

Articles

COOPERATIVES IN THE PROCESS OF DEVELOPING THE MULTIFUNCTIONALITY OF RURAL AREAS IN POLAND – SELECTED LEGAL ISSUES

Aneta Suchon¹

Abstract

The purpose of this paper is to indicate the different kinds of cooperatives in rural areas and the factors that have influenced the progress of such entities in Poland, as well as how cooperatives affect the development of agriculture and rural areas. The paper also considers whether legal regulations facilitate or hinder the setting up and functioning of cooperatives, from the perspective of multifunctional agriculture and rural development in Poland. Problems concerning both cooperatives and multifunctional rural development are broad. Therefore, only selected issues are addressed. The paper begins with general information about the multifunctionality of villages and the sustainable development of rural areas, followed by a short history of the development of cooperatives in Poland. The paper then turns to the contribution of cooperatives to the development of agricultural activity most popular in rural areas. The types of cooperatives considered include agricultural production cooperatives, cooperative groups, organizations of agricultural producers, and farmers' cooperatives. There is also a focus on social cooperatives and energy cooperatives and their contributions to multifunctionality of rural areas. What is observed is that legal regulations concerning the organisation and functioning of agricultural cooperatives are being extended. The political transformation, the principles of the market economy and the acquisition of EU membership have resulted in the legislator becoming more focused on the association of agricultural producers selling agricultural produce and supporting other stages of agricultural activity. This is an important activity of cooperatives in the process of developing the multifunctionality of rural areas in Poland. The discussion presented in the article has confirmed that social cooperatives have been functioning in the Polish legal system for a relatively short time, but they are becoming increasingly popular as effective tools of social economy in rural areas. The author underlines that such entities are especially needed in villages, where the unemployment rate is very high, and the ways of supporting

¹Prof. UAM dr hab. The Faculty of Law and Administration of the Adam Mickiewicz University in Poznan, Chair of Agriculture, Food and Environmental Protection Law, suchon@amu.edu.pl

excluded and disabled people are limited, when compared with cities. The author concludes that further changes in legislation are necessary for the continued process of developing cooperatives and the multifunctionality of rural areas.

1. Introductory remarks

Rural areas are an important part of the European Union. More than 56 percent of the population of the 27 Member States live in rural areas.² But only some of these people are involved in agriculture; through running a farm as an owner or a possessor, or through being a household member or a contractual employee.³ Cooperatives associated with agriculture or related sectors have been operating for many years in rural areas, sometimes from as far back as the 19th century. They provide essential services to the rural population including improved infrastructure, renewable energy, and cultural development. The income of village inhabitants is often lower than the income of the city dwellers.⁴ Cooperatives help by providing assistance to excluded or disabled people, for whom opportunities are limited compared with the city.

There are more than 3,500 cooperatives operating in rural areas in Poland. They include milk cooperatives, cooperatives associating agricultural producers, supply and sales cooperatives such as “Samopomoc Chłopska” (Peasants’ Self-Help), and social cooperatives. In recent years, social cooperatives have become increasingly popular. The social cooperative is a new type of economic entity, which operates under the Act of 27 April 2006 on social cooperatives,⁵ and entities of this kind are increasingly popular not only in cities but also in rural areas. These entities often deal with services, or manufacturing or building activity. Some are also engaged in agricultural activity connected with breeding or plant growing, often specializing in ecological agriculture. Currently, there are more than 1000 registered cooperatives of this type in Poland. Some of them operate in rural areas.⁶

This paper explores the different kinds of cooperatives in rural areas and the factors that influenced their progress in Poland. It also considers how cooperatives have affected the development of agriculture and

² Eurostat regional yearbook 2017 edition, <https://ec.europa.eu/eurostat/documents/3217494/8222062/KS-HA-17-001-EN-N.pdf> [access date: June 2019].

³ For example, employed under a civil law contract (contract of mandate, contract of specific task) or an employment contract.

⁴ See e.g. R. Gallardo-Cobos, *Rural development in the European Union: the concept and the policy* “Agronomía Colombiana” 2010, no 28(3), pp. 475-481; S. Mhembwe E. Dube, *The role of cooperatives in sustaining the livelihoods of rural communities: The case of rural cooperatives in Shurugwi District, Zimbabwe*, “Journal of Disaster Risk Studies” 2017, no 9(1), p. 341.

⁵ The first regulations on these cooperatives were adopted under the Act of 13 June 2003 on social employment (Journal of Laws, No. 122, Item 1143, as amended). The next stage was to adopt the Act of 27 April 2006 on social cooperatives (Journal of Laws, No. 94, Item 651). In the matters not regulated under this Act, the provisions of the Act of 16 September 1982 on Cooperative Law apply.

⁶ A. Suchoń, *Legal aspects of the organization and operation of agricultural cooperatives in Poland*, Poznań 2019, p. 8 et seq.

rural areas. The aim of this paper is to determine whether legal regulations facilitate or hinder the setting up and functioning of cooperatives, from the perspective of multifunctional agriculture and rural development in Poland.

Problems concerning both cooperatives and multifunctional rural development are broad, so only a few selected issues are addressed. The paper begins with general information about the multifunctionality of villages and the sustainable development of rural areas. This is followed by a short history of the development of cooperatives in Poland. The paper then turns to the contribution of cooperatives to the development of agricultural activity in rural areas, including agricultural production cooperatives, cooperative groups, organizations of agricultural producers, and farmers' cooperatives. This is followed by a focus on social cooperatives that provide jobs for people living in the countryside, where unemployment is highest. Energy cooperatives contribute to the development of renewable energy in rural areas and a definition is also provided. The basic research method used involves the analysis of normative texts, which is a characteristic feature of a lawyer's work.

2. General information about the multifunctionality of villages and the sustainable development of rural areas

The importance of the concepts of multifunctionality of villages and the sustainable development of rural areas are not doubted. These concepts aim to support diverse business activity in these areas, creating new workplaces, improving living conditions, and providing residents and businesses with access to a wide range of services or modern infrastructure. They also help to ensure the development of the social and cultural functions of the village, which helps the perception that rural areas are attractive places to live and work.⁷ The concepts also help the excluded and the disabled, since rural areas offer them fewer opportunities to develop than the urban areas.⁸

Cooperatives are entities which in principle act not for their own benefit, but for the benefit of their members. They are perfectly suited to implementing the principles of social economy. As Charles Gide, the French economist, observed “*A cooperative is business, but if it is only business it is a bad deal*”.⁹ Cooperatives follow cooperative principles, including the principle of voluntary and open membership, democratic membership control, joint responsibility of the members, autonomy and independence,

⁷ M. Adamowicz, M. Zwolińska-Ligaj, *Koncepcja wielofunkcyjności jako element zrównoważonego rozwoju obszarów wiejskich*, „Zeszyty Naukowe SGGW from Warsaw, Polityki Europejskie, Finanse i Marketing” 2009, no 2 (51), pp.11-38; *Multifunctional development of rural areas*, ed. P. Bórawski, Ostrołęka 2012, pp. 5; M. Szczurowska, K. Podawca, B. Gworek, *Wielofunkcyjny rozwój terenów wiejskich szansą dla wsi*, „Ochrona Środowiska i Zasobów Naturalnych” 2005, no 28, pp. 49-59; M. Kołodziński, *Wielofunkcyjny rozwój terenów wiejskich w Polsce i w krajach Unii Europejskiej*, Warsaw 1996; idem, *Bariery wielofunkcyjnego rozwoju obszarów wiejskich*, „Wieś i Rolnictwo” 2012, no 2, pp. 40-50; J. Wilkin, *Wielofunkcyjność wsi i rolnictwa a rozwój zrównoważony*, „Wieś i Rolnictwo” 2011, no 4, pp. 27-39.

