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Agricultural distilleries in the former Austrian partition against the backdrop of the spirits industry in interwar Poland

Annotation: In the second half of the 19th century, the distilling industry became the most important sector of the food and agricultural industry in Galicia. The distilling industry in Galicia was based on agricultural distilleries, facilities closely cooperating with farms. The interwar period became a completely new stage in the history of agricultural distilling in these areas. The war damage, the loss of pre-war markets and the introduction of the State Spirits Monopoly left a significant mark on the condition of the distillery industry in former Galicia. This resulted in an over two-fold decrease in the number of active agricultural distilleries combined with a more than four-fold reduction in the volume of spirits produced. The share of agricultural distilleries of the former Galicia in the production of spirit in Poland dropped at that time to a level two times lower than before the outbreak of World War I. This meant that it was impossible to carry out investments in distilleries that could improve their competitiveness against facilities in other regions of Poland.

Keywords: Galicia, agricultural distilleries, the State Spirits Monopoly, interwar Poland.

Gorzelnie rolnicze w byłym zaborze austriackim na tle przemysłu spirytusowego w międzywojennej Polsce

Streszczenie: W II połowie XIX stulecia przemysł gorzelniczy stał się najważniejszym sektorem przemysłu rolniczego w Galicji. Przemysł ten oparty był na gorzelniach rolniczych, czyli przedsiębiorstwach ściśle połączonych z gospodarstwami rolnymi. Okres międzywojenny stał się zupełnie nowym etapem w dziejach gorzelnictwa rolniczego na tych terenach. Zniszczenia wojenne, utrata przedwojennych rynków zbytu oraz wprowadzenie Państwowego Monopolu Spirytusowego zdeterminowały sytuację gorzelnii rolniczych w byłej Galicji. Przyniosły ponad dwukrotny spadek liczby aktywnych zakładów połączony z niemal czterokrotnym zmniejszeniem rozmiarów produkcji spirytusu. Udział gorzelnii dawnej Galicji w produkcji spirytusu na ziemiach polskich zmniejszył się dwukrotnie w stosunku do okresu sprzed wybuchem I wojny światowej. Oznaczało to brak możliwości inwestycji w przedsiębiorstwa gorzelnicze, które wskutek tego nie mogły poprawić swojej pozycji wobec zakładów innych części kraju.

Слова ключовые: Галиция, горзельне ролниче, Паістwowы Монопол Спирytусowы, мięдзуwojenna Polska.

Сельскохозяйственные винокурни на территории бывшего австрийского раздела на фоне производства спиртных напитков в межвоенной Польше

Аннотация: Во второй половине XIX века винокурение стало важнейшим сектором сельскохозяйственной промышленности Галиции. В основе этой отрасли лежали сельскохозяйственные винокурни, то есть предприятия, тесно связанные с имениями. Межвоенный период стал совершенно новым этапом в истории сельскохозяйственного винокурения на этой территории. Ущерб, нанесенный войной, потеря довоенных рынков и введение государственной монополии на спирт определили положение сельскохозяйственного винокурения в бывшей Галиции. Они привели к двукратному уменьшению количества действующих заводов при почти четырехкратном сокращении объемов производства спирта. Доля бывшего ликеро-водочного завода Galicia в производстве спирта в Польше уменьшилась вдвое по сравнению с периодом до начала Первой мировой войны. Это означало, что не было возможности инвестировать в ликеро-водочные заводы, которые в результате не могли улучшить свое положение по сравнению с заводами в других частях страны.

Ключевые слова: Галиция, сельскохозяйственные винокурни, монополия государственного духа, межвоенная Польша.

Background

The aim of this paper is to show how the agricultural distilleries in former Austrian Galicia performed against the backdrop of the Polish spirits industry. The overall situation of these distilleries was to a great extent influenced by the indelible effects of the Great War, the associated political changes in Central Europe and completely new operating conditions in interwar Poland, which were unfavourable for the distilling industry. Accordingly, this paper presents both the processes associated with the emergence of a strong distilling industry in Galicia before World War I and the phenomena and processes that caused its decline and structural crisis under the circumstances established in the independent Polish state. In this paper, a number of research methods applied in the humanities and social sciences were used to accurately reproduce the institutional and economic changes that took place in the distilling industry in the former Galicia in the period studied. The research involved searching through archives and printed sources as well as specialised periodicals and studies.

