Cooperativeness and its Role in the Polish Food Production System

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Abstract. Joint management for the purpose of meeting common needs has been the concept of cooperativeness for over 100 years. In Poland, it developed in various sectors of the economy, with uneven intensity. It appeared in the food production sectors, in particular in the dairy industry, at quite an early stage. After World War II, due to inclusion of Poland into the block of socialist states, the concept of cooperativeness was strongly perverted, as it was identified with the process of collectivization of agriculture, and only political prerequisites laid the foundations for such a process. Only after year 1989 possibilities of giving the proper role to the concept of cooperativeness appeared. Currently, this role is reinforced along with the growing care for protection of the producer, consumer and the environment.

The aim of the article is to determine the current place of cooperativeness in the Polish food production system as well as to indicate the new conditions reinforcing its role. The study adopts a foundation that cooperativeness is the form of conducting business operations, which allows reconciling often contrary interests of the producer, consumer and the environment in an ever more competitive and global world.

Keywords: Cooperativeness, Food Production System, Poland

1. Introduction

The socio-economical changes which contributed to the fact of introduction of democracy, of free market are also responsible for placing Poland within one “of the most elite worldwide clubs”, which is the European Union. In many cases the aforementioned changes have also caused the occurrence of material society segregation as well as unemployment amongst those who had been in the privileged position to possess employment guarantee; they have also influenced the access to education, science and culture and social services, including healthcare, for those individuals who for various reasons have been unable to adjust to the new surrounding reality. Farmers had also experienced the changes in a particularly painful manner – the loan trap existent at the beginning of the 1990s, disorganisation of the agricultural market, the increase of agricultural product production costs, accompanied by low purchase costs, constituted the main problems which agricultural manufacturers were forced to face. Some of the aforementioned ailments are connected to the worldwide globalization processes, some connected to the difficult process of integration of Poland with the European Union, whereas others were connected to the lack of resolution of the past barriers and cases which had been left unsettled.

Amongst various proposed forms of combating of the negative results of the system transformation it is co-operative society movement that is repetitively mentioned, although in case of many the term provokes disinclination or disrespect as it is viewed as “the remnants of the previous era”. The believers of the aforementioned idea argue that this form is the one form that has been verified in the Western Europe as well as worldwide as the form of the group type of resourcefulness of the local society and that it creates real chances for the undertaking of economical and social activity by individuals of low and average income and prevents the permanent social exclusion of the poorest society layer. It soothes socio-economical differences and promotes the economical development of the local societies at the same time stimulating their culture life. Thanks to the co-operative society units which convey the economical activity, individual farmers or small companies may gain ground in the process of negotiations at the more competitive and concentrated markets, at the same time retaining their independence and control over their own operations and business. Co-operative societies constitute the valuable bridge between global forces as well as the local economical entrepreneurship activity.

Co-operative societies constitute an important element of the market economy therefore their business have to be protected and promoted, what is confirmed by the series of international documents issued by both worldwide organisations such as: United Nations (UN), International Labour Organisation (ILO) or Food and Agriculture Organisation (FAO), as well as European Union authorities. Polish national authorities are also obliged to do so, as the representative body of the country which belongs to the aforementioned institutions and organisations.
The issue is much more important due to the fact that co-operative society companies, in accordance with their rules and values, which they are based upon, should express large sensitiveness towards social responsibilities, the main responsibility of which is taking care of their members. The decentralized and democratic character of the organisation means that they are deeply rooted within the regional and local societies and that within their activity they take into consideration the conveyance of socio-educational, cultural as well as social needs of the local societies. Within the context of the rural environment what constitutes an undeniable advantage, is the fact that the profit generated as the result of agricultural turnover is not shipped out outside of the organization, but that it returns to the rural area, to farmers and that it may be applied in accordance with the local needs, based upon their individual decisions.

The European as well as the American and Japanese food market is characterized with the presence of large and swiftly operating co-operative societies. Within the European Union co-operative societies have a strong and a stabilized market position upon the agricultural market. Strong co-operative societies operate on the nationwide scale within almost all EU member states. The issue of co-operative society possesses its own autonomy and has been separated from all remaining types of co-operative societies. The role played by the agricultural co-operative societies upon the UE territory is proven by the fact that only within the 15 ‘old EU’ countries there are as many as 30 thousand co-operative societies. They employ over 600 thousand people. Their joint financial turnover amounts to as much as 200 billion euro. The aforementioned societies possess more than 50% share within the resources of agricultural production and more than 60% within the purchase, processing and agricultural market marketing.

The history of Polish co-cooperativeness goes back as far as 150 years. The issue of co-cooperativeness was subject to development within various sectors of the economy with uneven distribution of the scope of the development. It appeared quite early within the food manufacturing industry, especially within the milk manufacturing sector. After World War II, as the result of attaching Poland to the block of socialist countries, the idea of co-operation society has been subject to substantial distortion, as it had been associated with the process of agricultural collectiveness, which had been conveyed for political reasons only. Not before 1989 did possibilities for the restoration of their proper role reappeared, although initially it was not completely understood amongst the authorities as was rather treated as the “relic of the past”. Currently the role is strengthened along with the growing care for the protection of the manufacturer as well as consumer and the natural environment.

The aim of the article is to determine the current place of cooperativeness in the Polish food production system as well as to indicate the new conditions reinforcing its role. The study adopts a foundation that cooperativeness is the form of conducting business operations, which allows reconciling often contrary interests of the producer, consumer and the environment in an ever more competitive and global world. Implementation of the purpose of the study and verification of the hypothesis required adopting the following study methods: substantial literature studies, descriptive analysis, functional analysis as well as deduction. Studies refer to, above all, statistical materials, the source of which is data of the Central Statistical Office (GUS) and materials of the National Cooperativeness Council.

The first part of the article explains the theoretical prerequisites of functioning of cooperation societies, their types and evolution in Poland. The second part analyses the position of cooperativeness in the food production system, both in terms of participation in production, employment and relations with the environment (vendors, customers etc.). The third part undertakes to indicate the contemporary challenges, which may constitute factors, which are impeding in nature, or even make the development of cooperation societies a more dynamic process.