⁸ A. Suchoń, *Prawna koncepcja spółdzielni rolniczych*, Poznań 2016, p. 10 et seq.

⁹ Available on-line at: <<http://krs.org.pl> [Access date: December 2019].

training, education and information, and concern for the local community.¹⁰ Cooperatives use the values of self-help, self-responsibility, democracy, equality, justice and solidarity as the basis for their activity. According to the traditions of the founders of a cooperative movement, the cooperative members promote the following ethical values: honesty, openness, social responsibility, and concern for others.¹¹

The Communication from the Commission Europe 2020: A strategy for smart, sustainable and inclusive growth, stresses that the Europe 2020 Strategy should be based on three priorities:¹²

- 1) smart development – development of the economy based on knowledge and innovation;
- 2) sustainable development – supporting the economy in order that it will be more environmentally friendly and more competitive, and use resources more effectively;
- 3) development promoting social inclusion – support for economies characterized by a high employment rate and ensuring economic and social consistency.

The document indicates that development promoting social inclusion means strengthening the situation of citizens by means of ensuring high employment rates, investing in qualifications, fighting poverty, and improving labour markets, training systems and social care. All these assumptions aim at helping people to predict and deal with changes and at building a coherent society. It is also important to make sure that the benefits of economic growth are equal in all regions of the European Union, including the most remote ones, which will result in increased territorial cohesion.¹³

Agricultural cooperatives run their activity in the field of agriculture, which serves various functions. Social and economic changes, environmental degradation, and civilization development present new challenges for agriculture. The sustainable development of agriculture is needed, combining economic, social and environmental goals (agritourism, renewable energy, commerce, high quality food production). It is also important to enhance the competitiveness of agricultural producers and increase their income, as well as to create workplaces in the rural areas. The United Nations in its document “Transforming our world: the 2030 Agenda for Sustainable Development”,¹⁴ states that by 2030 the goal is to double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, to implement resilient agricultural practices designed to

¹⁰ Ibidem.

¹¹ Krajowa Rada Spółdzielcza, *Karta etyki spółdzielczej*, Warsaw 2003, pp. 2-10

¹² http://ec.europa.eu/eu2020/pdf/1_PL_ACT_part1_v1.pdf [Access date: December 2019].

¹³ http://ec.europa.eu/eu2020/pdf/1_PL_ACT_part1_v1.pdf [Access date: November 2019]. D. Jarre, Europejski model społeczny i usługi socjalne użyteczności publicznej. Możliwości dla sektora gospodarki społecznej, in: *Przedsiębiorstwo społeczne w rozwoju lokalnym*, ed. E. Leś, M. Ołdak, Warsaw 2007, pp. 61-71.

¹⁴ ONZ, *Transforming our world: the 2030 Agenda for Sustainable Development*, http://www.un.org.pl/files/164/Agenda%202030_pl_2016_ostateczna.pdf [Access date: December 2019].

increase productivity and production, to help maintain ecosystems and to strengthen capacity for adaptation to climate changes.¹⁵

New possibilities have been created by the so-called second pillar of the Common Agricultural Policy, which relates to the development of rural areas.¹⁶ It is aimed at improving the competitiveness of the agriculture and forestry sector, at strengthening the connection between agricultural activity and the natural environment, at promoting the diversity of the economy in rural communes and the quality of life, and at diversifying activities in these areas. There are, however, different situations which need to be carefully considered, beginning with distant rural areas that are becoming deserted, and suburban rural areas being subject to the increasing pressure of urban centres.¹⁷ The multi-functionality of agriculture means that in addition to providing food (food security), agriculture is also a producer of services.¹⁸

The recognition of the need for multifunctional agriculture found its practical reflection in the priorities and regulations of the Common Agricultural Policy and is mainly concerned environmental aspects.¹⁹

3. The history of cooperativeness on Polish soil

Cooperation on Polish soil has a rich history, and since the beginning it has been related to agriculture. Stanisław Staszic is considered to have been the forefather of Polish cooperation. It was he who established the Hrubieszów Agricultural Society (Towarzystwo Rolnicze Hrubieszowskie) in 1816, in order to ‘improve agriculture and industry and to provide mutual assistance in misfortunes’.²⁰ Its aim was to take care of the development of common property and individual farms, as well as to look after its members’ education and culture. A relatively high number of cooperatives operated in Poland as early as the times of the Partitions,²¹ and then during the interbellum. From the time of its establishment, the

¹⁵ A. Suchoń, *Cooperatives in the face of challenges of contemporary agriculture in the example of Poland*, in: *Contemporary challenges of Agriculture Law: among Globalization, Regionalization and Locality*, ed. R. Budzinowski, Poznań 2018, pp. 303–310.

¹⁶ M. Granvik, G. Lindberg, K.-A. Stigzelius, E. Fahlbeck & Yves Surry, *Prospects of multifunctional agriculture as a facilitator of sustainable rural development: Swedish experience of Pillar 2 of the Common Agricultural Policy (CAP)*, “Norwegian Journal of Geography” 2012, no 3, pp. 155–166.

¹⁷ Council Regulation (EC) No. 1698/2005 of 20 September 2005 on supporting the development of rural areas by the European Agricultural Fund for Rural Development. 2005. Official Journal of the European Union L 05/277, pp. 1ff, with amendments; Regulation (EU) No. 1305/2013 of the European Parliament and the Council of 17 December on aid for rural development via the European Agricultural Fund for Rural Development (EAFRD) repealing Regulation (EC) No. 1698/2005 of the Council, establishes the general regulations governing European Union aid for rural development during the period 2014–2020, Official Journal of the European Union L 347/487 with amendments.

¹⁸ J. Wilkin, *Wielofunkcyjność rolnictwa – nowe ujęcie roli rolnictwa w gospodarce i społeczeństwie*, in: J. Wilkin (ed.), *Wielofunkcyjność rolnictwa, Kierunki badań, podstawy metodologiczne i implikacje praktyczne*, Warsaw, pp. 17–51.

