

THE LEGAL AND ORGANIZATIONAL CONDITIONS OF DEVELOPMENT OF THE DAIRY COOPERATIVES IN POLAND

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The paper presents the history of the development of Polish cooperatives with particular emphasis on dairy cooperatives. The dairy cooperatives are special form of doing business. Despite that, this activity is carried out under separate legislation (Cooperative Law), therefore, the cooperatives like other businesses must adapt to the conditions of market economy.

Keywords: cooperatives, dairy cooperatives, agribusiness

Introduction

The dairy cooperatives activity is mostly based on the Law of September 16, 1982 of the Cooperative Law, according to which cooperative voluntary is a consolidation of unrestricted number of people and its line-up and share fund can be changed. One of the general principles of those companies is to conduct a business activity in behalf

of members of the business. In addition, the cooperative can also give social activities and have educational and cultural influence for common welfare of the members and the closest environment.

It is conventional that the economic activity performed in the form of cooperatives is against its own so-called „cooperative principles” rules. Still, from the point of view of economic calculation, dairy

cooperative is not only a voluntary association of members but also production company which is obliged to do business. Zuba emphasizes that cooperatives are a special form of food economies which will work in the conditions of market economy.

The aim of this paper is to present the legal, organizational and economic aspects of the dairy cooperative movement in Poland.

Development of dairy cooperatives in Poland

The history of the Polish dairy industry goes back to the nineteenth century when fast development of the cities resulted in the need to support the growing urban population. Until then, the dairy products were made in agricultural house industries only for own consumption. Production of raw materials in the city was impossible because the milk and dairy products were needed to be bought and then delivered to the cities. It led to development of a commodity production in agricultural house industries. Another necessary condition was a development of means of transport by which the milk could be delivered to city. Different types and forms of trade of milk and its production had also developed. Thanks to the technical and technological progress, raw materials started to be processed. It had promoted forming called "country cooperatives" or the companies terrestrial. The emerging cooperatives had been producing tangible socioeconomic benefits for the entire region. The most important of them were even the improvement of the population's life, construction of roads, community centers or homes of the people.

In the areas of Prussia and Austria, dairy cooperatives did not meet difficulties from the government. The greatest problems in the organization of dairy cooperatives occurred in the areas annexed by Russia where the Russian authorities were hostile to the cooperative movement and the Polish associations. Cooperatives in addition to economic associations served distribution of national consciousness. In 1908, there was a sustainable development of dairy cooperatives' movement in Poland mostly caused by activists like Edward Abramowski, Romuald Mielczarski and Stanislaw Voytsekhovskiy. What is more, the development of cooperatives during this period was a merit of Siegmund Hmelevskiy who was at that time the Secretary of the Dairy Committee at the Faculty of Farmers' Central Agricultural Society in Warsaw.

Before the World War I, there were about 600 cooperatives and 770 organizations processing raw materials. At that time not only the local market had increased but also the Polish dairy products had emerged on foreign markets. After the end of war the number of cooperatives had decreased to 120 units what was an effect of partial destruction and economic weakness of the cooperatives.

The big development of dairy cooperatives was noted between 1925 and 1929. The reports of

that time show the increase in number of cooperatives from 524 in 1925 to 1362 in 1929, which lingered until the world crisis, that had a big influence also on Polish market. Another crisis in the development of the Polish cooperative had come with the beginning of the World War II. In 1938 Poland had 1475 dairy cooperatives which combined about 700 000 participants. During the war, the herd of cattle considerably decreased approximately to 30% its pre-war state, therefore, there were only about 40% of milk recombining companies. The end of war had forced society to take the measures connected with the reconstruction of the economy, especially in the agricultural industry. The priority was to support the population that promoted an increase in conversion of milk.

In 1945 there were 685 running dairy companies, including 590 of cooperative and 95 of private. The years 1945-1950 were the period of dynamic development of processing companies. Purchase of milk, which at the end of the war amounted to 1.2 million liters, had increased in 1950 to 2.5 million liters. In 1951, the cooperatives were nationalized, this factor as well as the exchange of money, inhibited the development of the dairy co-operative movement in Poland. Since 1952 milk had been delivered to every dairy companies and the situation forced the suspension of socio-cultural to act.