2. The idea and evolution of the issue of cooperativeness in Poland

2.1. The idea as well as the specifics of co-operation societies

The traditional understanding of the idea of cooperativeness is limited to the form of realization of the stipulated economical aims of the economically weaker social classes, which organize themselves based upon the issue of co-operation and mutual help. The development of the aforementioned was initiated by establishing of food manufacturer’s society in Rochdale (England) in 1844, which operated under the name of „The Honest Pioneers of Rochdale”. The principles developed by the aforementioned association have for years been considered as the basis of functioning of various co-operative societies in many countries. Before all they include: the free will of taking part, democratic management, limited share interest, capitalist character of the division of the generated surplus, undertaking of social and educational activities, co-operation between the co-operative societies on the local, national and international level[1].
Currently, the idea of cooperativeness is limited to seven basic principles: free will and open partnership; democratic member control; economic input made by the individual members; autonomy and independence; education and information provision; co-operation between the co-operative societies, care put in local societies. Therefore this means that the three main basics are not subject to evolution, namely: free will and open membership, social control as well as co-operation between the co-operative societies. The basic values of the co-operative society movement are also of certain importance, i.e.: mutual aid, democracy, equality, justice and solidarity as well as ethic values such as honesty, openness, social responsibility and care about others. These rules and values currently assign a specific role to the contemporary co-operative societies, which is described within the remaining part of the article.

Cooperative societies which operate based upon the Polish Law\(^1\) are free will associations of physical and legal individuals, which convey mutual economical activity within the interest of all of the society members. Law of the co-operative societies also states that co-operative societies „may convey social as well as cultural and educational activity for the benefit of their members and their environment”.

The two areas of co-operative society functioning stem from the aforementioned definition: economical as well as social.

The economical scope of the operation of the co-operative society is adjusted to the market economy. Within the scope of the relationship of the co-operative societies with their surroundings what is dominant is the sales-purchase relation, since it is this function that in a considerable manner determines the amount of resources collected. Moreover, the economical activity of the co-operative society is connected to the risk which is a standard in case of market entities:

In case of the occurrence of the unfavourable income vs. cost relation a co-operative society may go bankrupt and be liquidated. The economic issues of the internal relations of the co-operative society is based upon the rules similar to the rules which regulate the operation of a joint venture company. The financial foundation of the co-operative society is constituted by the fees paid by their members and by shares. In case of some typed of co-operative societies the property introduced to the society may play a very important function (glasshouses, fields etc.). The economical values subject to the operation of the co-operative society, as well as its property – in case of the process of liquidation – are divided between its members in accordance with the value of the introduced shares and property.

The social aspect of the operation of the co-operative society stems from the specific choice of its shareholders – members, who establishing a co-operative society, determine their type of the conveyed economical activity for it to serve meeting the chosen universal needs and demands of its members (ex. housing societies or labour societies) or aim for the operation of the given society to meet the needs and demands of the particular social environment, from which members of the society stem from (ex. disabled co-operative societies, craftsman co-operative societies, agricultural co-operative societies as well as artistic craft co-operative societies). In case of external relations the social scope of the operation of the co-operative society may be mirrored by the fact of financing and conveyance, by the given co-operative society, of actions which met the demands of not only its members, but also meeting the needs of the surrounding environment, from which given society members come from (ex. cultural activity conveyed by housing societies directed not only at its members but to all inhabitants). What could constitute the social advantage of the operation of the given society may be the fact of offering – even on the basis of sales – of goods and necessary services, which are not offered to the given social group (ex. agricultural circle co-operative societies render services not only for their members but also for other farmers, what is met with utmost interest especially within the areas, with the dominant function of the small agricultural households, which can not afford the purchase of their own agricultural equipment). In case internal relations the social character of the co-operative society is mirrored by – equal for all members of the co-operative society – the right for the choosing of authorities and co-participation within the process of creation of the most important acts, regardless of the economical share, which is owned by the given member within the property of the given society\(^2\).

The main idea of a co-operative society that differentiates it from the other types of companies is the fact that in the process of striving towards the attainment of the basic target, what comes together are both the material resources (capital) as well as people. The co-operative society is based upon the membership

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2 The Co-operative society law states that the number of co-operative society members, whose members are physical individuals of amount not less than 10 who possess full legal ability for the undertaking of legal activities (in case of agricultural manufacturing co-operative societies – not less than 5 members; in case of social co-operative society – not less than 5 members and not more than 50 members); whereas in case of legal individuals’ co-operative society – the number of members may not be lower than 3.
confirmed by the input of manufacturing means (in case of manufacturing co-operative societies) or the input of capital. The amount of input is not pre-determined. New members are individually accepted to the given organisation. A statute which is subject to being registered constitutes the basis of functioning of the co-operative society.

The co-operative society is different from the different types of companies due to the different applied management system. It is the management which is chosen by the members of the co-operative society that usually runs the operational activity of the unit, nevertheless it is obliged to report to the general shareholder meeting of the co-operative society or to the representatives of the aforementioned body. Each member possesses one vote and this is how the co-operative society is different from other companies (for instance within a joint venture it is the number of owned shares that decides upon the number of votes). This rule: one man – one vote, makes the co-operative society a body which is managed by a more democratic manner than any other joint venture[3].

2.2. Co-operative society classification

In general co-operative societies are divided into groups, types and kinds. The functions which are fulfilled for the benefit of their members constitute the basis for the division of co-operative societies onto groups. Two types of co-operative societies are differentiated: member co-operative societies, such societies which meet members’ economical needs and demands by rendering of services for the benefit of its members) as well as manufacturing societies (labour type), i.e. members which hire its members. The following types of co-operative societies may be differentiated within the mentioned group:

- Trade type of co-operative societies, ex. food manufacturers’ societies,
- Trade and processing co-operative societies, to which group belong milk and gardening co-operative societies,
- Savings and loan societies, i.e. co-operative banks, co-operative building societies,
- Social and cultural service rendering societies, as well as social and education societies ex. health care co-operative societies, tourist and leisure co-operative societies, students’ societies.

The group of manufacturing societies also includes two types of various organisations. On one hand these constitute agricultural manufacturing co-operative societies on the other hand these include co-operative labour societies, ex. manufacturing and service rendering co-operative societies, service rendering co-operative societies, youth labour societies or disabled co-operative societies.