¹⁹ A. Kołodziejczak, *Wielofunkcyjność rolnictwa jako czynnik rozwoju zrównoważonego obszarów wiejskich w Polsce*, STUDIA OBSZARÓW WIEJSKICH 2015, vol. 37, pp. 131–142; see also C. Richards, H. Bjørkhaug *Multifunctional agriculture in policy and practice? A comparative analysis of Norway and Australia*, “Journal of Rural Studies” 2008, no 24.

²⁰ I. Drozd-Jaśniewicz, A.P. Wiatrak, *Spółdzielczość wiejska w gospodarce rynkowej*, Warsaw 2003, p. 65 and n.

²¹ In the second half of the 19th century, the cooperative “Banki Ludowe” (“People’s Banks”) and “Rolniki” (“Farmers”) (rural supply and sale cooperatives) were popular in Wielkopolska (Greater Poland) and “Kasy Stefczyka” (“Stefczyk’s

cooperative movement in Poland was associated with agriculture and contributed to the development of rural areas. In Poznań Province and in Pomerania, the first cooperatives appeared in the years 1861-65. They were organised within agricultural circles, which played an important role in spreading agricultural education in rural areas, teaching peasants rational land cultivation and farming. At the same time, they initiated the creation of agricultural and commercial cooperatives.²² Their basic function was to supply farmers with essential household products, as well as the means of agricultural production, even though their main objective was to collect agricultural products particularly cereals.²³ Credit and dairy cooperatives also started to operate at this time. But the real development of the cooperative movement, especially credit cooperatives, occurred later.²⁴ Apart from people's banks and agricultural and commercial cooperatives, "Rolnik" parcel cooperatives operated in some rural areas of Poznań Province and Pomerania and also played an important role.

Immediately after the establishment of the Polish state at the end of the First World War, work began on the preparation of the Act on Cooperatives. Cooperatives throughout the whole of the Polish territory were functioning well, but having been formerly organised in areas under three different partitions, they had operated within three different legal frameworks.²⁵ On 29 October 1920, the Act on Cooperatives was passed,²⁶ at the time it was a very modern and progressive law. It constituted a kind of cooperative constitution in Poland, as is rightly emphasised in the literature, based on a wealth of historical experience drawn from various legal systems, especially the Austrian and German systems, where the conditions for the development of this form of activity were favourable.²⁷ It is no coincidence that between 1919 and 1920, the Minister of Internal Affairs of the reborn Poland was Stanisław Wojciechowski, one of the founders of "Społem", and later the president of the Republic of Poland.²⁸ The Act adopted contained only general provisions and did not regulate individual types of cooperatives, thus leaving greater freedom when it came to creating different types of cooperatives.²⁹ According to the Act of 1920, a cooperative was an association with an unlimited number of people, with variable capital and personal composition, aimed at increasing the earnings per household of its members by running a joint enterprise.

Banks) in Galicia. The first dairy cooperatives appeared. The cooperatives operating in partitioned Poland were not only flourishing businesses, but they also played a crucial role in defence of the Polish identity. For more information, see e.g. A. Piechowski, *Rodowód przedsiębiorczości społecznej* in: *Przedsiębiorstwo społeczne w rozwoju lokalnym*, ed. E. Leś, M. Ołdak, Warsaw 2007, p. 30 ff. S. Inglot, 1971, *Zarys historii polskiego ruchu spółdzielczego*, Warsaw, p. 127 et seq.

²² See: J. Mroczek, *Początki rozwoju spółdzielczości w Polsce*, „Przegląd Prawniczy, Ekonomiczny i Społeczny” 2012, no 1.

²³ K. Boczar, *Spółdzielczość. Problematyka społeczna i ekonomiczna*, Warsaw 1986, p. 78.

²⁴ J. Gójski, L. Marszałek, *Spółdzielczość. Zarys rozwoju historycznego*, Warsaw 1968, p. 38. See J. Szczepański, *Spółdzielczość*, Poznań 1987, pp. 40-41.

²⁵ A. Jedliński, *Ustawa z 1920 r. na tle ówczesnych regulacji europejskich*, in: *90 lat prawa spółdzielczego, materiały pokonferencyjne Krajowej Rady Spółdzielczej*, Warsaw 2010, p. 21 et seq.

²⁶ Journal of Laws, No 111, item. 733 as amended.

²⁷ See A. Piechowski, *Historyczny kontekst uchwalenia ustawy z 29 października 1920 r.*, in: *90 lat prawa spółdzielczego*, post-conference materials National Cooperative Council, Warsaw 2010, p. 17 et seq.

²⁸ Ibidem.

²⁹ Ibidem.

In carrying out these economic tasks, a cooperative was also to seek to improve the cultural level of its members.

The 1920 Act on Cooperatives did not contain any separate legal regulation concerning agricultural cooperatives. However, agricultural cooperatives continued to develop (e.g. dairy cooperatives, agricultural services cooperatives, purchasing and marketing, egg cooperatives, poultry cooperatives, sales of agricultural tools, grazing cooperatives, grain purification cooperatives, and processing cooperatives such as distilleries, bakeries, sugar factories, etc.).³⁰ Their operations were subject in some measure to the influence of legal regulations governing agriculture, although there were not many of them.³¹

After the Second World War the country's agricultural policy changed and the collectivisation of agriculture began to play an increasingly important role. It was intended to create large agricultural enterprises, i.e. agricultural production cooperatives and public agricultural holdings.³² The period of socialism was particularly unfavourable to the development of the idea of the cooperative movement. Although cooperatives operated in rural areas during that period, they were used for the implementation of the command-and-control policy. Their independence was limited, and they became strongly controlled by the state.³³

Following the transformation of the economic system and the introduction of a market economy, the role of cooperatives as providers of services to rural areas and agriculture weakened considerably. At the beginning of the 1990s many cooperatives were closed down. This was related to people's negative attitude towards them, as they were perceived as "remnants of the bygone era". Poland's accession to the European Union led to changes both in the mental approach to cooperatives and legal regulations. Agricultural producers saw that due to cooperatives, which had a stable position and prosperous organisational structures in many European countries, farmers were more competitive on the European and global market. Following Poland's membership in the European Union, the position of some dairy cooperatives has grown stronger in the market. The rapid process of closing agricultural production cooperatives has been stopped and social cooperatives including in agriculture have been established. In recent years there has also been a dynamic development of groups of agricultural producers in Poland.

³⁰ *Spółdzielnia wiejska jako jedna z głównych form wspólnego gospodarczego działania ludzi*, ed. W. Boguta, Warsaw 2011, p. 28; M. Brodziński, *Oblicza polskiej spółdzielczości wiejskiej*, Warsaw 2014, p. 53 et seq.

³¹ A. Suchoń, *Legal aspects of the organization and operation of agricultural cooperatives...*, p. 30 et seq.

³² J. Bański, *Historia rozwoju gospodarki rolnej na ziemiach polskich*, in: *Człowiek i Rolnictwo*, ed. Z. Górka, A. Zborowski, Kraków, 2009, pp. 33-34.

