



State of  
the Bourbon  
Market  
**2024**

**CASKX**  
WHISKEY INVESTMENT SPECIALISTS

## SAFE HARBOR STATEMENT

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Certain statements in this State Of Bourbon Market Report and on our website [www.caskx.com](http://www.caskx.com) represent forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause the actual profits or financial results you may receive from your investment in a whiskey cask to be materially different from the future profits or financial results as expressed or implied by such forward-looking statements. CaskX has attempted to identify these forwarding looking statements with the words "believe," "estimate," "continue," "seek," "plan," "expect," "intend," "anticipate," "may," "will," "could" and other similar expressions. Although these forward looking statements reflect our expectations related to your potential profits and financial results in connection with the investment in a whiskey cask, such forward looking statements are based on information now available to us, which is subject to change, and they are inherently subject to certain risks and uncertainties. These risks and uncertainties include, but are not limited to the following: the highly regulated nature of the whiskey industry and the requirements that may be imposed on you due to changes in law after you acquire your whiskey cask; changes in consumer and commercial demand for whiskey; loss of whiskey due to evaporation or failure to appropriately monitor the cask as it is maturing; loss of whiskey due to leakage, damage or theft, competition for the sale of whiskey with other investors or distilleries having greater resources than you; negative perception for the distillery who manufactured the whiskey in your cask or lack of brand loyalty; and lack of public market for whiskey casks and the requirement to hold your investment for quite some time due to the long maturation of whiskey and applicable United States securities laws. Please review our Notice to Investors and related Risk Factors for a further description of these and other factors you should consider before making an investment in whiskey casks. CaskX is under no obligation to update any of the forward looking statements after the date of this State Of Bourbon Market Report, including on our website, to conform such statements to new information.





## A LETTER FROM THE CEO

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Bourbon has a long established history across the United States, holding the title of “America’s Native Spirit.” It is an expression that is celebrated by everyone from celebrities to blue-collar workers, bringing people of all walks together through a shared passion for this legendary liquid. A renaissance among consumers has resulted in an unprecedented bourbon boom that has reverberated across the industry, yielding a wave of changes. With greater volumes of bourbon being required to meet future demand, distilleries have struggled to balance short term cash flow with long term investment in barrels. CaskX has risen to the forefront as a solution to this challenge, offering an innovative platform connecting distilleries with individual investors to finance the bourbon of tomorrow. Investors benefit from holding a tangible asset which gets better with age and has, historically, appreciated in value accordingly. Distilleries benefit by generating immediate cash flow to fund barrel production.

In order to empower investors with the latest industry data, CaskX has produced the 2024 State of the Bourbon Market Report to highlight key takeaways from trade associations and leading experts. The report presents an analysis of the bourbon market, underscoring the industry’s size, growth, emerging trends and forecasted developments.

*Jeremy Kasler*

**Jeremy Kasler**  
Founder, CEO

# EXECUTIVE SUMMARY

- **American Whiskey Revenues Rise**  
In 2023 revenues for American Whiskey were up 3.8% driven by volume increases in the “High End Premium” and “Super Premium” segments.<sup>1</sup>
- **Spirits Lead US Alcohol Revenues**  
Spirits maintained a narrow lead in market share over beer in US revenues, accounting for 42.2% of total revenues versus 42.1% for beer.<sup>1</sup>
- **Value Of Aging Barrels Skyrockets**  
Total inventory value of Kentucky bourbon in bond rose to a record \$6.7 billion driven by increased production and rising valuations.
- **Exports Climbing**  
Distilleries in the United States observed whiskey exports of over \$1.3 billion<sup>1</sup>, with a compounded annual growth rate projected to be 11.44% over the next 5 years.<sup>3</sup> The suspension of EU tariffs is expected to accelerate this even more.<sup>1</sup>
- **Widespread Capital Investment**  
Kentucky Distillers’ Association members reported capital spending of \$1.916 billion over the last five years, with two-thirds on buildings and land. Moreover, they plan to spend \$3.496 billion over the next five years.<sup>2</sup>
- **Strong Growth Expected To Continue**  
The bourbon market is expected to reach a value of \$14.3 billion by 2032 with an annual growth rate of 6.2%.<sup>3</sup>