2.3. The development of the cooperativeness on the territory of Poland

The idea of cooperativeness on the territory of Poland possess rich traditions. Stanisław Staszic, who in 1816 established Agricultural Society of Hrubieszów, which in 1918 was transformed into the trade and agricultural co-operative society, is believed to be the pioneer of this movement in Poland. The beginnings of the idea of cooperativeness have been connected to the economical and political relations within the three annexation sections.

First loan co-operative societies, also referred to as folk banks (The Savings Society in Środka in 1862) as well as sales and provision co-operative societies, the so-called „Farmers”, were established in the region of Greater Poland. The issue of co-cooperativeness constituted an important factor within the Polish economical system, which made it possible for the creation and operation of various organisation not only of the economical but also of the political character upon the aforementioned terrains.

Loan and savings co-operative societies developed within the Austrian annexation sector, which were named after founder and were referred to as the Stelczyk Savings Bank. Successful trials of the agricultural processing have also been undertaken – the first milk co-operative society was established in the region of Rzeszów.

Within the Russian annexation sector, the tsarist administration for the fear of any national oriented organisations made it extremely difficult to establish such co-operative societies. Not until 1905 when the rural co-operative societies started to be established. Before all these included loan, provision and sales co-operative societies.

Within the between the War period, co-operative societies, including also those operation within the rural areas, have undergone intensive development, especially after 1935. This has been supplemented with the progressive legal system (one of the best European Act on social co-operativeness as well as tax regulations). As the result the issue of co-operativeness started to play an important role in the socio-economical life of the development of the rural areas. Loan type of support, production resource support,
organisation of purchase points, processing of agricultural resources as well as their partial export have constituted the domain of the co-operative society. Moreover, the particular role has been played by the social activity of the co-operative society, which often replaced the state in the process of increasing of the civilisation level within the rural area. It is estimated that in 1937 there have been as many as 3700 loan society-banks, 1400 milk co-operative societies, as many as 3000 food and agricultural societies and as many as 400 farm and trade societies. They associated as many as 1.3 million members.

Within the years of German Nazi occupation rural co-operative society has been applied as the apparatus of the economical turnover (the responsibility for the collection of agricultural resources as well as distribution of bonus products, mainly vodka, as well as distribution of products for individual allocation).

After World War II the rural co-operative society movement in Poland entered the new phase of development, which lasted until the year of the beginning of the transformation, until 1989. The dominant role and the meaning of co-operative societies within the nowadays economy way turn out to be extremely important. The central authorities and economical administration authorities assigned specific sources and purchase conditions of products, assigned premises and equipment (including means of transport), and guaranteed cheap loans which covered the needs of the realisation of the stipulated activity plans. Administration decisions often determined pay levels, rent levels, transport fees, loan percentage, in practice – the level of costs and on the other hand strictly determined the level of almost all prices as well as profit margins. The condition for the undertaking of substantial investments by the given society was the necessity for being located within the general socio-economic plan. Some investments were imposed upon the co-operative societies (ex. the construction of food plants for the servicing of the tourist traffic). Tax loads removed the possibility for the sufficient accumulation at the same time making the co-operative societies dependant upon the financing national banks. As the result co-operative societies have total lost their independence and have become a particular executive body of the assumptions of the so-called central planning. The process was accompanied by the occurrence of observations referred to as “introducing of the state into the idea of co-cooperativeness”. In 1987 almost 1900 provision and trade co-operative societies, 320 milk manufacturing societies, 130 gardening societies, more than 2100 agricultural manufacturing societies as well as 1660 social banks have been registered. The number of all society members amounted to about 7.5 million individuals.

Introduction in 1989 of the principles of the market economy had to cause radical changes within the Polish co-operativeness and above all they were connected to the aims of operation. The issue of the co-operative societies becoming independent entities required introduction of changes of the methods and forms of functioning and therefore adjusting to the new conditions so that they could meet their new statutory functions. For the majority of co-operative societies the new management conditions constituted a shock. This fact was introduced by not only the radical economic changes (the loss of demand, free price fluctuations) but also by the results of the Act (from 1990) regarding changes within the organisation of the co-operative societies and especially the incorporated within this Act the decision regarding the removal of co-operative societies, removal of the ban on establishing of associations, introduction of a period of few years of lack of auditing of co-operative societies or removal of the necessity for conveyance of workshops (for employees and local authorities). Liquidation of „decision making centres” in the form of associations and clubs, despite the fact that the operation of the society was to lead to the larger degree of introducing of democracy of operation of the co-operative society, in reality led to their destruction. As the consequence of the introduced changes was decrease of as much as by half of employment, members, property sales and worsening of the obtained economical results. The share of the co-operative societies within the Gross Domestic Product, which in the 1980s amounted to as much as 10%, in 1996 fell to the level of 1.0 – 1.2%. The employment levels within the societies was decreased by more than 3 times fold – from 2 million in 1989 to 620 thousand in 1996. Co-operative society property, built for decades, to a large extent was now outside of the cooperativeness entities. Their number decreased by about 30%, and in some industry sectors by more than 50%. With time the number of co-operative societies drastically fell, the process which is constantly ongoing, despite the fact that the role and the meaning of co-operative societies within the nowadays economy way turn out to be extremely important.

3. The location of the idea of co-operativeness within the food manufacturing system
3.1. The sector of co-operativeness within the Polish economy

Currently the process of co-operativeness society registration is in parallel conveyed by:
- Public statistics (REGON registry conveyed by the branches of GUS);
- The National Court Registry;
- The National Co-operativeness Council.

The number of units present within the aforementioned registers shows a falling tendency, although the slowest decrease pace is presented in case of the REGON registry, since within the aforementioned system all of the changes are made upon own application of the registering entities. In accordance with the aforementioned registry the number of co-operative societies in the amount of 19,372 in 1992 decreased to the number of 17,352 in 2008. (picture 1)\(^5\).

![Picture 1. The number of co-operative societies in Poland between the years of 1992-2008](image1.png)

The changes in the number of co-operative societies in Poland have been conveyed under such processes as the division of the existing co-operative societies (mainly housing real estate societies), creation of new societies (SKOK), merging of societies (banks, co-operative societies). The aforementioned occurrence did not occur in parallel on the territory of Poland, therefore their geographical differentiation is existent (Picture 2). Generally co-operative societies develop faster in more developed areas of better infrastructure (ex. Masovian, Lower Silesian Voivodeships and the Voivodeship of Wrocław).