³³ From 1944 to 1990, cooperatives were a tool of the communist authorities used for the implementation of the rural and agricultural policy. They were monopolists in many segments of the market. In practice, farmers were forced to sell their products and to purchase the means of production from the cooperative where they were members, see <http://krs.org.pl>, [Access date: March 2019].

These are associations of farmers working together to improve the market position of farms and increase their income. There were only 126 agriculture producer groups in 2006, but now there are more than 900. Despite the availability of a choice of entity type, most agricultural producer groups have opted to function according to the rules specific to cooperatives.

4. Current legislation concerning cooperatives operating in rural areas

According to the Act of 16 September 1982 on Cooperative Law,³⁴ a cooperative is a voluntary association of an unlimited number of persons, with a variable composition and a share fund, which conducts joint economic activities in the interests of its members. It should be stressed that Article 1 of the Act stipulates that a cooperative may also carry out social, educational and cultural activities for the benefit of its members and their environment. The scope of legal regulations affecting the organisation and functioning of agricultural cooperatives is very wide. It is not limited to the Act of 16 September 1982 on cooperative law itself, and the Act of 4 October 2018 on Farmers' Cooperatives,³⁵ Apart from the regulations applying directly to different types of agricultural cooperatives and the regulations indirectly governing the structure and operation of cooperatives, they are also subject to the regulation of their economic environment and agriculture as a part of the economy covered by the Common Agricultural Policy.

As an example, one may point to the Act of 15 September 2000 on Agricultural Producer Groups and their Associations,³⁶ the Act of 27 April 2006 on Social Cooperatives,³⁷ the Act of 20 April 2004 on the Organisation of the Milk and Dairy Products Market,³⁸ the Act of 23 April 1964 entitled the "Civil Code",³⁹ the Act of 19 October 1991 on the Management of Agricultural Property Stock of the State Treasury,⁴⁰ the Act of 11 April 2003 on the Shaping of the Agricultural System,⁴¹ legislative acts related to taxes,⁴² agricultural markets,⁴³ or acts issued by the European Union.⁴⁴

³⁴ Journal of Laws of 2018, item 1285, as amended.

³⁵ Journal of Laws of 2018, item 2073.

³⁶ Consolidated text: Journal of Laws of 2018, item 1026, as amended.

³⁷ Consolidated text: Journal of Laws of 2018, item 1205, as amended.

³⁸ Consolidated text: Journal of Laws of 2019, item 1430, as amended.

³⁹ Consolidated text: Journal of Laws of 2019 item 1145, 1495, as amended.

⁴⁰ Consolidated text: Journal of Laws of 2019 item 817, 1080, as amended.

⁴¹ Consolidated text: Journal of Laws of 2018 item 1405, 1496, 1637, as amended.

⁴² For example the Act of 12 January 1991 on Local Taxes and Fees, uniform text: Journal of Laws of 2019, item 1170 as amended; Act of 15 February 1992 on Company Income Tax (consolidated text: Journal of Laws of 2018 item 1509 as amended); Act of 15 September 1984 on Agricultural Tax (consolidated text: Journal of Laws of 2019 item 1256, 1309 as amended).

⁴³ Act of 19 December 2003 on the Organisation of the Fruit, Vegetable and Hops Market (consolidated text: Journal of Laws of 2019, item 935 of as amended).

⁴⁴ For example, *Regulation (EU) No 1308/2013 of the European Parliament and of the Council* of 17 December 2013 establishing a common organization of the markets in agricultural products and repealing Council Regulations (EEC) No 922/72,

5. Cooperatives connected with agricultural activity

Cooperatives associated with agricultural activity engaged in by agricultural producers are important for the development of rural areas. As emphasized in the literature “Due to the close relationship between agricultural development and the development of rural areas, it is impossible to speak of the sustainable development of these areas without sustainable agriculture”.⁴⁵

The term ‘agricultural cooperative’ is itself not a legal term. It can be found in the literature,⁴⁶ draft bills,⁴⁷ and foreign legal systems.⁴⁸ The new Act of 4 October 2018 on Farmers’ Cooperatives, on the other hand, as the name suggests, introduces the normative basis for the operation of such entities (Farmers’ Cooperatives). Besides the farmers’ cooperatives, cooperatives of agricultural producers have existed for many years, such as dairy cooperatives, cooperative agricultural producers’ groups, ‘Samopomoc Chłopska’ (farmers’ self-help) cooperatives, and others. It is therefore assumed that the term ‘agricultural cooperatives’ extends to cooperative entities engaged in agricultural production (agricultural holdings) and other entities operating in the agricultural sector, which take on at least one stage of such activity, or operate more broadly in this sector. The members of such cooperatives are mainly agricultural producers.

A. Dairy Cooperatives

Dairy cooperatives are important for several reasons including the development of agriculture, ensuring the right quantity and quality of agricultural products, and providing jobs for rural dwellers. The milk cooperatives in Poland have been developing since the interwar period. Currently, there are over 100 of them. However, it is not their number but their market share and how they contribute to the development of agriculture that matters the most. Milk cooperatives in Poland have been expanding. Similarly to cooperative agricultural producer groups, milk cooperatives have taken over some activities connected with an agricultural activity run by a member (agricultural producer). Those activities include purchasing

(EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007 (Official Journal of the European Union abbreviated O.J.EU (L 347, p. 671).

⁴⁵ D. Żmija, *Zrównoważony rozwój rolnictwa i obszarów wiejskich w Polsce*, Studia Ekonomiczne 2014, no 166, pp. 149—158. See A. Kołodziejczak, *Wielofunkcyjność rolnictwa jako czynnik rozwoju zrównoważonego obszarów wiejskich w Polsce*, STUDIA OBSZARÓW WIEJSKICH 2015, vol. 37, pp. 131–142 https://rcin.org.pl/Content/55723/WA51_76029_r2015-t37_SOW-Kolodziejczak.pdf, [Access date: December 2019].

⁴⁶ S. Wojciechowski, *Spółdzielnie rolnicze: jakie być mogą i powinny w Polsce według wzorów zagranicznych*, Poznań 1936; A. Suchoń, *Prawna koncepcja spółdzielni rolniczych*, Poznań 2016; idem COGECA, Development of Agricultural Cooperatives in the EU, Brussels 2014, p. 6 et seq.; J. Bijman, R. Muradia, A. Cechin, Agricultural cooperatives and value chain coordination, in: Value chains, inclusion and endogenous development: Contrasting theories and realities, B. Helmsing, S. Vellem, eds., Milton Park 2011, p. 82.

⁴⁷ *MPs draft of the law on agricultural cooperatives* 2003, Print No 2759 of 2004. Available at: <http://orka.sejm.gov.pl/proc4.nsf/drafts/2759_p.htm>. [Access date: December 2019].