In the late 19th century, the distilling industry became the most important sector of the food and agricultural industry in Austrian Galicia. It was also a significant element of the economic landscape of this part of the Austro-Hungarian monarchy. As was the case in the other partitions, the development of the distilling industry in Galicia was based on agricultural distilleries, i.e. facilities closely cooperated with farms. Such distilleries used agricultural products (potatoes, grain for malt) produced on farms affiliated with them, and supplied these farms with by-products of spirits production, i.e. distillery stillage which is valuable fodder. There are various reasons why the distilling industry in Galicia grew to be so strong. It benefited from the fact that the monopoly on spirits production and trade held by landlords was abolished and a modern excise tax system supporting agricultural distilleries that were linked to agricultural production

was established. Additionally, potatoes became the commonly used raw material in the production of distilled spirits and distilleries were increasingly revamped¹.

At the end of the 19th century, the number of distilleries in Galicia began to rise continuously, reaching 687 in 1900 and 858 in 1911. The production of distilled spirits increased too. In 1888/89 it amounted to 448,000 hl and in 1910/11 it reached its maximum of 921,000 hl of 100 proof distilled spirits, meaning that at the turn of the 20th century the Galician distilleries supplied around 30% of all spirits produced on Polish territories and its share in the overall production was similar to that of the distilleries in the German partition and in the Kingdom of Poland. However, the average output of a Galician distillery was lower compared to distilleries located in the other partitions due to production restrictions and tax preferences introduced by the Austrian authorities².

Even though distilleries in all three partitions operated under different conditions, we may say that all agricultural distilleries grew uniformly as they could offer their products on the large markets of the partitioning powers. This was so because Polish territories were considered as production areas of distilled spirits by each of the respective partitioners. The distilleries of the Poznań region secured up to 20% of the total production of distilled spirits in the entire German state, the plants in the Kingdom of Poland, Lithuania, Podolia and Volhynia supplied nearly 40% of the total production of distilled spirits available in the Russian state. In 1909/10 as much as 47% of the total volume of distilled spirits produced in the Austrian monarchy (without the Hungarian part of the monarchy) came from the Galician distilleries; 40-50% of the spirits produced in Galicia were sold elsewhere³.

The intensive development of the distilling industry was halted by the outbreak of World War I. Around 70% of the approx. 2 500 distilleries operating on Polish territories before the war were destroyed. 1 000 of them have never resumed work in Poland. In Galicia alone, nearly 80% of distilleries were destroyed to varying degrees as a result of the military operations of 1915-1916. In the following years the production remained at a minimal level, not exceeding the volume of several thousand hectolitres of spirits per year⁴.

Operating conditions of agricultural distilleries in interwar Poland

After Poland became an independent state, the distilling industry had to operate under completely new political and economic circumstances. Apart from the enormous devastation wrought by the war, new rules governing the production and sale of spirits were established and the distilleries were cut off from their pre-war markets.

¹ J. Michalewicz, *Przemysł gorzelniany Galicji doby autonomicznej. Między monopolem dworskim a monopolem państwowym*. Kraków 1988, p. 41-42, 183-184, 281; pursuant to Austrian legislation, every agricultural distillery had to be affiliated with a farm. All or the most of the raw materials required for its production were to be produced there (foreign raw materials could be purchased in years when crops failed).

² J. Michalewicz, *Przemysł...*, p. 67-72; *Państwowy Monopol Spirytusowy 1924-1926*, Warszawa 1928, p. 21.

³ W. Dąbrowski, S. Dmochowski, *Przemysł spirytusowy w Królestwie Polskim*. Warszawa 1918, p. 34, 158; Cz. Łuczak, *Przemysł Wielkopolski w latach 1871-1914*. Poznań 1960, p. 16; J. Michalewicz, *Przemysł...*, p. 96, 102.

⁴ M. Bocheński, *Stan gorzelnictwa rolniczego w Polsce*, Warszawa 1928, p. 2-3.

Additionally, the distilling industry had to face a tax policy characterised by excessive fiscalism and inconsistency. For example in the former Galicia the rules in force were similar to those introduced in the former Russian partition and tax offices exercised full control over production of and trade in distilled spirits even though the excise tax system was retained⁵.