In 1957, the government cancelled compulsory deliveries and renewed dairy cooperatives. The Union of Dairy Cooperative as the organizations of the chief in structure of dairy cooperatives was created on January 1, 1958. The Union of Dairy Cooperative was transformed to the Central Association of dairy cooperatives in 1961.

Because of the reform in 1975 49 provinces had been established, what was one of the main factors of change in the Polish economy. The dairy cooperatives were included in the Central union of agricultural cooperatives "Country Self-Help". Contrary to it, the Central Union of dairy cooperatives was transformed to Central office on the dairy industry and at that time in a combination of small and average cooperative. Besides, those 49 provinces of Cooperative Dairy were based on the provincial unions. On December 2nd the central associations of dairy cooperatives had been restored and then district dairy cooperatives were created on January 1, 1981.

Slowly they began to rebuild the dairy cooperatives. The distribution network was created for the increasing range of dairy products. Provincial Transport Dairy Plant "Transmlecz" had developed its transport base by investing in new means of transport to carry raw materials and dairy products. From the date of imposition of martial law (13 December 1981), cooperatives and self-management within the cooperative democracy in the dairy existed only pro forma. In the period of political transformation, since 1989, began the process of economic

transformation¹.

On January 20, 1990, the law of the organization of cooperatives' activities changed which had a deep and destructive impact on the development of the dairy industry. According to the law, the Central Association of dairy cooperatives and regional associations were defunct. Due to this, dairy cooperatives had not enough time to adapt to the new market conditions. Because of a difficult situation, it was necessary to adapt a dairy industry in general for the changing conditions.

On May 26, 1991, the National Convention organization of dairy cooperatives was founded and its main objective consisted of assistance to branches of cooperatives as well as representation and protection of interests of the Polish dairy industry. The congress adopted the charter of KPSM, and chose the Council that consisted of 84 members, the president of Council, which Andrzej Furmanek from cooperatives in Sanniki and 17 personal Presidiums of Council and on September 4, 1998 the company changed the name on Krajowy Związek Spółdzielni Mleczarskich Związek Rewizyjny.

Potential for dairy cooperatives in Poland

National Union of Dairy Cooperatives in Warsaw Auditing Association is a voluntary, self-governing organization consisting of dairy cooperatives and other cooperatives whose object of activity is associated directly or indirectly with the production, processing and marketing of milk or the milk. The main objectives include assistance KZSM affiliated with cooperatives in their statutory activity, representing and defending the interests of Polish dairy cooperatives and dairy development, as well as the sector's adaptation to the requirements of the European Union. Currently, KZSM brings together 92 members, including 85 dairy cooperatives and 9 cooperatives acting on behalf of the dairy industry. Despite the many transformations, National Association of Dairy Cooperatives Auditing Association is the largest and longest established dairy organization in Poland.

Dairy cooperatives belongs to the industry of the Polish cooperatives, which have the greatest potential. On the one hand, it is connected with that dairy cooperatives, undoubtedly, are a sector of agrarian and industrial complex. On the other hand, of course, it is connected to the dynamics of their development. The products made in this sector can compete in the market, both in European, and on a global level. Now in the country about 220 dairy cooperatives while about 110 units correspond to criteria of production, standards and standards of the EU function. Currently the country operates about 220 dairy cooperatives, while about 110 units meet the criteria of production standards and standards of the EU. National Union of Dairy Cooperatives Reviser Association currently brings together 92 dairy coop-

¹ Brodziński M.C., *Dylematy Rozwoju Spółdzielczości w Polsce*, Fundacja Rozwój SGGW, Warszawa 1999, p. 41.

eratives (Figure 1). Most cooperatives located in the Wielkopolska Region (13), Lodz (12), Lublin (11) and Mazowieckie (10).

Legal basis for activity of dairy cooperatives in Poland

The legal basis for dairy cooperatives is the Act of 16 September 1982. Cooperative Law. Pursuant to Art. 1 of the Act of 16 September 1982 cooperative members in the interest of pursuing a common economic activity. In addition, business cooperative may also lead social activities and educational and cultural to its members and their environment. The cooperative is subject to the entry into the National Court Register, under which acquires legal personality. The cooperative functions under the Act and registered by laws.

It is conventional that the economic activity which is carried out in the form of cooperatives is a zone of ownership rules, the so-called cooperative principles. In Poland the rules existing in Europe which were updated on September 20-23, 1995 during the congress in Manchester are accepted.

