

Transition of Agricultural Co-operatives on the Southern Podlasie—From Bureaucratic Structures into Free Market Entrepreneurship

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Abstract: Southern Podlasie, the agricultural region on so called Eastern Wall of Poland had had long lasting co-operative tradition of common economic activity, going from XIX century. Different co-operative activity in peasants circles, dairy, consumers, saving and credit chaises were popular among peasants and habitants of small towns. It was the way of economic and social progress entered into countryside. The bureaucratic structures were imposed on the co-operative movement and it loosed competitiveness ability in the period of the Polish People's Republic. The time of political, economic and social transformation after 1989/1990 brought for co-ops deeply regress, destruction of an old socialist structures created in central planned economy and adaptation to market economy. The study will deal with an analysis of the number of co-ops' units in the former Siedlce, Biała Podlaska, Łomża and Białystok provinces, which had existed into following branches: the peasants' self-help, supply and marketing, dairy, horticultural and apiculture, banking, handcraft, farming peasants' cercles. Moreover, it discusses the achievements of consumer co-ops' in Siedlce region and its successful strategy towards the free market economy. The proof of free market rivalry had been very hard for agricultural co-ops. The high percentage of them collapsed, but there are also good examples of successful adaptation into new condition of activity. The banking co-ops have played very important role in developing of entrepreneurship in local scope, serving not only for their members, but also for support private small business. The hope connected with UE integration didn't change situation of co-ops into better. The UE's funds were not addressed into co-ops, which must fight for survival calculated on own forces and the knowledge of their leaders and staffs. It was strong struggle for saving enterprises, jobs and possibility do existing in condition of very high unemployment. These circumstances have strong influence for renewal of social links shareholders with their co-operatives.

Key words: Poland; Podlasie region; Co-ops; NPO; foundations; undeveloped region; poverty; tradition

JEL codes: D2, D7, N5, N8, N9, Q1

The Southern Podlasie, the agricultural region, has long tradition of social economy connected with cooperative movement. Early origins of these ideas we can found in philanthropy and pre-cooperative forms of economic peasant's collaboration. There were landlords' foundations for supporting peasants organized as credit and saving banks in XVIII century in Kock and Siemiatycze. It has long lasting influence on Podlasie region. The very famous Stanisław Staszic's foundation—The Agricultural Society in Hrubieszów (acting in 1816-1952) had inspired others landlords and gentlemen to create similar enterprises for their peasants.

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The first co-ops had appeared here more than 100 years ago, during the time of political dependency in the Russia Empire with big political difficulties against all kind of activity of Polish society. Anyway people tried to organize in many type of societies: professional, economical and cultural. The big development of many kinds of associations had taken place in 1905, where rules concerning the registration had been facilitated in this part of Polish territory. Under cars' regime Polish people had associated for economical reasons as well as for cultivating the national life and culture. The association's movement was the great discovery in XIX century, showing the way how to cultivate the national life without own state. At first entered this way co-operators from the west and north part of Poland, which belonged to German's Empire. Social leaders from the east part of the country followed these possibilities later on, depended of political reasons. Co-operatives were very important in this matter, because of economical activity making the surplus, which was divided not only between members but also used for common goals. It was very important in poor agricultural region with high number of illiterates.

People (in majority small and illiterate peasants) in the agricultural regions) had established credit-saving co-ops, also consumer and dairy co-ops. One hundred years ago they were supported in organizational matters by better educated people like landlords, priests, teachers or doctors of medicine showing them new way of collaboration in economical and social life. In condition of political dependency in cars' state it was the good practice school of social economy and citizen's society. Before the I world's war the first co-operatives consumer appeared in Siedlce and in small village (former town) Sterdyń, where local landlord Ludwik Górski and Adam Jarosiński, doctor of medicine, helped to organize the peasant's circle, consumer-cooperative, saving-credit chaise. In 1910-1911 were established the firsts co-operative dairies on the Southern Podalsie. Very soon landlords and peasants established 64 this kind of enterprises, which produced butter and cream high quality, exported even to Germany. It means for peasants the bigger 3 times income and better condition of life, cultural advancement and possibility of educating their children. This was an origin of one of the bigger cooperative dairy in Radzyń Podlaski, today modern enterprise with high technology of processing and big scope of export. There are many similar examples showing old cooperatives' enterprises good adapted to contemporary conditions of free market.