In the autumn of 1921, the authorities were forced to introduce a nationwide excise tax system on spirits after distillery circles had made their dissatisfaction with inconsistent regulations and inept fiscal apparatus known. A cartel-like organisation was to be established that would take care of the spirits market. However, relevant plans aimed at regulating production failed, and the state, in need of funds due to the fiscal and currency reform introduced by the Prime Minister Władysław Grabski (1923-1925), fell back on the monopoly system⁶.

Pursuant to the act on spirits monopoly (Polish: *ustawa o monopolu spirytusowym*), passed in July 1924, the state was given a complete monopoly on the purchase and sale of spirits intended for the internal market. Under the regulatory framework the distilleries had to operate within the scope of a license for the production of distilled spirits granted by the Ministry of the Treasury, while the Directorate of the State Spirits Monopoly (Polish: *Dyrekcja Państwowego Monopolu Spirytusowego*) determined each year the volume of spirits to be purchased. Agricultural distilleries, accounting for 95% of all distilleries in operation, were allocated a corresponding share of monopoly orders. Starting in 1924/25, the so-called purchase quota became the most important factor in distillery operations, although the distilleries were allowed to produce spirits volumes in excess of the quota such overproduction could only be exported (prices on world markets were very low). For spirits volumes supplied to the State Spirits Monopoly based on purchase orders the producers were guaranteed a price that covered their production costs. The distillery stillage would be the source of the distilleries' profit. By the end of the interwar period, all agricultural distilleries existing in Poland were operating under the state monopoly on distilled spirits. It is worth noting that the number of distilleries, with only about 1,500, was lower by almost 60% compared to the pre-World War I levels⁷.

Marketing opportunities of agricultural distilleries in the former Galicia

The number of farm distilleries in Poland and their geographical distribution were influenced by several factors, including the relations prevailing in the distilling industry before World War I, the extent of war damage and the conditions under which the industry operated in the independent Polish state. Accordingly, the relatively even distribution of production capacities in the Austrian, German and Russian partitions prior to the outbreak of World War I was supplanted by the explicit predominance of the western provinces in interwar Poland. More than 40% of active distilleries were located there, while only about 25% of such facilities were operating in the former Galicia. The

⁵ W. Grabowski, *Monopole państwowe* [in:] *Odrodzona skarbowość polska*, Warszawa 1931, p. 103; P. Grata, *Monopole skarbowe w polityce podatkowej Drugiej Rzeczypospolitej*, Rzeszów 2009, p. 124.

⁶ *Ibidem*, p. 49-50; B. Kasprowicz, *Przemysł spirytusowy b. Dzielnicy Pruskiej w okresie etatyzmu (1 I 1919-31 X 1921)*, Poznań 1921, p. 46.

⁷ *Ibidem*, p. 93-95; *The Act of July 31 on the spirit monopoly*, "Journal of Laws" 1924, No. 78, item 756; M. Głowacki, *Monopol spirytusowy i przysze budżety*. "Przemysł i Handel" 1924, no. 7, p. 174.

extent of the decrease in the number of agricultural distilleries in the former Austrian partition is evidenced by the fact that in 1918/19 only 60 distilleries were operational out of approx. 850 facilities active in the pre-war period. In 1919/20 and 1920/21 there were respectively 110 and 121 distilleries operating. Even after the destroyed plants were more or less rebuilt and their number in Poland levelled off, there were only about 400 agricultural distilleries in the former Galicia, less than half of the pre-war figure. The largest number of distilleries were operating in the provinces of Lwów (ca. 160-170 plants) and Tarnopol (ca. 130 distilleries were reconstructed, only 1/3 of the pre-war figure), while in the provinces of Kraków and Stanisławów there were less than 50 distilleries in each province⁸.

The technical equipment of distilleries in the former Galicia were inferior to that of distilleries in Central Poland, which resulted in their lower efficiency. They used considerably more potatoes than the distilleries in the former Russian partition, and in general they also exceeded limits for raw material consumption specified by the State Spirits Monopoly. Additionally, the quality of the production process itself in the distilleries in Lesser Poland left much to be desired. According to a study carried out by the Scientific Distilling Organisation (Polish: *Naukowa Organizacja Gorzelnictwa*), only 64% of distilleries in the southern provinces were assessed positively in 1929/30, and as many as 1/3 of the distilleries were given negative assessments. Distilleries in other parts of Poland scored much better. In the former German partition more than 75% of facilities were assessed positively, and in the former Russian partition over 80%⁹.