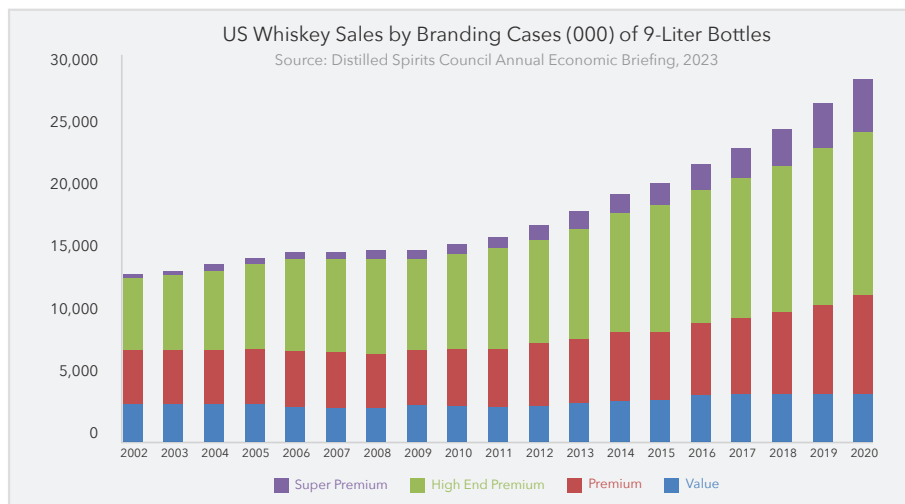


## BOURBON REVENUE & VOLUME CONTINUE TO RISE

The bourbon sector has consistently demonstrated robust growth, both in volume and value, even amidst the challenges posed by the pandemic. The Compound Annual Growth Rate (CAGR) for bourbon in the U.S. from 2016 to 2021 was an impressive 8% in volume and 11% in value, highlighting the increasing consumer preference for premium offerings within the category.<sup>1</sup>

The “Annual Economic Briefing” released in February by the Distilled Spirits Council examined sales of spirits within the United States and beyond. This year’s report highlighted the changing dynamics of the market as consumers move toward premium offerings and buyers in international markets are drawn to American Spirits.

This report shows how the American whiskey market has witnessed growth over the past two decades. With sales increasing from 1.7 billion liters in 2003 to 11 billion liters in 2022, the market has experienced notable 2,015% growth. This surge has propelled American whiskey to become a top contender, ranking among the top 5 revenue-generating spirits (\$5.1 billion in 2022) and boasting the third-highest volume of sales (170 million cases in 2022) in the U.S. This success extends beyond domestic borders as well, with exports to key markets like the UK and Australia thriving, reaching a combined export value of \$1.3 billion in 2022. In 2023 alone, revenues for American Whiskey were up 3.8% driven by increases in the “High End Premium” and “Super Premium” segments.<sup>2</sup>



<sup>1</sup> Drizly, Bevalc Insights' 2023 Bourbon Forecast  
<sup>2</sup> Distilled Spirits Council Annual Economic Briefing, 2023