⁴⁸ Chapter III of the French Rural Code (*Code rural et de la pêche maritime*) applicable to societies cooperatives agricoles. See e.g. *Code rural et de la pêche maritime, code forestier, commenté*, La Rochelle 2014. The Italian legislature also uses the concept of agricultural cooperatives in the Civil Code, e.g. Article 2513 of the Italian Civil Code.

milk from the members and supporting cattle breeding. The regulations do not define milk cooperatives, so the scope of their activity is specified in a statute (by-law). They usually deal with the purchase and processing of milk. It needs to be pointed out that there are cooperatives which only deal with purchasing and do not engage in processing. However, there are not so many of these entities. It is important to stress that milk products qualify as agricultural products under the Treaty of Rome and are listed in Attachment 1.

Along with these main activities, some milk cooperatives engage in breeding milk cattle owned by the members, and in increasing milk production and enhancing its quality. They take actions against cattle diseases and promote hygiene and prevention principles. They also help to organize farms which specialize in milk production and delivery.⁴⁹ Such actions contribute to the development of the farms owned by milk producers and the innovative nature of the milk market. Milk cooperatives which deal with milk processing allow the producers to participate in another stage of the food chain, i.e. to make money not only from the sale of milk, but also from the balance of any surplus deriving from the processing activity. Poland's milk cooperatives mostly sell their products on the international market.

B. Agricultural production cooperatives

It goes without saying that in current economic circumstances agricultural producers in Poland are more interested in cooperating in terms of marketing or the sales of agricultural products, rather than in running a joint farm. However, there are still agricultural production cooperatives that were set up before the political transformation. Such cooperatives guarantee jobs to their members, household members and other countryside dwellers, who otherwise would have little chance of finding employment, since the unemployment rate in rural areas is high. Therefore, these cooperatives also contribute to the development of the multi-functionality of villages and the sustainable development of rural areas. Members who make contributions to agricultural production cooperatives are not always prepared or willing to independently run a farm, and that is why they want the agricultural production cooperatives to keep operating. For this reason, it is worth analyzing the issue of cooperatives running a joint agricultural farm.

Pursuant to the Act of 16 September 1982 on Cooperative Law,⁵⁰ the object of the activity of agricultural production cooperatives is to run a joint agricultural farm and activity for the benefit of members' individual farms.⁵¹ A cooperative may also run other business activity. The regulations cover neither the

⁴⁹ See. Available online: <<http://mleczarstwopolskie.pl/>>, [Access date: March 2020].

⁵⁰ Journal of Laws from 1982, No. 30, Item 210. Consolidated text: Journal of Laws from 2003, No. 188, Item 1848, as amended.

⁵¹ P. Zakrzewski, *Cel spółdzielni*, „Kwartalnik Prawa Prywatnego” 2005, issue 1, p. 61.

type of such activity nor the proportions between business activity and other activity⁵². It is worth mentioning that in its decision of 27 February 1986 the Higher Court (IV PRN 1/86, issued before the amendment) decided that the object of the agricultural activity of an agricultural production cooperative is to run a collective farm on the basis of the personal work of its members. Such a cooperative may also engage in other manufacturing activity or be in the service sector, but such activity cannot eclipse the main activity.

For many years agricultural production cooperatives have run, apart from joint farms, extra-agricultural business activities. This was usually the consequence of an unfavourable economic situation, but some periods it was also a consequence of beneficial tax regulations.⁵³ A characteristic feature of agricultural production cooperatives is the fact that the regulations stipulate the requirements which have to be met by their members. Membership in agricultural production cooperatives is only allowed to farmers who are: 1) owners or independent holders of farmland; 2) lessees, users, or other dependent holders of farmlands. Membership in the cooperative is also allowed to other people with useful qualifications for work in the cooperative. Another feature of agricultural production cooperatives that is essential in terms of the multifunctionality of villages and the sustainable development of rural areas, is the fact that their members, who are able to work, have the right and obligation to work in such a cooperative to the extent established by the management board every year and according to the needs resulting from the business activity plan. When assigning work to its members, a cooperative should consider their professional and private qualifications. The cooperative may employ not only its members, but also their household members, namely every family member and other people if they reside together with the member and run a common household. Apart from its members and household members, a cooperative may also employ other people under an employment agreement or any other agreement on work performance in accordance with its need. The members are compensated for work in the form of a share in profits, divided proportionately to their personal contribution.

Once Poland joined the European Union, Polish agriculture started to be covered by the Common Agricultural Policy, and the principles of funding and running agricultural activities have been changed. One of the main income sources of agricultural producers are payments within direct support schemes. According to some economists, they constitute more than 70% of the income of agricultural producers conducting agricultural activities in the countries of the “old” European Union. The payments are also

⁵² See A. Kokot, *Normatywne pojęcie działalności pozarolniczej w rolniczych spółdzielniach produkcyjnych*, „Prawo rolne” 1991, issue 1, p. 37-49.

⁵³ Ibidem, p. 37-49.

used by agricultural production cooperatives. These direct payments refer not only to the lands owned by agricultural production cooperatives.

C. Cooperative groups and organizations of agriculture producers, farmers cooperatives

A form of comprehensive joint action, referred to as cooperation,⁵⁴ is essential among individual entities in agriculture. It can take various forms including an agreement between agricultural producers, or it can be a more permanent structure (setting up a separate organisation). The latter possibility is of great importance within the framework of Poland's membership of the EU and in times of globalisation. In my opinion, a cooperative is the most appropriate form of cooperation for agricultural producers. The attribute that distinguishes a cooperative entity from other business entities is that it combines not only financial means (capital), but above all people.⁵⁵ Agricultural producers and their farms constitute small units. So consequently, joint action is extremely important. This is especially important in Poland, where there are over 1 million agricultural holdings in operation but the average area of agricultural land on a farm in 2019 was 10.95 ha.⁵⁶ In 2018, 1,428,800 farms used 1,469,000 ha of agricultural land and reared 9,842,500 large livestock units.⁵⁷

Agricultural producer groups contribute to the development of farms and rural areas. Pursuant to the Act of 15 September 2000 on Agricultural Producer Groups, natural persons, organisational units without legal personality, and legal persons that as part of agricultural activity run:

- a) a farm, in accordance with the agricultural tax regulations, or
- b) an agricultural business in special branches of agricultural production

may establish agriculture producer groups. Their purpose is to:

- adjust agricultural products and production processes to market conditions,
- jointly market products, and to prepare products for sale,
- centralize sales and deliveries to wholesale buyers,

⁵⁴ For more on cooperation, see: A. Perzyna, *Kooperacja w rolnictwie na tle ogólnego pojęcia kooperacji*, „Studia Iuridica Agraria” 2008, vol. VI, 2007, p. 215 et seq.;

⁵⁵ M. Zuba, *Spółdzielnie mleczarskie trwałą formą agrobiznesu*, „Zeszyty Naukowe WSEI w Lublinie, Seria Ekonomia” 2009, no 1, pp. 167-175.