The characteristics of farms affiliated with distilleries played an important role in the operation of the distilleries themselves. These farms influenced to a great extent the profitability of the spirits production (especially due to restrictions imposed by the State Spirits Monopoly) and they also determined the distilleries' production capacity. Their area of arable land, potato yields and transport connectivity were the essential factors affecting the distillery's operations. Farms affiliated with distilleries in the former Galicia were characterised by a relatively small area of arable land. In 1926, only in the province of Tarnopol their average area was close to 600 ha. In the provinces of Stanislaw and Lwów it barely exceeded 400 ha. The province of Cracow had the lowest average area nationwide with only 312 ha (in the provinces of Poznań, Nowogródek and Volhynia the arable land of farms affiliated with distilleries exceeded on average 700 ha)¹⁰.

The average area planted with potatoes on farms affiliated with distilleries in the former Galicia was even lower. In the late 1920s, the average potato area on farms affiliated with distilleries in Poland was about 90 ha, while the corresponding area in the southern provinces was only about 50 ha. Similar differences were observed in potato yields on these farms. The best potato productivity was recorded on farms affiliated with distilleries in the western provinces (ca. 160 q/ha), while southern provinces had a productivity of 120 q/ha in the mid-1920s and ca. 130 q/ha at the turn of the

⁸ AAN, Ministerstwo Skarbu 1918-1939, file no. 6907, *Analiza gospodarcza działalności Państwowego Monopolu Spirytusowego 1938/39*, p. 81; *ibidem*, *Państwowy Monopol Spirytusowy*, file no. 145, *Opracowania i zestawienia statystyczne dotyczące gorzelnictwa 1921-1932*, p. 131; A. Iwański, *Przemysł rolny w Polsce* [in:] *Bilans gospodarczy dziesięciolecia Polski Odrodzonej*, ed. S. Zaleski, vol. I, Poznań 1929, p. 265-267.

⁹ B. Moroz, *Naukowa Organizacja Gorzelnictwa. Niektóre wyniki pracy za lata 1927/28, 1928/29, 1929/30*, Warszawa 1930, p. 8-12.

¹⁰ M. Bocheński, *Stan gorzelnictwa...*, p. 31.

decade (only the underdeveloped eastern provinces had worse productivity). One of the very few advantages of farms affiliated with distilleries in the former Galicia was their transport connectivity. The average distance from a distillery in Lesser Poland to the nearest railway station was about 10 km. Only distilleries in the former German partition had better transport connectivity¹¹.

Production volumes of distilled spirits

In interwar Poland not only were the production capacities of the distilling industry reduced, but, above all, their production outputs decreased to such an extent that it had as much more significant effect than the reduction in the number of distilleries themselves. The negative impact of the above-mentioned factors (loss of markets, war damage, state fiscalism) caused a huge drop in the quantities of distilled spirits produced in Poland. Distilleries in all Polish regions were affected by the reduction in production output, but it was most noticeable in areas that had suffered the greatest war losses (Eastern Borderland, Eastern Galicia) or in areas whose production conditions were the least favourable (Galicia again).

Prior to the outbreak of World War I, the total pre-war production of distilled spirits in regions forming the future independent Polish state amounted to approx. 2.5-2.6 million hl of 100 proof alcohol. More than 95% of these volumes were produced in agricultural distilleries. In interwar Poland, the production in the analogous areas ranged from 269,000 hl in 1918/19 to nearly 900,000 in the years 1922/23, 1929/30 and 1937/38, i.e. somewhat between 10% and slightly more than 30% of the pre-war levels. Moreover, the geographical distribution of production volumes changed fundamentally compared to pre-war production, which was relatively evenly distributed between the territories of Galicia, the German partition and the Kingdom of Poland. Throughout the entire inter-war period, the highest production outputs were recorded in the former German partition which was least affected by the fighting and, more importantly, farms affiliated with distilleries there operated under favourable economic conditions. Until 1932/33, distilleries in the former German partition accounted for around 40% of the total production of distilled spirits. In subsequent years they produced more than half of the volume of distilled spirits produced in Poland. The corresponding situation in the former Austrian partition was much worse. The share of the Galician distilleries in the total production of distilled spirits in interwar Poland ranged from 14% to more than 20%, whereas in the pre-war time they provided nearly 30% of the total production volumes. Interestingly, their share in total production increased when global production fell (a maximum share of 26% was recorded in 1932/33, the year most affected by the economic crisis)¹².