Co-operatives movement has flourished with very rich social and cultural activity, during the time of the II Republic (1918-1939) and brought the visual progress in condition of living in towns and countryside. Between two world's wars many different co-ops were organized on the South Podlasie, also in Siedlce and the district. Siedlce was the seattlement of District Council of consumer co-ops associated in the countrywide union "Społem" (Together). Co-operative banks were very important for supporting small entrepreneurs in towns and villages. One of them was co-operative bank established in Siedlce in 1924 by group of peasants' with leader Szczepan Ciekot. Next year the bank changed its name for Stefczyk's Chaise (Kasa Stefczyka) for memory of Polish pioneer of credit and saving co-operation. Similar co-operatives bank were established in this time on Podlasie region. Some of them—in Siedlce, Sokołów Podlaski, Węgrów have still existed, acting now as solid end rich enterprises in district or countrywide scope. In 1938 there were 26 cooperative's enterprises in the town: 11 credit-saving co-ops, 1 Stefczyk's chaise (credit and saving), 10 consumers of employees, one of former solders, one of book keepers, one for purchase of peasants domestic crafts and one for members of trade unions of building workers. Its activity obtains the large scope: peasants' trade, food processing, housing, saving and credit, editors and libraries. In this time cooperative economy took an important role in Siedlce and on South Podlasie.

During the second world's war legal acting co-ops had served for society and as support of the Polish Underground State. Cooperative organizations had helped local societies for surviving difficult time and serving for the Resistance Movement in fight with Nazis. Cooperatives' organization had developed wide educational

activity very useful at underground learning forbidden by occupants.

Polish cooperatives entered after the second world's war into the new period of activity in liberated country (temporally to the right side of Vistula river) with hope, thinking that conditions of economical and social activity be much larger then in middle wars decades.

Time of Nazi's occupation had brought co-operative increase of number of members (but sometimes dictated by circumstance or even like in agricultural co-ops extorted), developing of materials basis and staff, trained in many cooperative's schools and courses, even too much numbers, calculating for planned future post-war expansion. On November 1944 took place very important event—establishing united co-operative unions: Economic Union “Społem” (Together”) and Revisory Union of Co-operatives RP (Republic of Poland). Once month ago, the communist party—Polish Workers' Party (PPR) initiated the new organization the Peasants' Self-Help Association (ZSCh), which would obtain functions of all autonomous organization in countryside and Chambers of Agriculture. The union ZSCh had in its program and statute also establishing new co-operatives as it economic arms in countryside. These self-help co-ops at the beginning made typical goals of subsidiary agricultural co-ops, helped at realization the socialist land reform. Later on they were oriented into more profitable trade activity, but as new type of enterprises not yet rooted in villages, they hadn't enough funds, trained staff and material basis. There were all of them still acting in countryside consumers' co-ops “Społem” and agricultural trades ones.

After the Second World War negative events in Polish co-operative movement had appeared in 1944-1989 in different intensity, at the time of political dependency from Soviet Union. Influences of Soviet Union on Poland were very deeply and noticeable in every area of political, social-economical and cultural life and glorified the preponderance of state property over than private or common social one. It obtained also co-operatives. The main disposers of political authority form investiture of Soviet Union were “stalinists” belonged to the Polish Workers' Party (PPR). Their allies in creation of vassal Polish state were the radical groups of Polish Socialist Party (PPS) and another left-orientated small parties, which established in December 1948 the communist party-Polish United Workers' Party (PZPR). In doctrine of new political forces the form of cooperative property was seen as a most important component of social-economic system of the new socialist state, creating so called the “social” sector of economy, situated lower than the state sector, but higher than individual private property. The biggest branch of co-operative movement at this time was consumer co-operatives, which the largest enterprise actively included into renovation of economic life in countrywide. Co-operative movement became one of the main area of political struggle from the beginning prejudged on benefit of communist party. One of camouflage in this fight was so called “fight for trade”. It name was used in party's propaganda to the law limitation area of co-operative activity on the advantage of state's trade. Under the cover of dogma about the superiority of stated form of economy and lancing the “theory of intensified class-struggle”, cooperative activity with its large scope democratic spirit, was restrain. They brake dawn its principal rules. Cooperatives lost its social, human and economic force before coming transformation. Economic reasons didn't decide about missing old good patterns and forms of co-operative, verified in long practice. Political reasons of new organizers of political life in post war Poland appeared more important. Ideological reasons became more important than historical inheritance. New political forces showed co-ops only the temporary passing role in evolution of village leading far stage by stage to collectivization. New all purpose as well as agricultural co-ops were useful on this transitory stage.

