had previously operated on commercially reasonable terms, and were supported by their members.

Tab. 2 – Changes in the number of agricultural cooperatives in 1989-2011

Specification	1989	2000	2008	2011	Per cent 2011/1989
Commune cooperatives "Peasant Self-Help"	1912	1648	1336	1259	65,8
Dairy cooperatives	323	238	169	156	48,3
Gardening and beekeeping cooperatives	140	128	90	73	52,1
Cooperatives of agricultural units	2006	1063	652	570	28,5

Source: Database of the National Cooperative Council, Warsaw 2012.

The analysis of changes in the number of agricultural cooperatives at the beginning of the transformation (1989) as compared to that of 2011 indicates that the agricultural circles cooperatives have the biggest drop (down 71.5%), followed by the dairy cooperatives (by 51.7%) and gardening and beekeeping cooperatives (47.9). The commune cooperatives "Peasant Self-Help" remained at a relatively high ranking. They operate - if to accept the principle "one commune cooperative in one commune" - in more than 50.8% of the Polish communes. So the cooperative movement experienced a large organizational collapse, lost its activists, who on joining the cooperatives treated it as a mission. They also lost relatively large assets accumulated over a longer period of time and, above all, they lost the idea of cooperatives, which was the value worthy of being nursed by the society.

Final comments. A historical look at the functioning of agricultural cooperatives in Poland shows that in agriculture and in rural areas the whole retail and wholesale trade, supply of rural areas in the means of production, mechanical or construction services as well as purchasing and contracting of agricultural production were supported in the past by institutions, which had in their names the word "cooperative". Furthermore, other institutions, which used the word "cooperative" as, for example, transport cooperatives, construction cooperatives and cooperative machinery centres also arose on the rural areas. Despite the total coverage of rural areas with cooperative movement, our country in international opinion was not taken to the regions with the highest saturation of cooperatives, due to the strict supervision and control of the state over the cooperative movement. Cooperatives in Poland were mandatory under the law

and according to the objects of their operation had to belong to a particular central cooperative association. The cooperative sector, dominant in the past in agriculture and rural areas, was significantly reduced through the transition of cooperatives on the tracks of a market economy. As the headquarters of cooperatives were vanishing by and by with their grants and favorable loans, only economically strong and vital units remained. Other cooperatives passed to the private sector, commercial companies and corporations or were liquidated. Currently we have no credible data on the number of cooperative units. Voluntariness of belonging to the national cooperative auditing associations means that we have data only for those cooperatives that have declared their membership (pay their membership fees). A completely new phenomenon is the formation of groups of cooperative agricultural producers, which began to appear after the Polish accession to the European Union, and can use the entire set of financial support measures that are provided under the CAP. Some members felt that they should take a higher level of integration in the form of a cooperative. The National Council of Cooperatives supports these actions, which are aimed at creating economic structures, with particular emphasis on the cooperative form, through the training, consulting and publishing activities.

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