This was the result of the above-mentioned factors determining the production capacity of the facilities in the former Galicia. In years when significant production volumes of distilled spirits could be achieved, the share of the distilleries in Lesser Poland in the total production fell as they limited their operations to fulfilling mainly

¹¹ Ibidem, p. 24, 39; AAN, Państwowy Monopol Spirytusowy, file no. 145, Opracowania..., p. 156-157; W. Miszewski, *Przemysł spirytusowy a rolnictwo* [in:] *Pięć lat na froncie gospodarczym 13 V 1926 – 13 V 1931, vol. I*, Warszawa 1931, p. 222.

¹² P. Grata, *Przemysł gorzelniczy w II Rzeczypospolitej*, Rzeszów 2002, p. 148.

the production quotas commissioned by the State Spirits Monopoly. In crisis years, when virtually every Polish distillery produced distilled spirits only to satisfy their production quota, their share in total production was almost as low as the percentage of distilleries operating in Lesser Poland against the total number of distilleries in Poland. In general, however, the former Galician areas produced far lower quantities of spirits than the number of agricultural distilleries operating there would suggest.

Table 1. Production of distilled spirits in agricultural distilleries in the southern provinces of interwar Poland in 1909/10 and 1922/23-1938/39

Province	Production of 100 proof distilled spirits in thousands of hl					
	1909/10	1922/23	1925/26	1929/30	1933/34	1937/38
Cracow	47.4	18.0	10.5	15.1	5.2	8.3
Lwów	264.0	73.2	61.0	74.8	26.1	54.8
Stanisławów	55.3	15.1	15.1	17.5	4.6	10.6
Tarnopol	343.6	31.4	41.3	62.8	21.0	53.3
Total	710.3	137.7	127.9	170.2	56.9	127.0
Poland	2,535.6	806.4	588.7	829.5	405.9	763.2
% of pre-WWI production volume	100	19	18	24	8	18
% of national production volume	28	17	22	21	14	17

Source: AAN, Państwowy Monopol Spirytusowy, sygn.. 145, *Opracowania...*, p. 132, 166l; M. Bocheński, *Stan gorzelnictwa...*, 1928, p. 58, 70; *Mały Rocznik Statystyczny* 1939, p. 144.

This phenomenon became particularly evident after new regulations for the production and purchase of spirits for the internal market were introduced prior to the production season of 1933/34. Distilleries were then allowed to produce significant quantities of spirits in excess of the quota, but they had to sell them at lower prices. It needs to be noted here that in general the purchase quota allocated to individual facilities did not exceed 200 hl of spirit per year. Hence most Polish distilleries were forced to produce additional quantities, which resulted in the purchase quota constituting only less than half of their entire production output (only 1/3 in the late 1930s). Due to the fact that the distilleries in Lesser Poland were not keen on the production of cheaper spirits in excess of the quota, their share in total production of distilled spirits dropped suddenly to a mere 14% (from 26% in the previous year). By the end of the interwar period their share dropped even further to a dozen or so percent.

After the spirits monopoly had been introduced, the agricultural distilleries in the former Galicia generally limited their production to solely fulfilling their quota. Up to 1932/33, when non-quota spirits were produced primarily for export, deliveries to the State Spirits Monopoly accounted for up to 98% of all spirits quantities produced in the former Galicia (nationwide, the percentage was usually 95%). In 1933/34, the proportions between the quota and other production changed permanently, but the distilleries in

western and central Poland decided more often to produce cheaper spirits. Apart from the quota spirits, the distilleries in the former Galicia, which were ill-equipped and had to operate under the worst economic conditions produced slightly more than half of the spirits volumes just before the outbreak of World War II, while in the western provinces it was 73% and in the central provinces 65%¹³.