![Picture 2. Number of co-operative societies with application of the provincial division (as of the 31\(^{st}\) December 2008)](image2.png)

As the socio-economic occurrence, the issue of co-operativeness, in the light of many statistics officially conveyed since 1989, is almost a non existent issue. In majority the data is of estimative character and are connected to various years. It is estimated that currently co-operative societies possess about 6 million of

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\(^5\) As a comparison in accordance with the registry of the National Co-operative Society Council in 2008 there have been 9,5 thousand co-operative societies in operation, the number which is almost twice smaller.
members. The number of employed within the societies drastically fell. In 1989 it was at the level of 2.2 million individuals whereas in 2000 only 443 thousand. It is estimated that in 2003 the level of employment within the co-operative societies was at the level of 440 thousand employees. What was also subject to the increase was the share of the sector of the co-operative society within the GDP. In 1989 the share amounted to about 9.5%. Currently it has stabilized at the level of about 1.6%. The share of the sector of co-operative societies within the global manufacturing rate of the national economy also was subject to the decrease and currently amounts to slightly above 2%. On the other hand the share of the co-operative societies’ product within the company sector decreased from 3,3% in 1995 to 3,7% in 2000. The amount of investments made by co-operative societies have also been subject to decrease. Between the years 1990-91 they constituted about 20% of all of the resources spent towards the aforementioned aims, whereas in 2000 they constituted the amount of 4,7% only. Another tendency, which is characteristic of the co-operative sector in Poland is the decrease of the share of the co-operative societies within the construction sector as well as within the construction and assembly economy sector. What as also been noted is the substantial importance of transport co-operative societies. The decrease of the importance of the cooperativeness form of management stem from the fact of its artificial overdevelopment within the era of the communist Poland. The co-operative societies, which have been deprived of preferences and benefits were not able to find themselves within the new surrounding economical activity. Only the strongest of them survived, which were able to compete with private sector national and international. Manufacturing type of agricultural co-operative societies have been able to cope with the aforementioned task in the best manner, which developed new processing directions, often organising their own sales networks (developing the scope of co-operation with farmers), as well as milk manufacturing co-operatives societies. The manufacturing potential of the gardening co-operative societies has been subject to substantial decrease as well as the number of shops and manufacturing plants owned by food co-operative societies. More than a half of the co-operative societies employs between 51 to 100 individuals. 25% of the whole is constituted by co-operative societies which employ up to 50 employees. More than 200 is employed only in 3% of all co-operative societies. Increase of the number of units of small and average employment constitutes the general tendency. It is estimated that in 2005 housing real estate societies were dominant, which constitute about 37% of the total (table 1). Commune co-operative societies „Folk Self-Aid” (“Samopomoc Chłopska”) constitute second group with the 15% share of the total value, as well as labour co-operative societies constitute the third group (10,5%). Housing societies also constitute an important employer. Within the co-operative society sector they generate ¼ of the total number of workposts. Slightly less (about 16,8%) are employed by „Społem” co-operative societies. Considering their small number, what can be assumed that the latter group constitute entities of substantial resource concentration.

Table 1. Estimated number of operative co-operative societies in accordance with the data at the end of 2005

<table>
<thead>
<tr>
<th>Type/market sector</th>
<th>Number of co-operative societies in thousands</th>
<th>Type of economical activity</th>
<th>Workposts within the co-operative society sector (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spolem” co-operative societies</td>
<td>0,36</td>
<td>Services: trade</td>
<td>16,8</td>
</tr>
<tr>
<td>„Folk Self-Aid” („Samopomoc Chłopska”) co-operative societies</td>
<td>1,44</td>
<td>Services: trade, services for agriculture</td>
<td>13,7</td>
</tr>
<tr>
<td>Milk manufacturing co-operative societies</td>
<td>0,19</td>
<td>Agricultural resource purchase and manufacturing</td>
<td>8,6</td>
</tr>
<tr>
<td>Garden and honey manufacturing co-operative societies</td>
<td>0,12</td>
<td>Food industry manufacturing</td>
<td>0,4</td>
</tr>
<tr>
<td>Agricultural manufacturing co-operative societies</td>
<td>0,87</td>
<td>Agricultural manufacturing</td>
<td>3,8</td>
</tr>
<tr>
<td>Agricultural circle co-operative societies</td>
<td>0,79</td>
<td>Agricultural services</td>
<td>2,9</td>
</tr>
<tr>
<td>Housing real estate co-</td>
<td>3,53</td>
<td>Housing real estate</td>
<td>25,0</td>
</tr>
</tbody>
</table>
The idea of co-operativeness in Poland is represented by the National Cooperativeness Council, which is the highest co-operative society authority body (based upon the Act on Co-operativeness art. 259). It associates the whole movement of co-operativeness, i.e. about 10 thousand of co-operative societies which operate within 13 industry sectors and has about 6 million of members as well as 58 national and regional co-operative entity revision associations. In accordance with the Act, the National Co-operativeness Council performs the function of the revision association with respect to the co-operative societies, which do not belong to any associations. This means that with respect to such co-operative societies it possesses particular organisation authorities which have been described within the act (e.g. the right for summoning of the General Meeting, declaring societies’ bankruptcy and liquidation in case of a vivid infringements of its statute). On the other hand it does not possess power type of influence.

### 3.2. Co-operative societies within the agricultural food manufacturing system

In almost all market economies particular elements of the food manufacturing chain are to be found within private hands. All of the entities, which operate within the agricultural economical surroundings may be of commercial character (profit oriented only) or of co-operativeness type (oriented at the meeting of the demands of its members). Despite the deformation of the idea of co-operativeness during the era of the Communist Poland, co-operative societies still play an important role within the Polish food manufacturing system. Agricultural co-operative societies (farm type) above all function within the field of provision of consumption type of products, means of farming production, within the field of purchase of agricultural products and trade of agricultural manufactured products, processing, services and catering for farming households and inhabitants of the rural areas. The aforementioned entities also convey agricultural manufacturing. Currently the share of rural area co-operative societies within the total number of co-operative societies surpasses 41%, whereas the share within the employment levels within co-operative society sector reaches the level of 38%.

Between the years of 1989-2007 the number of agricultural co-operative societies of all types have been subject to substantial decrease. From 8133 agricultural co-operative societies in 1989 only 3840 remain (47%). The number of co-operative agricultural circles as well as co-operative society banks have been subject to the largest decrease (by almost 65%) (table 2).