Originally, these principles belonged to the principles, formulated in Rochdale, which made some kind of decalogue of the cooperative movement. Nevertheless, according to Pietrzak, the cooperative principles changed eventually, and, therefore, certain rules aren't applied any more. Are formulated new which are used in change of economic conditions (table 1). These principles can't exist, in terms of trade for cash, decrease in risks, reductions and sales of shares after regular retail prices which are included in radical rules. Apparently from table 1, the principle of a neutrality of political and religious force and Paris, but ICA, which aren't considered at the XXIII Congress in 1966 in Vienna of rules. This rule was taken into account during the Congress in Manchester, as independent and independent. Rules, which were accepted during a meeting of the congress in Manchester, include cooperation among cooperatives, in particular, care of the community. Besides, in the Manchester principles, the principle of indivisibility of the part in cooperatives is entered.

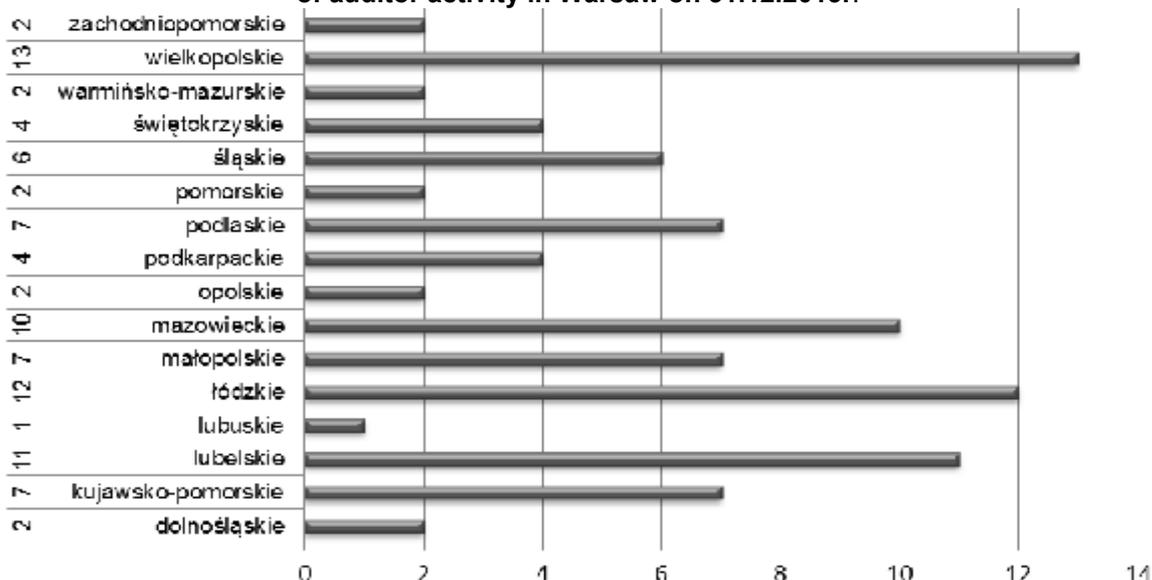
During the Congress in Manchester in 1995, the cooperative to emphasize separateness from the commercial sector, they adopted an updated set of rules and procedures bearing when you change the name of the Statement on the Cooperative Identity². Cooperative of Cooperative Code of Good Practice³ is an independent association of merging voluntarily in order to meet common needs economic, social, cultural, and efforts by community and democratic management of the activity undertaken. The most important values in the cooperatives are self-help, self-responsibility, democracy, equality, justice and solidarity. Moreover, according to the Ten Com-

² http://www.krs.org.pl/index.php?option=com_content&view=article&id=43&Itemid=273 by 10.01.2014r.

³ http://www.krs.org.pl/index.php?option=com_content&view=article&id=44&Itemid=300 by 10.1.2014r.

mandments and traditions of the cooperative movement, important for the members of the cooperative | were ethical values of honesty, openness and social responsibility.

Figure 1. Members of the Union of National association of dairy cooperatives of auditor activity in Warsaw on 31.12.2013r.



Source: Development based on: <http://www.mleczarstwopolskie.pl/menu-1/czlonkowie> by 31.12.2013r.