Performance indicators showing the average output of a distillery corresponded to the production output nationwide. In the former Galicia they were the lowest ones. Until 1932/33, the differences between the regions were not very significant, but later on as the delivery rules changed, they increased considerably. As late as in 1925/26, the average distillery in southern Poland produced 398 hl of 100 proof distilled spirits, while the distilleries in the central provinces, the best in this respect, produced on average 513 hl. In 1938/39, the average production of the Galician distilleries amounted to 429 hl, while the average output of distilleries in central Poland was 724 hl. In the western provinces this was 913 hl (in the province of Poznań the average production of a distillery was as much as 1061 hl of 100 proof spirits)¹⁴.

Profitability of distilleries

It was generally impossible to precisely determine the profitability of agricultural distilleries. This was due to the fact that every distillery represents an element of the economic processes taking place on the farm affiliated with the distillery. Additionally, raw materials, labour and even fuel from the farm were used in the production process and the stillage was treated as the distillery's profit. The most realistic point of reference for the estimates and opinions on profitability was provided by the calculation of cost of distilled spirits production in agricultural distilleries prepared by the State Spirits Monopoly. Based on this calculation tax authorities determined prices paid to producers for the quota spirits they supplied (these costs were determined separately for each province). Until 1932/33, the purchase price was calculated primarily based on the cost of potatoes used in production, later on the calculation became more sophisticated to allow for the depreciation and renovation of distillery buildings and equipment. Additionally, interest rates on share capital were introduced. With the value of plants determined on a flat-rate basis in individual provinces, these elements, accounting for 1/3 of the calculation, determined the territorial structure of purchase prices of quota spirits¹⁵.

In theory, these prices were supposed to cover all production costs, however, as soon as the monopoly was established, the profitability of distilleries in the former Galicia was considered to be very low. What is more, unfavourable economic conditions and the lowest purchase quota allocated by the State Spirits Monopoly nationwide were the reasons why the distillers in Lesser Poland complained about the unprofitability of spirits production even in years which were generally considered as good. This is hardly surprising given the fact that the average production of local

¹³ Ibidem, p. 152-155; *Sprawozdanie Izby Przemysłowo-Handlowej we Lwowie 1929*, p. 71; 1930, p. 130.

¹⁴ P. Grata, *Przemysł...*, p. 160.

¹⁵ *The Act of July 31...*; *The Ordinance of the President of the Republic of Poland of March 26 on the spirit monopoly*, "Journal of Laws" 1927, No. 32, item 289; *The Ordinance of the President of the Republic of Poland of July 11 on the spirit monopoly, taxation of acetic and yeast, and the sale of alcoholic beverages*, "Journal of Laws" 1932, No. 63, item 586; *Państwowy...*, p. 65.

distilleries was usually lower than 400 hl, and it further decreased to just 257 hl of spirits in 1931/32 and to 182 hl in 1932/33. It was generally impossible to run a profitable distillery with the existing methods used to calculate purchase prices and the relatively high production costs. Only in years when significant volumes of spirits could be sold abroad (1928/29-1929/30), which translated into higher production outputs of the distilleries in Lesser Poland, were positive outlooks observable in the annual assessments of the economic situation made by the Chambers of Commerce and Industry in Lwów and Cracow¹⁶.

In the 1930s, as new spirits purchasing rules were introduced and the methods of calculating quota prices became more favourable, distilleries were generally earning profits selling spirits to the State Spirits Monopoly. This enabled them to produce spirits volumes independently of the purchase quota, even if they were making some losses on them. The size of this production became one of the most important determinants of the profitability of individual distilleries. The cheaper the distillery produced, the higher were the profits from the quota spirits and, at the same time, the more profitable it became to supply spirits in excess of the purchase quota.

Here, too, the economic weakness of the distilleries in the former Galicia was clearly evident. In the mid-1930s, most of the distilleries producing spirits independently of the quota were in the western (82% of the distilleries) and central (74%) provinces, while in the southern provinces 63% of distilleries were doing so. Not only were the facilities in Lesser Poland less keen on producing cheap spirits, but also, if they did, they produced significantly less spirit in excess of the quota than the distilleries in western and central Poland. The main reason for this was the lower profitability of the distilleries there. This was confirmed both by the annual reports of the Chambers of Commerce and Industry in Lwów and Cracow and by the fact that these plants accounted for only a few percent of Polish production¹⁷.