### Table 2. The change in the number of co-operative agricultural societies in Poland between the years of 1989-2007 (in accordance with the database of the National Co-operative Society Council – as of the 28th February 2007, without the co-operative societies in the process of liquidation)

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Co-operative societies together</td>
<td>15236</td>
<td>10461</td>
<td>9311</td>
<td>61,1%</td>
</tr>
<tr>
<td>Agricultural Co-operative societies</td>
<td>8133</td>
<td>4741</td>
<td>3840</td>
<td>47,2%</td>
</tr>
</tbody>
</table>
The decrease of the number of co-operative societies within the particular market sectors possess various reasons and effects. The substantial decrease of the number of independently operating society banks have above all stemmed from the necessity of joining of banks in order to meet the requirements with respect to the meeting of the demands within the scope of possessing of the particular level of own capital. As the consequence the number of independently operating banks has been subject to the decrease, but the number of client service points increased and the whole sector strengthened its position.

Changes of similar character have appeared within the milk manufacturing co-operative society, which has modernised its processing base and retains its market share at the level of 75-80%.

“Folk Self-Aid” („Samopomoc Chłopska”) provision and sales co-operative societies

“Folk Self-Aid” sales and provision co-operative societies have been created by the state since 1946. In definition they were formed within every commune and were of the unified structure. They took over the property of various trade and agricultural co-operative societies and conveyed the purchase of most of the agricultural products on order from the national processing industry. Moreover, with application of the exclusiveness basis they provided individual agricultural households with all of the means of agricultural manufacturing (devices and agricultural tools, mineral fertilisers as well as plant protection agents, construction and heating (combustion) materials, industrial fodder.

During the process of the transformation of the Polish economy the scope of the operation of the aforementioned co-operative societies has been subject to substantial limitation. Above all the number of the co-operative societies has been subject decrease, from 1912 in 1989 to 1385 in 2007. About 40 % of all trade posts, butchers’ workshops, sparkling water manufacturing plants, service and catering workshops, which were at the disposal of the “Folk Self-Aid” in 1989, was leased or sold or taken over by creditors. The part of the property of the aforementioned co-operative societies was lost as the result of the execution of the introducing of order to the legal status of land allotments. As the result of the direct operation of the aforementioned co-operative societies what has been left over is the fraction of the manufacturing provision of the agricultural sector (fertilizers, coal, construction materials etc.), the remnants from the purchase of agricultural products, the manufacturing facilities (mainly bakeries) as well as retail trade. The income structure is dominated by the retail trade. Within the last few years what can be observed is the decreasing multi-sector character of the operation of the co-operative society, what appear are the cases of concentration and specialisation. The aforementioned development leads to the development of the food manufacturing co-operative societies, not in the direction of trade-economical type of activity. It is estimated that about 20% of all “Folk Self-Aid” co-operative societies is currently not operational, i.e. does not convey any economical and trade activity. These are almost mainly co-operative societies connected to the agricultural turnover. Currently the aforementioned type of societies possess about one million members and employ 150 thousand employees. In comparison with the situation from the beginning of the 1990s the amount of members as well as employees has been subject to the 3times fold decrease[6].

Milk manufacturing co-operative societies

The history of the milk manufacturing co-operative society in Poland possesses over hundred years old tradition. The first milk manufacturing co-operative society was established in 1886 in Grodzisk Wielkopolski. Nevertheless, the substantial development of the aforementioned co-operative societies falls for the between the War period. In 1938, 1241 co-operative societies functioned in Poland and the milk manufacturing co-operative society processed over 1 million litres of milk annually.

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<td>Provision and sales “Folk Self-Aid” co-operative societies</td>
<td>1912</td>
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<td>Milk manufacturing societies</td>
<td>323</td>
<td>238</td>
<td>188</td>
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<td>Gardening and honey manufacturing co-operative societies</td>
<td>140</td>
<td>128</td>
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<td>Agricultural manufacturing co-operative societies</td>
<td>2089</td>
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<td>Agricultural co-operative circles</td>
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<td>Co-operative society banks</td>
<td>1663</td>
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Source: KRS data.
Within the post-War period milk manufacturing co-operativeness did not possess substantial conditions for properly equal development. In 1948 there have been 1297 existing co-operative societies, in order to be dissolved and after their restoration after 1956 their total number amounted to 629. In later times what has followed has been the concentration process as the result of which the number of milk manufacturing co-operative societies decreased to 323 in the second half of the 1980s. Currently the number amounts to 188.

What needs to be underlined is the fact that the milk manufacturing industry constitutes one of the largest parts of the Polish food industry. The share of the sector within the total sales of the food industry reaches the level of 17%, and considering the employment level, surpasses the level of 16%. The national milk manufacturing sector is subject to substantial partitioning. Currently about 370 companies operate within the sector, including 188 milk manufacturing co-operative societies. The milk manufacturing co-operativeness gathers about 78% of the total of milk, the rest is bought by private owned companies. The average Polish milk manufacturing shop is much smaller and of much worse market position in comparison with the 15 “old” EU member states. Almost the same amount of milk manufacturing workshops is operative in Germany as in Poland, but it processes 3 times more milk in comparison to the Polish counterpart and with 18% smaller employment. As the result the technical work efficiency within the German milk manufacturing workshops is almost 4 times better, and the economical efficiency almost 5 times fold better. The process of consolidation of the milk manufacturing sector, which is the most effective road to the improvement of effectiveness and lowering of manufacturing costs and improvement of the market position has to be considerably speeded up is the Polish milk manufacturing sector is to retain its competitive position. With the retaining of the current market limitations the number of milk manufacturing companies in Poland may decrease by as many as 80% within the next decade.

**Garden and honey manufacturing co-operativeness societies**

The garden and honey manufacturing co-operativeness was established in Poland during the between the War period and was of the elite character. The period following World War II witnessed its quick development. In 1949 there have been 152 co-operative societies which associated 37,5 thousand members. In 1950 – similar to the milk manufacturing cooperativeness, the sector was taken over by the state and reactivated in 1957. Concentration of the agricultural co-operativeness was executed at the central and voivodship level in 1976 by merging of three co-operative society pillars (provision and sales, milk manufacturing industry and gardening) limited the independence of the milk manufacturing as well as garden and honey manufacturing co-operativeness. Stopping of the aforementioned process has occurred as the result of the so-called disintegration which occurred in 1981.

