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Kentucky Distillers Cut Bourbon Production Nearly 30% in 2025

Record inventories, weaker exports and softer demand pushed output to its lowest level since 2019

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Kentucky distillers cut bourbon production by nearly 30% in 2025 as inventories kept rising and exports weakened, according to data released on Monday, November 23, by the Kentucky Distillers' Association.

The trade group said production fell to 2.13 million barrels in 2025 from just over 3 million barrels in 2024, the lowest level since 2019. The figures are based on inventories reported as of January 1, 2026, by distilleries and warehousing companies to the Kentucky Department of Revenue.

Even with the drop in new production, the state's stock of aging spirits continued to grow. Kentucky distillers reported 17.5 million barrels of aging spirits, including 16.6 million barrels of bourbon. Total barrel inventory rose 2%, while bourbon barrel inventory increased 3%, the association said.

The figures point to a supply correction in one of the country's largest spirits categories after years of expansion. That has implications beyond Kentucky's distilleries, because a prolonged inventory overhang can affect barrel makers, grain suppliers, logistics companies, distributors and exporters across the beverage business.

Eric Gregory, president of the Kentucky Distillers' Association, said producers were making cautious decisions in response to a difficult market. He said the industry was trying to rebalance record inventories while dealing with trade pressures, softer demand and broader economic uncertainty.

The association said slower sales were tied to uncertainty around global trade policy, competition for consumer leisure spending, the rise of alternatives such as THC drinks and increasing taxes on stored barrels. Kentucky is the only place in the world that taxes aging barrels of spirits, the group said.

Those taxes reached a record $83 million in state and local collections, up 12% from a year earlier. Over the past five years, barrel tax payments have climbed 150%, according to the association. The tax-assessed value of all aging barrels rose to $10.2 billion.

The report said distillers got some relief this year from a 4% reduction in tax-assessed value, reflecting the first effects of a 20-year phaseout of the barrel tax approved by the Kentucky General Assembly in 2023. Even so, the tax burden remains a major issue for the industry as inventories stay high.

Trade has added to the pressure. According to the Kentucky Cabinet for Economic Development, exports of Kentucky bourbon and other whiskies fell 11% in the first half of 2026 from the same period a year earlier. That followed a 15% decline in total global exports in 2025.

Shipments to the European Union were especially weak, falling 40% through June, the association said, citing state export statistics. Exports to Canada rose 18% in the first half of 2026 after dropping 42% in 2025. The association said only two of Canada's 13 provinces and territories have not removed American alcohol from store shelves.

The production cut shows how distillers are responding to those setbacks after years in which whiskey makers expanded capacity, tourism operations and warehouse space to meet strong demand. Because bourbon must age for years, producers cannot quickly correct an imbalance once too much spirit has been laid down. A reduction in new barrels now may help ease pressure later, but it can also ripple through the broader drinks market as suppliers and exporters adjust to lower volumes.

Despite the slowdown, Kentucky's distilling footprint continued to expand. The Kentucky Department for Alcoholic Beverage Control counts 139 licensed distilling locations owned by 117 companies in the state, the highest number since Prohibition ended in 1933. Distillers now operate in 48 of Kentucky's 120 counties, and several additional projects have been announced or are under construction.

The association said bourbon remains a major part of Kentucky's economy, with a total industry impact of $10.6 billion. It said the sector supports 24,000 jobs, provides $2 billion in payroll and benefits, and pays $375 million a year in state and local taxes.

Tourism, at least for now, has held up better than production and exports. The association said Kentucky Bourbon Trail attractions draw nearly 3 million visitors a year, and Gregory said distilleries were still investing in tourism even as they cut back on filling new barrels.

Gregory said he expects production to decline further in 2026, though he said he remained confident about the industry's long-term prospects. He said distillers had managed cyclical downturns before and were adjusting operations while continuing to

invest in facilities, workers and visitor experiences.

For beverage companies watching demand patterns, the Kentucky data offers another sign that producers are becoming more selective about output after a period of aggressive growth. That shift could influence pricing, export strategies and capital spending not only in American whiskey, but also in adjacent categories competing for consumer dollars.