The Southern Podlasie region, as a whole country, experienced the wave of collectivization by force in type of peasant's producers co-ops. During the Six Years Plan (1949-1955) building the basis of heavy industry and

modern socialist society, peasants were forced to establish collective enterprises, adapting soviet patterns of *kolchoz*, putting their land and live-stock to common enterprises. There were established with strong political pressure this kind of cooperatives in Siedlce district in small towns and villages like Woźniki, Huszlew, Grala, Wiśniew, Chotycze, Krzesk, Biernaty, Zakrze and Łosice. The goal of these enterprises was to lead individual peasants to the new socialist economy and to non-antagonistic class society. Results of these actions, making by force, breaking the traditional co-operative values as voluntary and internal democracy, were miserable, spoiling the good memory about peasants' co-operatives acting before the war and disgusted cooperatives ideas. All so called co-operatives of agricultural production established in this time in Siedlce district were liquidated in 1956-1957, after Stalin's death when our society survived the short time of political "thaw".

The political pressure on co-operatives came back in 70-80 with the way of concentration and technical modernization of many kinds of enterprises. This wave of industrialization had arrived to agricultural region, creating new jobs and places of work for people outside agriculture. Many small enterprises, belonged to the state, local authority and workers' labour co-operatives. One of them was Workers' Co-operative "Miś" (Teddy Bear), acting in 1954-2005. In the time of good prosperity it gave job for almost 800 women sewing toys like teddy bears, dolls and other animals. The strong rivalry with products from the Far East, mainly from China, led this enterprise to liquidation.

Mentioned above events broke up the good tradition of co-operation among people and traditional principles and values of this democratic movement. Anyway, almost a half of century post war political reality of real socialism brought the growing number of co-ops many types in towns and in countryside, which had created so called the social sector of economy with large social and cultural activity. They had given job for thousand workers and employees.

After collapsing central planned economy in 1989/1990 the socialist structure of co-operative organization was destroyed because of political reasons and primary co-ops tried to establish their position on free market economy. Many co-ops felt down (especially peasants' self-help, workers, consumer). Co-operative sector lost its importance in national economy and social function in large scope. Only some from the old co-ops found good place on the market and survive the time of modernization and developing.

One of the oldest co-operatives in Siedlce was the consumer co-ops, which still has existed and celebrated the long 100 years anniversary serving well for habitants of the town. Today the real estate of co-ops was renovated, coop is economically strong and develops new shops and mega-stores. Here in Siedlce in the middle of 90. There was the settlement for group of experts preparing the new contemporary project of multipurpose shop in small towns and bigger villages serving for local market. Polish consumer co-operators from nearly laying towns adapted to Polish conditions the Swedish patterns of this kind trade and shops. They projected the new type pd shop, so called "LUX" as an answer on quickly developing international nets of trade. There are almost 200 these shops in countrywide and they created the Polish co-operative net trade.

The strong position of co-operative market on the local market confirms the example of the consumer co-ops PSS "Społem" in Brelsk Podlaski, established in 1905, which celebrated its 100 anniversary a few years ago. The first shop was opened in 1930 and before the II world was the co-op provided 16 shops, tavern and bakery. The beginning of transformation's time brought the deep decrease and slowly reorientation towards the free market rivalry. In spite of growing big trade nets, the consumer co-op in Bielsk Podlaski kept its position and clients. Today it provide 18 modern shops, business enterprises house, bakery and cake factory, restaurant "Podlasianka" and cafeteria "Hajduczek". The idea, device for contemporary activity is: "To be distinguish or fall dawn." The

co-ops employees over 200 people and 27 trainees. The management staff takes care for training the workers and trainees. The co-op support also many cultural initiatives in its milieu.

Large scope of cultural activity shows partially also the Village Co-operatives “SCh” (Peasants’ self help) in Siemiatycze, established in 1949. [This place had very long tradition of common economic activity, dated on XVIII c.]. After difficult time, co-op saved its position on the market and clients and socio-economic activity. Co-op has 50 members among peasants. Sometimes people from two or three generations work in the co-op. It provides 9 village shops modernized by own sources and hotel with restaurant “U Kmicica”, which is good located on the busy road. It is the source of certain surplus. This building serves for many educational and cultural events, which brings not only money but also the prestige for co-ops.