# BOURBON REVENUE & VOLUME CONTINUE TO RISE

## American Whiskey Revenues Rise

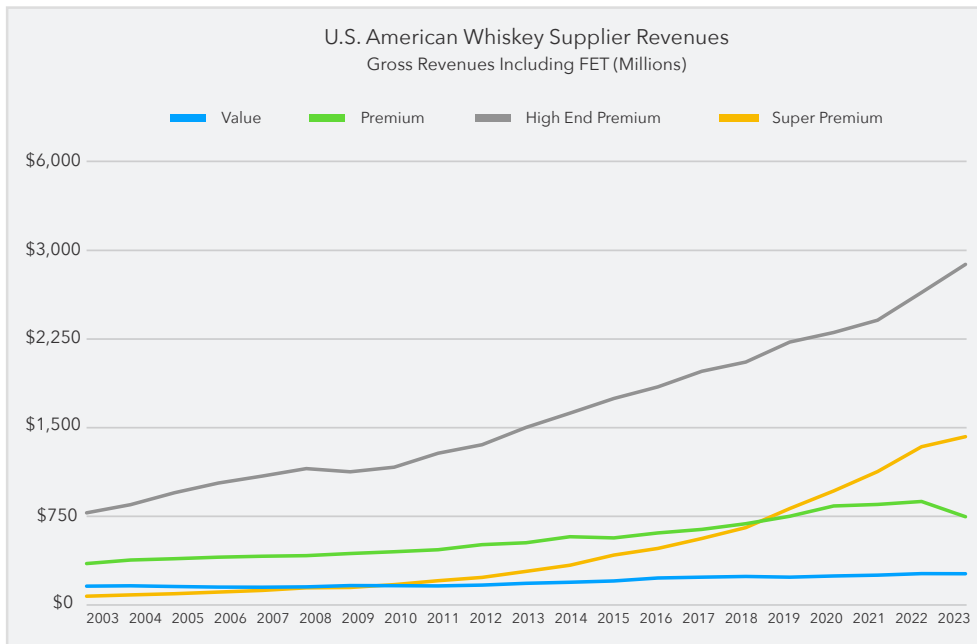
In 2023 revenues for American Whiskey was up 3.8% driven by volume increases in the “High End Premium” and “Super Premium” segments.

## Spirits Lead US Alcohol Revenues

Spirits maintained a narrow lead in market share over beer in US revenues, accounting for 42.2% of total revenues versus 42.1% for beer.

## Historic Growth In Volume

Sale volumes have skyrocketed from 1.7 billion liters in 2003 to a staggering 11 billion liters in 2022, a staggering 2,015% growth.



“

Bourbons and other American whiskies continued their strong performance, turning in a 3.8% increase in revenue to an annual total of \$5.3 billion. The sector remains one of the fastest-growing segments of the beverage alcohol market...

- WHISKYCAST

”



## THE EVOLUTION OF BOURBON CONSUMERS

Today's bourbon consumer has shifted significantly in how they approach the spirit as compared to those of the previous decades. Bourbon has gone from strength to strength, growing in popularity not just within the United States but globally. This transformation is fueled by an increasing preference for premium products, as consumers have developed a refined palate, seeking out bottled-in-bond, single barrel, and well-aged bourbons that offer new and distinct flavors.

Furthermore, bourbon has become more than just a drink, it's a collectible and an investment. Rare bottles like Pappy Van Winkle have transformed into high-value liquid spirits, fetching thousands of dollars and spawning a culture of bourbon hunting and trading. Online communities dedicated to this pursuit have emerged, with enthusiasts treating these bottles as treasured art pieces. The renaissance of Bourbon over the past two decades is also evident in the rise of bourbon tourism.

The anecdotal evidence is everywhere, from the hundreds of millions of dollars invested in new hospitality spaces at distilleries to the ubiquitous Bourbon-themed tour buses, to the content of web pages for local tourism bureaus to the growth of Bourbon-tourism at hotels and short-term housing rentals. Events such as the Kentucky Bourbon Festival are drawing larger crowds every year, consistently selling out and showcasing the growing interest in understanding and experiencing bourbon culture firsthand.

Reflecting a broader trend of investing in what one loves, the new era of bourbon consumers has led to the rise of individuals investing in bourbon barrels as a diversified investment strategy. This underscores the impact that bourbon is having on individuals not only as a cultural symbol, but also as a means to protect and grow wealth as well.