When analysing the profitability of the distilling industry, we must bear in mind one more important aspect. As established by the State Spirits Monopoly, the amounts that distilleries received for spirits would cover their production costs and the profit should be earned with the sale of the distillery stillage. According to estimates, this profit, for both the distillery and the affiliated farm, amounted to approx. 8% of the value of the spirits produced. The stillage had significant economic value as it enabled the farm affiliated with the distillery to overwinter a higher number of animals than other farms could afford. It also provided large quantities of natural fertiliser. These very aspects were crucial for the rationale behind carrying on the production of spirit that rendered it possible to run nationwide over a thousand farms affiliated with distilleries, even in the worst years, when distilleries generated measurable financial losses. This was the case in the former Galicia where distilleries continued

¹⁶ *Sprawozdania Izby Przemysłowo-Handlowej we Lwowie 1925-1932.*

¹⁷ *Sprawozdanie Izby Przemysłowo-Handlowej we Lwowie 1934*, p. 161; 1935, p. 145; 1936, p. 170; S. Werner, *Przemysł rolny na Pomorzu*, Gdynia 1937; judging by the production volumes and revenue the distilleries generated in 1935/36, it can be concluded that the production of spirits was profitable so long as average prices for spirits sold during the production season were lower than the quota price set by the tax authorities by around 30%. Distilleries producing cheaply could offer larger volumes of spirits in excess of the quota, while distilleries with high production costs, such as those in Lesser Poland, provided smaller quantities and their share in the total production was insignificant.

their operations despite the profitability of spirits production being lower than in other regions by simply relying on unquantifiable financial benefits of the distilling business¹⁸.

Summary

The interwar period marked a completely new phase in the history of agricultural distilleries in the former Austrian Galicia. They sustained severe damage during the war and lost their pre-war markets. Additionally, they had to operate under monopoly conditions characterised by excessive fiscalism. These phenomena fundamentally influenced the distilling industry in Lesser Poland. Each of these factors alone could have hampered the development of this industry, so it comes as no surprise that the overall assessment of the distilling industry in the 20 years of interwar Poland is negative. Compared to the period before the Great War the number of distilleries fell more than twofold and their spirits production volumes dropped more than fourfold. This speaks volumes on the performance of the distilling industry in the former Galicia in the interwar period.

Significantly, the decline in production capacity and production output in this region was the highest in the nation. As a result, the share of agricultural distilleries in the former Galicia in the total production of distilled spirits fell to a dozen or so percent, i.e. to a level two times lower than before the outbreak of World War I. Contrary to what the architects of the State Spirits Monopoly announced, its introduction became a serious hindrance to the reconstruction and development of distilleries in the former Galicia. It is no coincidence that distilleries in Lesser Poland recorded the best average production in 1922/23 just before the production quota was introduced, while under monopoly on spirits production they usually limited their production to just satisfy the purchase quota, which made it impossible to increase their share in the Polish spirits market. Operating under monopoly conditions established by the Directorate of the State Spirits Monopoly made it impossible for distilleries in Lesser Poland to improve their economic situation as this would have required the facilities to be revamped, which would have helped to increase their share in the total production of distilled spirits.

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The Act of July 31 on the spirit monopoly, "Journal of Laws" 1924, No. 78, item 756.

¹⁸ J. Fuglewicz, *Kontyngent odpędu spirytusu na kampanię 1939/40*, "Polska Gospodarcza" 1939, no. 15, p. 629; W. Mateńko, *Zagadnienie monopolów skarbowych w Polsce*, Warszawa 1939, p. 150; another important reason why agricultural distilleries, though not always profitable, did not give up was the security they provided to the farms affiliated. By linking a "normal" farm to a distillery its owner transformed it into an industrial estate, protecting it against being parcelled out and raising the maximum area of the estate permitted under the agrarian reform act to 700 ha.

The Ordinance of the President of the Republic of Poland of March 26 on the spirit monopoly, "Journal of Laws" 1927, No. 32, item 289.

The Ordinance of the President of the Republic of Poland of July 11 on the spirit monopoly, taxation of acetic and yeast, and the sale of alcoholic beverages, "Journal of Laws" 1932, No. 63, item 586.

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