Another good example it is Siedlce’s District Dairy, established in 1932, step by step was renovated and today is a very modern, well equipped enterprise, which can win in rivalry on large-scope market. It exports good abroad as well on EU market as to Byelorussia and Russia.

Many cooperative bank took success during the time of transformation. One of them was the Co-operative Bank in Siedlce, established in 1924 as the Stefczyk’s chase by leader of peasant movement Szczepan Ciekot and received his name in its name. Earlier, the tradition shown the chase had acted from 1902. During of 80 years of activity co-operative idea and spirit of common business were cultivated here. All the time the saving and credit chase (using different names) was very closed to needs of local community in the town and agricultural region. It has served well for local community for many decades supporting peasants and small business: shopkeepers and craftsmen. The time of post communist transformation and breaking down central planned economy solved many initiatives. The bank took the risk of managing its matters themselves, fighting with strong former structures of bureaucracy’s dependence. This struggle was successful. The bank has developed very quickly as a strong financial center, jointing 4 units, former independent cooperative banks, which couldn’t collected enough own capitals according the UE instruction. The spectacular success was seen in the spirit of self-dependence and the new modern building at 5/7/9 Pusta street, built from the surpluses at the beginning of 90. XX c. Shareholders, employees and clients are very much attached to their bank, deeply rooted in the town and its environment for 3 generations. Today this bank is a modern and strong financial centre for the neighbourhood, it co-operatives as good with big enterprises like the Co-operative Dairy in Sielce or the Housing Cooperative here, as well like with small shareholders. Mentioned above co-operative dairy is a big scope enterprise, sending its milk products to post-Soviet countries and into internal countrywide market. The local housing co-operative is also a big enterprise, half of habitants of the town has lived in the modern houses, which were built after 1957. It has a great meaning of civilization progress in housing.

Another good example we can find in the Co-operative Bank in Brańsk, small agricultural bank in the North Podlasie region, near Białystok. This bank has also long tradition from 20. XX c. It jointed also another cooperative banks in environment, creating the strong financial enterprises. The bank supported many cultural initiatives, helps to organize concurs of co-operative knowledge for school children, artistic exhibition, support publishing books concerning this regions. It plays not only financial role stimulating the develop of business but also a center of culture in local scope. This bank propagate an ethical business, supports school saving and loan chases as the first step towards adult co-operative. It develops cooperative education of children, what was forgotten in the time of transformation.

The great dimension of business characterized also the District Co-operative Bank in Sokołów Podlaski, which joint many smaller banks and today is acting as a financial center for environment, serving capitals for

district dairies, meat-processing factory and governmental local administration and authorities self-government.

Cooperative banks create the most important element in rural areas financing system. These banks are natural partners for their local society, because is acquainted with problems and needs of local environment members. Cooperatives banks, deeply rooted in their milieu, have mission to face the desires of local societies. Cooperative banks financial assistance has great importance especially for communes and district societies, owners of shares. Rural households in majority locate savings in cooperative banks; they are the most important creditors also. Only in 1999-2010 these banks serviced about 70% of farms credit amount. The most importance criterion while choosing bank is firstly, its close placing, secondly, attractive interest rate and low credit provisions. The role of co-ops banks in economical life of its environment even grow up in last year because they distribute forces from EU for farmers. Co-operative banks entered into distribution the UE funds for individual peasants and agricultural enterprises, as for example groups of agricultural producers, which have close relation of cooperative banks as their members. It strengthened their position in the national economy and local society and free market. It is necessary to underline, that cooperative banks doesn't executed their debts as commercial banks, leading debtors to bankruptcy, so they are really friendly banks for small and medium business, understanding their needs and problems.

We can observe the new co-operation among peasants in the last decade. There are movements of new initiatives of establishing groups of agricultural producers supported by UE funds. These groups are acting as associations, joint stick companies, co-ops or in different legal forms. Co-operative banks helped them distributing credits for the beginning of activity and next for working enterprises. There were about 22 groups producing crops, meat, fruits and vegetables in 2010.

Another form of saving and credit co-operation is movement SKOK, associated rather poor people, employees and workers, giving them possibility to take cheap small credits. This movement had appeared in 90s, referring to the old forms of Franciszek Stefczyk Chaises, very popular in the middle war decades. At the beginning these co-ops were established in big enterprises as self-help chaises for workers with very low shares. Now they are opening for everybody and associated almost 1.5 mln members in countrywide.