Similar to the milk manufacturing societies, gardening and honey manufacturing societies are specialist types of entities. They are preoccupied with the turnover and processing of vegetables, fruits and honey related products. Until 1989 they were the main but not sole entity upon the difficult market subject to its character and type of production. The aforementioned co-operative societies realised such tasks as: the purchase of agricultural products with application of the contract or freelance types of purchasing, provided these products in the wholesale amounts to the market or via their own shops, provided manufacturing plants with resource with resource subject to be processed, exported the agricultural products and processed garden based products. As the given market sector entities, co-operative societies rendered aid to its members within the process of specialisation amongst others through the manner of contracts, provided agricultural farming households with the means of agricultural manufacturing, rendered manufacturing services etc.

In the 1990s verification of co-operative society members as well as the valorisation of the members; shares have been conveyed, what has also been necessary was the adjustment of the operation infrastructure to the contemporary market needs. After the process of reorganization the number of co-operative society units decreased to 104 in 2007 and the number of members was decreased in some cases by as much as ten times fold. Year to year the manufacturing levels fell and the degree of purchase was also subject to the increase. Fruit and vegetable wholesale units have appeared which started to create competition for the co-operative societies. Part of the co-operative societies was able to survive on the market and currently, despite large competition, provides local markets with fruits, vegetables and processed products. Fruits and vegetables are bought only for the needs of the market there is no shipment to the processing facilities nor any of the portion is meant for export. In comparison to the 1980s, quite often the current level of purchase is very small. It is the shops, restaurants, bars social security houses, points of mass feeding that constitute the main recipients.

The certain group of co-operative societies engaged themselves within the additional commercial activity and for example sells school type of material – fruit trees and bush which come from qualified schools.
(along with the professional advisory). As far as their capabilities go co-operative societies tried to adjust themselves to the demands of the European Union. In many cases what has been necessary was the improvement of sanitary conditions only.

Apart from the sales points, garden and honey manufacturing co-operative societies also run fruit and vegetable shops as well as flower shops. Co-operative societies also provide specialised seed shops with means of garden type manufacturing products, tools as well as plant protection compounds. What also appears is the tendency for the transformation of the co-operative societies into manufacturing groups.

Agricultural production cooperatives
Agricultural production cooperatives cooperate in the field of agricultural production. Pursuant to the bill Cooperative law - the subject of agricultural operations of a production co-operative is running a common agricultural holding as well as operations in aid of individual agricultural holdings of its members. A co-operative may also conduct other economic operations. According to the National Court Register data, currently ca. 840 agricultural production co-operatives function and their number decreased by 60% compared to year 1989. This particular type of co-operatives constantly meets with lack of understanding, as it is associated with the process of collectivization, which was carried out most proficiently by the communist authorities in years 1948-1956. The characteristic quality of the APC (agricultural production co-operative) currently in operation is the fact that usually they were established out of own initiatives and not due to duress. Thus, one may conclude that freedom of choice as the primary quality of cooperativeness produces benefits for the co-operatives' members.

The studies carried out by employees of IERiGŻ suggest that at present the average surface of an agricultural production co-operative amounts to 650 ha. Employment rate, however, is at the level of 6,7 person per 100 ha of agricultural land. The structure of APC is dominated by holdings directed at multidirectional activity. Due to lower dependence on the external factors (mainly weather and market related), these co-operatives are characterized by a relatively better economical state as well as they are more environmentally friendly.

The current economical situation of the studied APC is generally evaluated as good. This is affected by the weather conditions, which have been favoring in the recent years as well as the financial support from the EU funds. Unfortunately it is emphasized that some of the co-operatives "consume" their assets. This forces the need to reduce the production costs. The possibilities of their decreasing by reducing the labor expenditures in co-operatives are seriously limited, as members of co-owners of the assets. Such possibilities can be seen in more effective utilization of the material fixed assets (machines and buildings), in reducing the provisioning and sales costs, or by getting higher prices for the sold agricultural products. This, however, requires from the co-operatives to organize producers' groups with the participation of individual farmers. Such groups are being established, though their numbers are far too scarce.

The future of co-operative form of management will depend not only on the market conditions of agriculture's development, but even more on the political climate in relation to this form of ownership. Agricultural co-operatives have been discriminated to this date, which can be observed in, inter alia, legal limitation of possibilities of access to the European Union's funds (PROW, ONW). In accessing these funds, cooperatives are unfairly treated as commercial companies (support settled for a company), and not a multi-family agricultural holding, utilizing mainly its own workforce (family). Cooperative ownership, due to its nature and membership relations, is much closer to an individual family holding rather than a commercial company. Just like an individual family holding it produces income, not profit. The land area falling on one cooperative family is relatively small, as it amounts to less than 15 ha of agricultural land. In accessing European funds cooperatives should be treated as individual holdings. The amount of support should additionally depend on the number of families included in the co-operative.

A significant part of co-operatives are interested in increasing the area of the utilized land. After recalculating per one member they have far too small an amount of land in order to generate income, which would fulfill the needs of its members and one, that would enable the development of the co-operative holding. The Bill on shaping of the agricultural system has been effectively limiting the possibilities of extending the area of co-operatives for five years, as it treats co-operatives as commercial

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4 The studies were carried out in 2008, and their purpose was to organize agricultural production co-operatives in terms of their economical results. The ranking took into account especially five characteristics: four indicators: profitability of work, profitability of economic activity, work efficiency and value production index as well as one meter, i.e. incomes in general per co-operative [5].
enterprises, and not multi-family agricultural holdings. The newly prepared legal regulations may further impede acquisition of land for the cooperators.

Cooperatives of agricultural circles
Agricultural circle cooperatives (SKR) started establishing in 1973 due to concentration of activity of agricultural circles and transformation to cooperative principles. These cooperatives included in its operations the area of several municipalities. They executed various operations in aid of agricultural holdings (mechanization services, including so-called complex services), they established permanent agricultural equipment overhaul infrastructure, rendered construction services and involved themselves in management of terrains of the National Land Fund.