⁵⁶ The announcement of the President of the ARMA of 17 September 2019 on the size of the average area of agricultural land on farms in individual provinces, and on the average area of agricultural land in an agricultural holding in the country in 2019. Available on-line at: <<https://www.arimr.gov.pl/pomoc-krajowa/srednia-powierzchnia-gospodarstwa.html>> [Access date: March 2020].

⁵⁷ Central Statistical Office, *Rolnictwo w 2018 r.*, Available on-line at: <<https://stat.gov.pl/obszary-tematyczne/rolnictwo-lesnictwo/rolnictwo/rolnictwo-w-2018-roku,3,15.html>> [Access date: March 2020].

- set out common rules on the production information especially in connection with crops and the availability of agricultural products,
- develop business and marketing skills,
- streamline the innovation processes, and to protect the environment.

The groups carrying out those goals help to develop agriculture and to increase the incomes of agricultural producers. An agricultural producer group is not itself a separate legal entity, but such groups can be organised using various types of business entity, i.e. a limited company, a cooperative, an association or a voluntary association. There are two stages in the formation of such groups. In the first stage, the legal personality is established, e.g. a limited liability company, a cooperative, an association or a voluntary association. In the second stage the group is registered. The Director of regional office of the Agency for Restructuring and Modernization of Agriculture (appropriate to the seat of the group) makes an administrative decision which states that the legal personality has met the conditions specified in the regulations and has been registered as an agricultural producer group. The legal status of the group needs to be taken into consideration. The agricultural producer group is an association of agricultural producers managing farms (i.e. independent business units) and working together in order to achieve the common aim of improving the financial situation and competitiveness of farms. The group does not work for its own profit but for the benefit of its members. It functions only owing to the entities from which it is composed. Thus, it is possible to assume that groups of agricultural producers work according to the rules characteristic of cooperatives. One of the definitions of a cooperative states that a cooperative is an entity running a business which belongs to and is controlled by its users and which distributes the financial surplus depending on the degree to which its services are used.⁵⁸

In the EU 2014–2020 funding period, agricultural producer groups may still apply for financial aid, but the rules for its granting have changed. The main regulations are: Regulation of the Minister of Agriculture and Rural Development of 2 August 2016, which sets out detailed conditions and method of granting, payment and repayment of financial aid within the activity “Creation of producer groups and organization”, covered by the Programme of Rural Areas Development for the years 2014-2020,⁵⁹ The

⁵⁸ See the definition of agricultural cooperatives formulated by the American Department of Agriculture together with a group of scientists in: D. Mierzwa, *Przedsiębiorstwo spółdzielcze. Tradycja i współczesność*, Wrocław 2011, p. 41 and n. Different definitions of the cooperative, see K. Hakelius, *Cooperative Values – Farmers’ Cooperatives in the Minds of the Farmers*, Uppsala 1996, p. 47 and n.

⁵⁹ Journal of Laws of 2016, item 1284, as amended.

Regulation of the Minister of Agriculture and Rural Development of 18 February 2016 also sets out the requirements to be fulfilled by a business plan of a group of agricultural producers.⁶⁰

In addition to cooperative groups of agriculture producers, there are also organizations of agriculture producers which are often created by cooperatives. Section 131 of the Preamble of Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organization of the markets in agricultural products and repealing Council Regulations (EEC) No 922/72, (EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007,⁶¹ stipulates that: “Producer organizations and their associations can play useful roles in concentrating supply, in improving the marketing, planning and adjusting of production to demand, optimizing production costs and stabilizing producer prices, carrying out research, promoting best practices and providing technical assistance, managing by-products and risk management tools available to their members, and thereby contributing to strengthening the position of producers in the food chain”. So far, no agricultural producer organizations have been established in Poland in the milk market. The situation in other markets is the same. Fruit and vegetable producer organizations are an exception, but there are separate legal regulations in this area and they already have a certain tradition.⁶² The Polish legislator intends to encourage the creation of organizations, which is why legal regulations have been amended and issued in recent years. For example, on 20 May 2020 the Regulation of the Minister of Agriculture and Rural Development of 27 April 2020 took effect, amending the Ordinance concerning the detailed conditions and procedure of granting, disbursement and return of financial aid as part of the activity entitled “*Establishment of groups of producers and producer organizations*” covered by the Programme of Rural Areas Development for the years 2014-2020.⁶³

For the multifunctionality of villages and the sustainable development of rural areas, it was important to adopt the Act of 4 October 2018 on Farmers’ Cooperatives. Article 4 of the Act of 4 October 2018 on Farmers’ Cooperatives,⁶⁴ states that a farmers’ cooperative is a voluntary association of natural or legal persons who engage in the following activities:

1. Run an agricultural farm as specified in the agricultural tax regulations and who:
 - a) conduct agricultural activity falling under special branches of agricultural production,
 - b) are the producers of agricultural products or of groups of these products, or
 - c) breed fish, and who are hereinafter referred to as “farmers”

⁶⁰ Journal of Laws of 2016, item 237, as amended.

⁶¹ O JEU L of 2013, No 347/671 as amended, hereinafter referred to as Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013.

⁶² A. Suchoń, *Agricultural Cooperatives and Producer Organizations in Poland*, “CEDR Journal of Rural Law 2015”, no 2, pp. 25–37.

⁶³ Journal of Laws, item 799.

⁶⁴ Journal of Laws of 2018, item. 2073.

2. Are not farmers and conduct activity related to:

- a) the storing, sorting, packing, or processing of agricultural products or groups of these products, or
- b) the fish produced by the farmers referred to in point 1, or
- c) service activities supporting agriculture, including those referred to in point 1, such as services using machines, tools or devices for the production of agricultural products by these farmers or groups of these products, or fish, and who are hereinafter referred to as the “entities which are not farmers”.⁶⁵

It should be noted that the members of such a cooperative are not only farmers, but also other entities that have the necessary premises, equipment or experience, for example, which may contribute to the development of farmers' cooperatives, and consequently agriculture and rural areas.

A cooperative of farmers can be established by at least 10 farmers. According to the Act of 4 October 2018 on Farmers' Cooperatives, these entities are predominantly made up of farmers, fluctuating bodies of persons and variable capital which conduct joint business activity for the benefit of their members. This Act stipulates that the activity of a farmers' cooperative is focused on conducting business activity for the benefit its members. A business activity may relate to

- the farmers planning their production of produce, or groups of products, and adjusting it to market conditions, especially considering their quantity and quality and the concentration of supply and
- handling the sales of products or groups of products produced by the farmers; and the concentration of demand; and
- handling the purchase of necessary means for the production of products or groups of products.