Co-ops, which survived the hard time, try to renewal the social activity. We can observe the good example of such activity in an area of the Siedlce's Housing Co-operative (Siedlecka Spółdzielnia Mieszkaniowa) established in 1959 at the time of reviving housing in post war Poland in the small town in the agricultural region. It grew up in condition of central planned economy, building blocks and family individual houses on the large area of the town with material support of the state. Today, during 60 years of activity almost 50% town's habitants have lived in co-operative houses. It is a great progress on civilization level of modern housing standards, changing the social needs in this area. This co-ops had built many modern houses for habitants arranging also their social and cultural life in small clubs for different group of people: adults, aged pensioner or youth. The Co-op also found its place on the market in time of transformation. It overcome organizational difficulties at the beginning of 90, invests in new houses, modern and better quality. Older buildings have been renovated according the contemporary standards. Co-operative houses and residential quarters look better organized, they are provide with care of habitants needs, aesthetical and functional milieu. This co-op belongs to the leading group in the country.

The time of transition the political and economic system opened the way for larger social activity and development of NPOs. On South Podlasie we can observe very interesting examples of foundations working for undeveloped region and poor peasants. One of them takes care about children in orphan villages. This kind of village is a new type of institution for taking care about children. Instead big houses for hundreds children with anonymous employees supported by state, the new solution advices to prepare conditions of living for them nearly

to normal families. Here are many small houses with normal families, parents living together with their own children and adopted ones, creating big common families. Parents keep contacts with children all the time, training and educating them, also solving all problems and teach children normal social relations. The pedagogical work of parents has been pay. The orphan villages are under control the local government. There is one famous village in suburbs of Siedlce.

Another area of social work and social economy is connected with the big, old prison in the middle of the town. In this jail we have big concentration of prisoners in all groups of age and kind of crimes creating specific problems of reeducation. Reeducation programs take care about young people, first time sitting in jail with not long-term time destined for living there. One from the first foundation, which used EU funds for social assistance was the association of Hans Christain Kofoed (former Stowarzyszenie Pomocy Społecznej, Rehabilitacji i Resocjalizacji im. Hansa Christiana Kofoeda, next the Institute of Social Service), established in Siedlce in 1997 as a part of the Polish-Danish NGO organization acting countrywide. It has carried on the correction of people who were condemned by court of justice. The association has been taking care of milieu which have be menaced by the social marginalization. The association established the Institute of Social Work in Siedlce, taking advantages of the experiences of the Danish School called after Hans Christian Kofoed in Copenhagen, The Institute has been the establishments of manifold functions for probation, activation, social adaptation and education. Their various tasks have followed the principles and methods of the program on “Help towards self-assistance”, which has been available by implementation of a systemic model of cooperation supported by European Union. The perspective goal is to establish social co-operative work for persons under charge, giving them the solid possibility of work.

Big area of poverty created social problems as very important for solving by many different organizations and entrepreneurs. There are almost 40 NPOs in Siedlce and nearly district now. Not of all are acting, but they try to begin or develop activity. They are different in their goals and methods of working, but they are oriented to come help for poor people, which cannot find the place on the labour market. Direction of their activity is developing entrepreneurship, to arise small enterprises, mainly for services. Former experiences with developing voluntary economic and social collaboration in co-operative formula allows to believe in force of synergy creating social capital.

UE socio-economic program “Leader” addressed to undeveloped regions takes opportunity to joint efforts of local communities for establishing common socio-economic activity. Different organizations: local authorities, NPO, NGO, economic and cultural associations create partnership for interesting entrepreneurship for better condition of life. There is a good example of this kind activity the local group of action of Association “The melting-pot of Bug River Valley”, established in 2006. It obtains 12 communes of Bug riverside on South Podlasie: Drohiczyn, Dziadkowice, Grodzisk, Milejczyce, Nurzec-Stacja, Perlejewo, Siemiatycze and on est Mazovia district: Jabłonna Lacka, Korczew, Repki, Sarnaki, Sterdyń. The area of interests is almost 2000 km. with over 56 thousands habitants. Some of these communes had a long tradition of co-operatives from the beginning of XX c. The program was realized in the period from January 2007 to April 2008. The main goal was tourist promotion of very picturesque region with many of historical monuments, also agrotouristic services and ecologic agriculture. Habitants of these regions, especially young people, were very active during time of its realization. The first step was done: to integrate people, to show them new perspective and prepare the maps of tourist ways, basis of guest-houses and ecological farms. Hope for better live came back to rather poor villages and small towns on the undeveloped the East Wall of Poland.

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