As the result of the processes of market facilitation of Polish economy the number of SKRs decreased by nearly 65%, to the level of 731 in year 2007. Cooperatives of agricultural circles are currently undergoing a complex process of transformation. The progress of this process is of significant importance both for the countryside and agriculture, and for the whole complex of food economy sector, as SKRs have a significant share in the system of agricultural production services, provision of means of production for agriculture (fuel, greases, spare parts etc.) as well as in creating and implementing scientific-technological progress in practice. The subject structure of production services for individual holdings the share of economic units of agricultural circles varies between 22-25%. In addition, SKRs ensure work positions for rural youth in their respective regions of operation. Thus, they are one of the important elements of entrepreneurship in rural areas. I SKRs' operations one may discern two fields of interest: agricultural services - strictly related with agriculture and its specificity, determined by spatial organization of activity of the given unit, as well as extra-agricultural services, trade and production - as activity characteristic of industry and craft; their effectiveness primary depends on the location in relation to outlets and provision.

SKR - despite the fact that part of them was liquidated - still have a strong position on the market. Most of them adjusted to the requirements of a market economy and they are competitive in terms of price, quality and timeliness of services. In the production sphere of agriculture's service they are also an important element of protecting the farmers from abuse of the monopolistic position by private service providers. Most cooperatives render services for agriculture (80%). Part of them, however, operates in different fields of activity, such as: construction of water mains and sewerage devices, maintenance-construction services as well as production of construction materials, excavation and transportation of lime as well as peat, repair of household appliances. Commercial activity of the studied cooperatives is limited mainly to provision of rural areas with fertilizers, construction materials, fuel, fodder, plant protection agents, seeds, spare parts, technical gases, fuels and greases. However, within the frames of production activity SKRs execute steel structures, window and door carpentry, agricultural tools and devices, spare parts for agricultural machines, concrete wares. Agricultural services generally include combine harvesting of cereal, beetroot and potatoes, harvesting of grasses and browse, chemical protection of plants and distribution of fertilizers and lime. In the near future, SKRs will undertake the following forms of service activity: various modern technology services, repair of agricultural machines and tools, production and construction-maintenance services as well as other tasks in aid of the wider group of customers.

Cooperative banks
Saving-loan cooperativeness has a long-term history in Poland. After World War II this type of cooperativeness was reactivated in the form of saving-loan cooperatives (SOP). In 1975 SOPs were transformed and included in the established chain of food management banks (BGŻ). At the time they were given the name of cooperative banks and two types of them were established:

- banks servicing the financial needs of rural areas, including individual farmers, members of production cooperatives, craftsmen and the remaining rural population; they also dealt with financial-credit service of organizations and financial management units in the area of municipalities;
- banks servicing individual entrepreneurs in the cities, meaning craftsmen, small manufacturers etc.

This means, that at the time cooperative banks realized three primary banking functions, meaning savings turnover, credit activity as well as settlement operations, in addition they organized land trade.

Between 1989 - 2007 the amount of cooperative banks decreased most significantly (by circa 65%). As it has already been emphasized, this was the consequence of meeting the challenges of attaining a high-enough level of own capital. Thanks to this process (concentration of capital) the competitive position of cooperative banks as well as their capability of affecting food producers improved.
579 cooperative banks operated in 2008. Value of their deposits amounted to 47.9 billion PLN (10 times less than other commercial banks). The structure of annuities was dominated by deposits of the household sector (87.9%). Nearly 70% of the credits granted by cooperative banks were transferred to individual farmers. Operating incomes of the banks analyzed in 2008 amounted to 5.5 billion PLN (2.6% of the general incomes of the banking sector). The costs of this type of operations amounted to 4.3 billion PLN (2.3%). Cooperative banks achieved the result of 3.7 billion PLN from banking activity. Thanks to the achieved results, profitability of cooperative banks has greatly improved.

4. Perspectives for the development of agricultural cooperativeness in Poland

4.1. Stimulants of development of agricultural cooperativeness in Poland

Activities in aid of development of cooperativeness in general, also agricultural in nature, should be an unquestionable postulate of not only the cooperators and their associations, but also local communities as well as consumers. Numerous premises speak for such a solution. The most important of them include:

- the employment function performed by cooperative societies - the studies carried out by S. Nałęcz, J. Konieczna suggest that a large portion of cooperative societies are at least important local employers in terms of full-time jobs (38%) and work for women (28%), they also provide employment in the form of commissioned work, seasonal work and other;
- affecting the local development - operations of most cooperative societies are local in scope; for 63% of the cooperative societies the local market is the recipient of at least half of the products and services, and the average share of the local market in the sales of the cooperative society amounts to 78%; the majority of cooperative societies have all their facilities located within the territory of one municipality (66%), and the whole of cooperatives' structures is located within the area of one county in the case of 80% of cooperative societies; 39% of cooperative societies act as purchasers of local production or services; another form of activity of cooperative societies in aid of local communities is granting support to various local social initiatives; according to own declarations 37% of cooperative societies supports cultural, social, sports activity etc.;
- activity in aid of professional elicitation, creating workplaces or granting other support in getting employment; every fifth cooperative society declares it;
- realization of the principle of priority of “work over capital”, meaning limiting of the striving for profit in aid of better fulfillment of needs of the personnel of the social economy entities (this is a quality of social economy according to the concept of Flemish consortium VOSEC);
- enabling building of a civil society through realization of the concept of democracy, establishing social ties, development of local society;
- placing farmers in a more beneficial situation as producers of agricultural resources (taking over of part of the economical excess) as well as in the capacity of recipients of the means of agricultural and consumption articles' production;
- ability to balance the interests of producers and consumers - understanding and meeting the demand for food of various social groups, care for their comfort, safety and respect for the environment and welfare of animals is one of the primary principles of operations of cooperative societies stemming from the care of consumers' welfare; this principle is nowadays reinforced by supranational enterprises operating according to the principle of total freedom, the main goal of which is to maximize profits; as the result of their activity the group of consumers, who prefer purchasing products locally or regionally, thus identifying themselves with the environment they live and work in grows;
- along with the civilization's development and progress, the vast majority of profits from the agricultural-food production sector is intercepted by intermediaries, whilst the profits are also produced at the expense of consumers and the natural environment; a cooperative society is capable of offering not only fresh and healthy products but also cheaper products by limiting the sphere of mediation. Development of cooperation between cooperative societies of producers and consumers is of importance in this case.