In addition to the above activity, the farmers' cooperative can also conduct activity relating to:

- storing, packaging and standardising the products or groups of products produced by the farmers;
- processing the products or groups of products produced by the farmers and the marketing of those processed products;
- providing services for the benefit of farmers in connection with the production of products or group of products by the farmers;

⁶⁵ For more on the Act on Farmers' Cooperatives, see e.g. J. Bieluk, *Spółdzielnie rolników – konstrukcja prawna*, „Studia Iuridica Agraria” 2018, vol. XVI, pp. 13ff.; A. Suchoń, *Legal aspects of the organization and operation of agricultural cooperatives in Poland*, Poznań 2019, pp. 7 et seq; idem, *Uwagi na tle projektu ustawy o spółdzielniach rolników*, „Przegląd Prawa Rolnego” 2017 no 2, pp. 191-208 et seq.

- promoting among its members environmentally friendly cropping techniques, production technology and waste management methods.

A farmers' cooperative may also run social, cultural and educational activities for the benefit of its members and their environment but the income coming from these activities must not account for more than 25% of the income of the farmers' cooperative earned in a given trading year.

Legal regulations encourage the establishment of farmers' cooperatives. A tax preference is also introduced by the Act of 4 October 2018 on Farmers' Cooperatives. For example, for buildings and structures or parts of buildings and land occupied by a farmers' cooperative or an association of farmers' cooperatives for the activities defined in Article 6 (1) and (2) of the Act of 4 October 2018 on Farmers' Cooperatives.

6. Social Cooperatives

Social cooperatives are particularly important for the development of rural areas. A social cooperative is a social economy entity offering support for the people at risk of social exclusion or who are already socially excluded. The operation of these entities and the concept of social economy fall under the scope of the EU actions. The European Lisbon Strategy, for instance, puts great emphasis on creating new workplaces and on economic development. These goals can be achieved by means of promoting employment, improving social care policies based on money transfers, supporting the adaptive abilities of the employees, and ensuring the flexibility of labour markets. A key factor in the process of achieving these goals is the development of civic society.⁶⁶

The regulations on social cooperatives were introduced into the Polish legal system in 2003 under the Act of 13 June 2003 on Social Employment,⁶⁷ changing the Act of 16 September 1982 on Cooperative Law. That was followed by the Act of 27 April 2006 on Social Cooperatives. In all the matters relating to the entities in question not regulated by that act, the provisions of the Act of 16 September 1982 on Cooperative Law apply. Under the law, the subject of activity of a social cooperative is to run a joint enterprise based on the individual work of its members and the workers of the social cooperative. A social cooperative takes actions for:

⁶⁶ A. Sienicka, A. Van den Bogaert., *Modele przedsiębiorstwa społecznego: Polska i Belgia*, 2009. [Access date: March 2019].

⁶⁷ Journal of Laws, No. 122, Item 1143, as amended.

- the social reintegration of the members and workers of a social cooperative, which includes actions designed to rebuild and maintain the skills connected with participating in the life of local community and performing social roles at work, place of residence or stay.
- the professional reintegration of its members and the workers of a social cooperatives, which refers to actions designed to rebuild and keep the ability to work independently on the job market – and those actions are not taken as being part of the business activity conducted by the social cooperative.

The social cooperative can conduct a social, as well as educational and cultural activity for the benefit of their members, employees, and local community, as well as socially useful activity in the field of public tasks. A social cooperative can be set up by, e.g., the unemployed, the disabled as provided for in the Act of 27 August 1997 on Vocational and Social Rehabilitation and Employment of Persons with Disabilities, persons up to 30 years old and over 50 years old who have the status of a job seeker, the unemployed as prescribed in the Act of 20 April 2004 on Employment Promotion and Labour Market Institutions, unemployed job seekers or persons not engaged in other gainful employment. Every member has the right to work in a social cooperative.

A novelty which has been introduced is that social cooperatives can set up a cooperative consortium in the form of an agreement to: 1) increase the economic and social potential of the associated social cooperatives; 2) jointly organize the network of production, trade or services; 3) jointly promote cooperative or economic actions; or 4) promote a common trademark, as mentioned in the Act of 30 June 2000 on Industrial Property Law.

Social cooperatives, being social economy entities, can use both Polish and European funds, as well as some other facilities. A social cooperative, for instance, does not pay a court fee while applying to be entered into the National Court Register and does not pay any fee for publishing an announcement in the Court and Commercial Gazette (*Monitor Sądowy i Gospodarczy*). Simultaneously, under Article 17(1)(43) of the Act of 15 February 1992 on Corporate Income Tax,⁶⁸ the income of a social cooperative spent in a tax year on the purposes provided for in Article 2(2) of the Act on Social Cooperatives, in compliance with this Act, in the part not qualified as deductible costs, are exempted from income tax.

Social cooperatives have been functioning in our legal system for a relatively short time but they are becoming increasingly popular. This is confirmed by the existence of more than 1000 social cooperatives and their more or less equal development in particular parts of Poland. Most people working in these

⁶⁸ Consolidated text: Journal of Laws 2012, item 361, as amended.

entities, among whom there are many people with disabilities, are employed under cooperative employment agreements.⁶⁹ Social cooperatives are becoming increasingly effective tools of the social economy. They are especially needed in rural areas, where the unemployment rate is very high and the ways of supporting the excluded and disabled people, compared with cities, are limited. Credit should be given to the programmes that provide people with relevant knowledge on how to set up and run social cooperatives, also in rural areas. Currently, however, it is important to allocate more financial resources to facilitate and extend the scope of activity of already existing cooperatives. It is obvious that the legislator is trying to introduce some improvements relating to the setting up and running of activity by social cooperatives.

The activities of cooperatives are part of the concepts of both the multifunctionality of villages and sustainable development of rural areas, supporting diverse business activity on these areas, creating new workplaces, and improving the living conditions for disabled people.

7. Energy cooperatives

For the multifunctionality of villages and the sustainable development of rural areas, the development of energy cooperatives is also important. Pursuant to the Act of 20 February 2015 on Renewable Energy Sources⁷⁰ (with amendments from 2019), an energy cooperative is a cooperative within the meaning of the Act of 16 September 1982 on Cooperatives or of the Act of 4 October 2018 on Farmers' Cooperatives, the object of which is the production of electricity, biogas or heat in renewable energy source installations, and balancing the demand for electricity or biogas or heat, exclusively for the own needs of the energy cooperative and its members, connected to an area-defined electricity distribution network with a nominal voltage lower than 110 kV, or a gas distribution network, or a district heating network.

The Energy Cooperative must meet all the following conditions:

1. operate in a rural or urban-rural commune within the meaning of the regulations on public statistics, or in an area of no more than 3 such communes directly neighbouring each other.
2. the number of its members has to be less than 1000;
3. if the object of its activity is the production of:

⁶⁹ Information about the operation of Social Integration Centres and Clubs for the Sejm and Senate of the Republic of Poland” (Issue No. 679), www.sejm.gov.pl [Access date: March 2018].

⁷⁰ Journal of Laws, Item 478, as amended.

- i. electricity, then the total installed electric power of all installations of a renewable energy source must cover at least 70% of the cooperative's own annual energy needs, and the needs of and its members, and cannot exceed 10 MW;
- ii. heat, then the total available thermal capacity cannot not exceed 30 MW; or
- iii. biogas, then the annual capacity of all installations cannot exceed 40 million m³ (Article 38e).