Table 1. Evolution of the so-called cooperative principles. European version²

No.	Principles of Rodchal's	Principles of Paris	Principles of Wiededskie	Principles of Manchester's
1.	Open membership	Open membership	Voluntary and open membership	Voluntary and open membership
2.	One member - one voice	Democratic management (one member - one voice)	Democratic management (one member - one voice)	Democratic control of members (one member - one voice)
3.	Only trade for cash	Sales cash	-	-
4.	Formation of community	Educational work	Training of members, activists, workers within cooperatives	Education, training, informing members, agents, managers, employees
5.	Political and religious neutrality	Political neutrality, national and religious	-	Autonomy and independence
6.	Avoidance of extraordinary risks	-	-	-
7.	Integrally actions	-	-	-
8.	Decrease in rates in the capital	Decrease in rates in the capital	Decrease in rates in the capital	Economic participation of members is an indivisible part of the capital, limited percent of the capital, surplus are intended for development or for members concerning transactions with cooperative or other common goals
9.	Products which are on sale in the usual retail price	-	-	-
10.	Surplus shares concerning transactions from cooperative	Distribution of profit in relation to operations with cooperative	Distribution of surplus to financing of development of cooperatives or measures for sharing or for members in relation to operations with cooperative	Economic participation of members is an indivisible part of the capital, limited percent of the capital, surplus are intended for development or for members concerning transactions with cooperatives or other common goals
11.	-	-	Cooperation between cooperatives	Cooperation between cooperatives
12.	-	-	-	Care of community

Source: Pietrzak M., *Efektywność finansowa spółdzielni mleczarskich – koncepcja oceny*, Wydawnictwo SGGW 2006, p. 32.

The basic cooperative principles on which cooperatives have to carry out business practice include:

1. A voluntary and open membership - for all, irrespective of a floor, race, the social status, religion and political views.

2. Democratic control of membership - members of cooperatives have to participate actively in the decision-making process and control of activity of cooperatives through the representatives elected on a democratic basis according to the principle of one member.

3. Economic participation of members - members define quantity of shares of participants and make the decision on distribution of surplus.

4. Self-government and independence - cooperative - the autonomous organization that is controlled by her members.

5. Education, preparation and information - Cooperatives provide training of the members, agents and employees, and care about informing the public, of the cooperative principles and values.

6. Cooperation among cooperatives - all cooperative organizations have to work together at local, national and international levels.

7. Care of community - cooperatives are obliged to care of development of local communities in which they work.

According to Boxer MZS rules, they are not the only determinant of its business through cooperatives, and should be subjected to discussion⁵, update and adapt to changing economic conditions, the environment, and the local community.

Economic aspects of the functioning of the dairy cooperatives in Poland

The market of milk and milk products is one of the most supported by the European Union. After the Polish accession to the European Union, the agro food market has been excluded from the mechanisms of the Common Agricultural Policy⁶. Milk market in the European Union was the most protégé markets. They were used here internal intervention tools as well as external. On the market for milk and milk products was used milk quota system and various types of intervention mechanisms.

The legal basis for regulation of the market of milk ascends by 1964 in which, according to the provisions of Council of Ministers of EEC 13/64 there is no the established general organization of the market of milk and its products. Then installed a system of single agricultural prices of milk and dairy products in 1968 according to the Provision of Council 804/68. Another important part of the legis-

⁴ The rules are ordered according to the order rodchal's rules.

⁵ Boczar K. *Zasady spółdzielcze*, w: Rocznik Spółdzielczego Instytutu Badawczego nr 7 – Materiały z konferencji naukowej, pt. *Spółdzielczość w procesie transformacji systemu nakazoworozdzielczego w system rynkowy*, SIB, Warszawa, p. 11-54.

⁶ http://www.arr.gov.pl/index.php?option=com_content&view=article&id=24&Itemid=29 by 10.01.2014r.

lation, there was a Resolution of Council No. 1787/2003, modification the Resolution No. 1255/1999 from the general organization of the market of milk and dairy products. Besides, now in force the act of April 20, 2004 on the organization of the market of milk and dairy products (The legislative messenger No. 93, point. 897), with the changes made in the Law on September 13, 2013⁷.

The milk market regulation implemented in the sixties all the time underwent a transformation. Since the beginning of marketization, members of the cooperative have a very serious problem with selling production volume after paid prices⁸. To protect consumers and domestic producers there is a need of the state intervention in the market of milk. An original form of intervention in the nineties were:

- 1) High import tariffs,
- 2) Start of the intervention of purchases of butter and powdered skim milk, export subsidies,
- 3) The help for storage, handling and consumption of separate dairy products⁹.