Thus, there are numerous premises speaking for the development of cooperativeness. Among the actual factors stimulating this development, the most important one, however, seems to be the growth of demand
for goods and services produced by cooperatives. In the financial sector and dairy cooperative societies they mainly pertain to:\[2\]:
  - beneficial conditions of development of the financial sphere (especially for cooperative banks and SKOK) as well as reaching market niches by these entities - mainly niches of retail services for rural population (among others service of payments of EU funds by cooperative banks) as well as reaching the less wealthy layers of city population with para-banking services (SKOK);
  - concentration of capital in cooperative banks due to the capital requirements of the "Banking law" bill, which resulted in mergers or takeovers of the weaker banks by stronger ones both locally and regionally;
  - more convenient terms of functioning of SKOK as para-banking institutions (on the basis of a bill other than "Banking law") as well as SKOKs' establishment of a strong chain of retail services throughout the whole country;
  - concentration of production and capital of dairy cooperatives in the larger units, as the result of mergers and takeovers of the weaker entities by the stronger subjects, improvement of the quality of dairy products as well as development of circa 75% of the dairy market in Poland.
However, answers of the representatives of the general cooperative societies to open questions about the factors supporting the development of their cooperatives (Badanie Spółdzielczości Polskiej 2006) most frequently indicated:
  - public support: allowances, preferences, financing related with employment of disabled persons (25% of replies);
  - demand for services and products offered by the cooperative (18%);
  - involvement of employees (11);
  - good location of the cooperatives, possession of proper fixed assets (8%);
  - rooting in the local community (6%);
  - timely restructuring of the cooperative (6%);
  - general economic development of the country (6%);
  - quality of products (3%);
  - lack of competition (3%);
  - product for the purpose of exporting (3%);
  - availability of credits (1%);
  - moving production from the West to our part of Europe (1%);
  - possession of shares in a thriving company (1%).

4.2. Development barriers for agricultural cooperativeness in Poland

One of the most significant development barriers in agricultural cooperativeness is the decrease in demand for the products and services offered by agricultural cooperatives. According to cooperators the most important reasons for this effect\[2\] include, above all, strong competition from the remaining subjects of the private sector, in particular enterprises with significant foreign capital (e.g. hypermarkets), inflow of foreign products imported at dumping prices as well as significant dispersion and lack of cooperation between small cooperative entities, or often even competition between them.

To the open question about the barriers in proper functioning and development of cooperatives the respondents filling in the questionnaire of the Polish Cooperativeness' Study 2006 gave a total of 233 answers. the largest group of respondents (37%) indicated problems related with limited demand for goods or services produced by the cooperative. Among other things, the following difficulties were indicated\[2\]:
  - too strong competition, especially in the context of inflow of cheap goods from abroad, usually from Asia (22% of answers);
  - lack of or limited outlets for products and services offered by cooperative societies (7%);
  - development of hypermarkets (5%);
  - low spending power, poverty of the region, in which the cooperative operates (3%);
  - overrated zloty currency exchange rate in relation to euro and dollar, which impedes the development of export production.

The second group of barriers indicated by the representatives of cooperatives is related with the unfavorable activities or the lack of activities of the public authorities (34%). The following problems were indicated:
  - bad, worsening, unstable regulations (10%);
  - excessive charging with para-taxes related with employment (7%).
The second group of problems making the development more difficult are mainly connected with excessive charging with taxes and fees (5%), limitation of preferences, allowances and subsidies for cooperatives (4%), difficulties in getting access to EU funds (3%), and other factors.

The third group of problems making the development more difficult can be described as market conditions in the given sector or region unfavorable to the given cooperative. These are:

- high costs of production, in particular the growing costs of resources (6%);
- insufficient service in terms of credits, possibilities of investing (9%);
- lack of qualified employees (3%);
- financial blockages, lack of liquidity (3%);
- bad situation in the sector (1%).

A separate, though a minor group of the reported problems, were the problems of cooperatives stemming from their functioning as cooperatives and not partnerships. The cooperative form is sometimes perceived as difficult due to the discriminating by external entities, but also for internal reasons (difficulties related with democratic decision-making procedures). Despite these difficulties, only 3 out of 524 cooperatives openly admitted to their plans to transform into partnerships.

5. Conclusions

In the times of globalization, increasing competition the evolution of cooperative structures is still an arguable matter. Polish literature is currently dominated by three main concepts pertaining to this problem:

1. Cooperatives, in essence, are associations, which are humanitarian in nature. They are not established in order to execute effective economical actions. Obviously, this concept leads to unavoidable failures of joint economical activities.
2. A cooperative is an enterprise similar to other ones, which does not possess its own specificity in relation to the essence and management.
3. A cooperative is an original organizational form established in order to jointly realize economical activities. The purpose of these activities is to search for possibilities of generating profit within the system of competitive economy.

It seems, however, that cooperatives are specific enterprises, the essence of which is not always understood sufficiently. Thus, the insufficient understanding of the cooperative essence and specificity is the source of recurring cooperative problems. Nowadays, the most important of them are:

1. Retaining separation of the cooperative sector from the commercial law companies and taking its specificity in the legal system.
2. Building the position of cooperativeness on the commercial market as well as within the broadly-understood public opinion.

Since the beginning of its existence, cooperatives have been founding their operations on the principles of cooperation, joint actions and social solidarity. Today, when further barriers of international commercial exchange fade, the concentration rate and competition grow, and governments resign from their regulatory rights, this is of special importance. A system producing more and more threats for many people is created. Social exclusion is becoming a permanent effect.

For the last 20 years of building a market economy in Poland the role, essence and specificity of the cooperative sector has not been understood sufficiently. Just like in the PRL period when cooperatives have been pushed into the system of national economy, after year 1990 they are included in the frames of the commercial sector, although no one knows why exactly. None of the solutions are appropriate for this sector, they are even harmful.

Members are leaving cooperativeness as the economical ties, which right next to the social ties are the foundation of functioning and durability of cooperatives have been severed. They are especially important in rural areas, where the specificity of agriculture and farmer's work as well as the specificity of agricultural holdings speak for joint forms of farming.

Thus, cooperativeness must retain its separation stemming from the system of principles and values, which are the foundation of its functioning, and both the state and local self-governments should allow for this specificity in their policies.
References