Article 38f states that an energy cooperative may produce electricity, heat or biogas in installations of a renewable energy source owned by the energy cooperative or its members. The energy cooperative may start its operations once it has been entered in the register of energy cooperatives. The register of energy cooperatives is maintained by the General Director of the National Support Centre for Agriculture.

8. Summary

As can be seen from our research, Polish cooperatives have a long history, and since the times of S. Staszic and the establishment of the Hrubieszów Agricultural Society to 'improve the agriculture and industry and to provide mutual assistance in misfortunes'. Cooperatives have contributed to the development of agriculture and the multifunctionality of rural areas. Poland's membership in the European Union has created new possibilities of development for the cooperative movement in rural areas.

The development of agricultural activity, which is most popular in rural areas, is closely related to the multifunctionality of villages and the sustainable development of rural areas. Cooperatives contribute to improved productive capacity and the competitiveness of the agricultural sector, and they increase the value of its share in the food chain of agricultural producers. Agricultural activity is the basic activity in rural areas and the cooperation of agricultural producers is important. This is important in terms of the multifunctionality of villages and the sustainable development of rural areas.

Agricultural producers engaged in agricultural activity in the field of milk production, pig farming and others, and belonging to various cooperatives may, on the one hand, better develop their agricultural activity, while on the other hand, such a cooperative contributes to the development of rural areas. In agriculture (the aims of which focus on the production of food and raw resources for various branches of industry,⁷¹ and, more broadly speaking, on the supply of public goods)⁷² there is a high level of financial

⁷¹ For more detailed discussion, see: A. Nowak, T. Kijek, A. Krukowski, *Polskie rolnictwo wobec wyzwań współczesności, Tom I Wymiar ekonomiczno-strukturalny*, Lublin 2019: 24ff; A. Daniłowska, *Rolnictwo produkuje nie tylko żywność*, Available on-line at: <<http://www.nowoczesnerolnictwo.info/technologie-rolnictwo/rolnictwo-produkuje-nie-tylko-zywnosc>> [Access date: March 2020].

⁷² Economic goods (food and energy security); environmental goods (biodiversity, agricultural landscape, soil protection, proper water relations); socio-cultural goods (economic and social vitality of villages, enrichment of national culture, shaping local, regional and cultural identity). Cf: A. Biernat-Jarka, *Dobra publiczne w rolnictwie w nowej perspektywie finansowej Unii*

uncertainty for agricultural producers, due to, for example, the relatively high costs associated with agricultural activity, the price changes of agricultural products and the impact of weather conditions. Cooperatives help reduce costs by sharing between agricultural producers and enabling them to meet more and more requirements related to public health and animal health. For farmers who cooperate in a cooperative, it is easier to engage in farming business by means of the methods oriented at environmental protection, to achieve the sustainable development of agriculture, and to introduce innovations which require a high outlay. Working together also helps to take actions about limiting the effects of climatic changes, and to use alternative sources of energy. In some European countries, like Germany or France, where the system of biogas plants is well-developed, a cooperative usually acts usually as the investor in the construction of biogas plants.

Cooperatives are important legal entities which have a very positive effect on developing the multifunctionality of rural areas. The Act on Agricultural Producer Groups was passed as early as 2000, but only amendments to it and the possibility of obtaining EU funds led to the development of entities that bring agricultural producers together. Cooperative groups of agricultural producers sell the agricultural produce produced on the members' agricultural holdings, market it, and store and deliver the means of production.

The discussion presented above has confirmed that social cooperatives have been functioning in our legal system for a relatively short time, but they are becoming increasingly popular. This is confirmed by the existence of more than 1000 social cooperatives and their more or less equal development in particular parts of Poland. Most people working in these entities, among whom there are many people with disabilities, are employed under cooperative employment agreements.⁷³ It can be said, therefore, that social cooperatives are increasingly effective tools of social economy in rural areas. They are especially needed in villages, where the unemployment rate is very high, and the ways of supporting excluded and disabled people are limited, when compared with cities. Credit should be given to the programmes providing people with relevant knowledge on how to set up and run social cooperatives, also in rural areas.⁷⁴ These trends in the development of cooperatives in the context of the multifunctionality of villages and the sustainable development of rural areas have an impact on the development of legislation. What is observed is that legal regulations concerning the organisation and functioning of agricultural

Europejskiej, Zagadnienia Ekonomiki Rolnej 2016, 1(346): 42–151; J. Wilkin, *Wielofunkcyjność rolnictwa. Kierunki badań, podstawy metodologiczne i implikacje praktyczne*, Warsaw 2010: 12ff; D. Baldock, K. Hart, M. Scheele, *Dobra publiczne i interwencja publiczna w rolnictwie*, Available on-line at: <<https://enrd.ec.europa.eu/enrd-static/fms/pdf/45227AED-EB65-0E88-C0FF-9D706AF6572C.pdf>> [Access date: December 2019].

⁷³ Information about the operation of Social Integration Centres and Clubs for the Sejm and Senate of the Republic of Poland” (Issue No. 679), www.sejm.gov.pl [Access date: March 2019].

⁷⁴ P. Zakrzewski, *Cel spółdzielni*, *Kwartalnik Prawa Prywatnego* 2005, issue 1, p. 61.

cooperatives are being extended. At the same time, the normative basis for cooperatives of agricultural production was widely regulated in the period after the Second World War. The political transformation, the principles of the market economy and the acquisition of EU membership have resulted in the legislator becoming more focused on the association of agricultural producers selling agricultural produce and supporting other stages of agricultural activity.

The current trend in the development of agricultural cooperatives is in line with the development of EU policies. This is related, for example, to the need to increase the competitiveness of agricultural producers, the protection of regional products, the social economy, energy, environmental protection, and processing. A cooperative is a complex legal entity and at the same time a dynamic unit in the context of taking into account changes in CAP and EU policies. The growing impact of regulations related to the development of agricultural law and food law on the activities of agricultural cooperatives should be noted.⁷⁵ The scope of legal regulations concerning cooperatives has been extended and encourages the association of agricultural producers e.g. Act of 4 October 2018 on Farmers' Cooperatives. It is also worth mentioning tax reliefs and exemptions, the possibility of cooperatives using EU funds (e.g. "*Establishment of groups of producers and producer organizations*"), exemptions of social cooperatives from fees during the registration at the court.

Nevertheless, further changes in legislation are necessary for the continued process of developing the multifunctionality of rural areas. The essence of multifunctional development is raising the standard of economic and cultural life of the rural population (especially by increasing income). Cooperatives in rural areas contribute to achieving this goal.

⁷⁵More on the expansion of agricultural law see R. Budzinowski, *Współczesne tendencje rozwoju prawa rolnego*, *Studia Iuridica Agraria* 2009, vol. VII, p. 17 et seq.