Coordinator and organizer of the milk market intervention were the Agricultural Market Agency (ARR), which was established under the Law of 7 June 1990 on the establishment of the Agricultural Market Agency.

This law, however, lost power on the day of Polish accession to the European Union. On 1 May 2004, it was replaced by the Act of 11 March 2004 on the Agricultural Market Agency and organization of some agricultural markets. The main tasks of the Agricultural Market Agency should include¹⁰:

- Payment to agricultural producers, processors and exporters of means for participation in the mechanisms managed agricultural policy ARR and the EU at the national level.

- The issue of the executive decision, connected with the participation of these persons in mechanisms of general agricultural policy (WPR).

- Administration of the records, which are carried out according to the provisions of the national legal system and legislation of the EU.

- Monitoring the volume of production quotas within the allocated production quotas

- Obtaining and storage of the funds allocated for promotion of the food coming from the EU and national budgets, and also means of promoting of Agra food production.

- Carrying out checks to determine the entrepreneur - ARR award in obtaining funds, or the right

⁷ Ustawa z dnia 13 września 2013 r. o zmianie ustawy o organizacji rynku mleka i przetworów mlecznych, Dz. U. z 2013r. poz. 1272.

⁸ Dworniak J., *Ekonomiczno-finansowe skutki zmian funduszu udziałowego w spółdzielniach mleczarskich*, Wydawnictwo SGGW, 2010, p. 62.

⁹ Drygas M., ARR - finansowanie mechanizmów na rynku mleka (1 maja 2004-31 grudnia 2007). *Biuletyn Informacyjny ARR*, nr 3, Warszawa 2008.

¹⁰ http://www.arr.gov.pl/index.php?option=com_content&view=article&id=3&Itemid=4 by 10.01.2014r.

to manufacture certain products - to act in accordance with the rules.

- Transmission of the European Commission (EC) has information about the activities carried out by the ARR of the WPR.

- Participation in acceptance by EU institutes of the decisions connected with WPR mechanisms and transfers to beneficiaries and all concerned parties of these decisions.

- Preparation of periodic and special analytical materials, forecasts, information and researches on the current and expected situation in the agricultural markets.

- Carrying out the information actions directed on increase of awareness about programs of agricultural policy of the EU and a condition for participation in these programs.

Along with changes in regulation of the market of milk, the decision to increase budgetary appropriations in this market was made. Support was directed, first of all, on subsidizing of export of powdered skim milk and other dairy products outside the European Union.

Summary

Feature of any corporation a combination her members of the actions for achievement of general economic the purposes. Especially in business companies function of business for accurately commercial purposes. However, in spite of the fact that the corporation can perform associations entrepreneurial, the main goal consists in income acquisition. According to the determination of cooperatives, the purpose consists in carrying out business in the interests of the members. The purposes of cooperatives, which are implemented because of these activities, shall be specified in the charter. In addition to obligatory the business purposes, cooperatives can also hold public events and educational and cultural.

In the conditions of market economy, each company to survive shall work effectively. It also belongs and to dairy cooperatives, but in the light of cooperative entity the Law will have various nature. Though there was a marginalization of cooperative movement in the market, you shall aim that this form of agriculture is developed and yielded positive results.

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Тереза Доманська, Ірина Шульшова ПРАВОВІ ТА ОРГАНІЗАЦІЙНІ УМОВИ РОЗВИТКУ МОЛОЧНИХ КООПЕРАТИВІВ ПОЛЬЩІ

Стаття представляє історію розвитку польських кооперативів, з особливим акцентом на молочних кооперативів. Молочні кооперативи особлива форма ведення бізнесу. Незважаючи на те, що ця діяльність здійснюється згідно з окремим законодавством, кооперативи, як і інші підприємства повинні адаптуватися до умов ринкової економіки.

Ключові слова: кооперативи, молочні кооперативи, агробізнес

Тереза Доманская, Ирина Шульшова ПРАВОВЫЕ И ОРГАНИЗАЦИОННЫЕ УСЛОВИЯ РАЗВИТИЯ МОЛОЧНЫХ КООПЕРАТИВОВ ПОЛЬШИ

Статья представляет историю развития польских кооперативов, с особым акцентом на молочных кооперативов. Молочные кооперативы особая форма ведения бизнеса. Несмотря на то,