# THE EVOLUTION OF BOURBON CONSUMERS

## Escalating Appeal as a Collectible

- Bourbon has transitioned from a legendary spirit to be seen as a prized collectible with enthusiasts displaying rare bottles in similar fashion to art.

## Spike In Bourbon Wanderlust

- Tourism across bourbon producing regions has risen to all-time highs as fans flock to distilleries to experience the history and culture of bourbon first-hand.

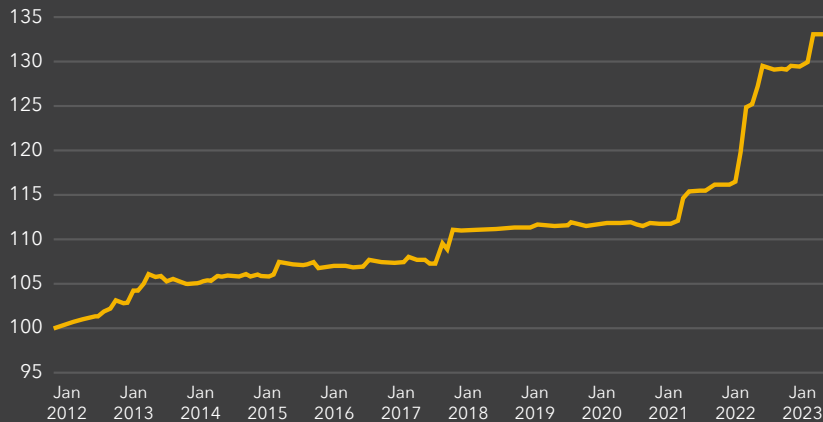
## Premiumization On The Rise

- Consumers are looking for bottles beyond the standard store shelves including single barrel, bottled in bond and limited edition offerings as they look to dig deeper into the world of bourbon.

## Bourbon Investment Merges Passion & Finance

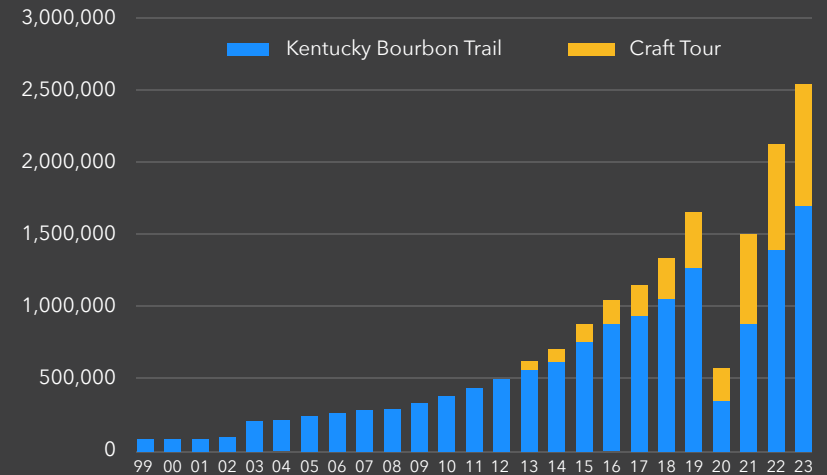
- As consumers increasingly look to invest in non-traditional assets, bourbon has emerged as a popular choice among individual investors.

Producer Price Index by Industry: Distilleries: Distilled Whiskey, All Other Distilled Liquor, Excluding Brandy



Source: Federal Reserve Bank Of St. Louis, <https://fred.stlouisfed.org/series/PCU31214031214022>

Kentucky Bourbon Trail and Craft Tour Visits Per Year



Source: Kentucky Distillers Association, The Economic and Fiscal Impacts of the Distilling Industry in Kentucky, 2023

## PREMIUMIZATION ON THE RISE

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Premiumization is the consumer shift towards higher-priced, higher-quality bourbon products naturally leading to improved profit margins for producers.

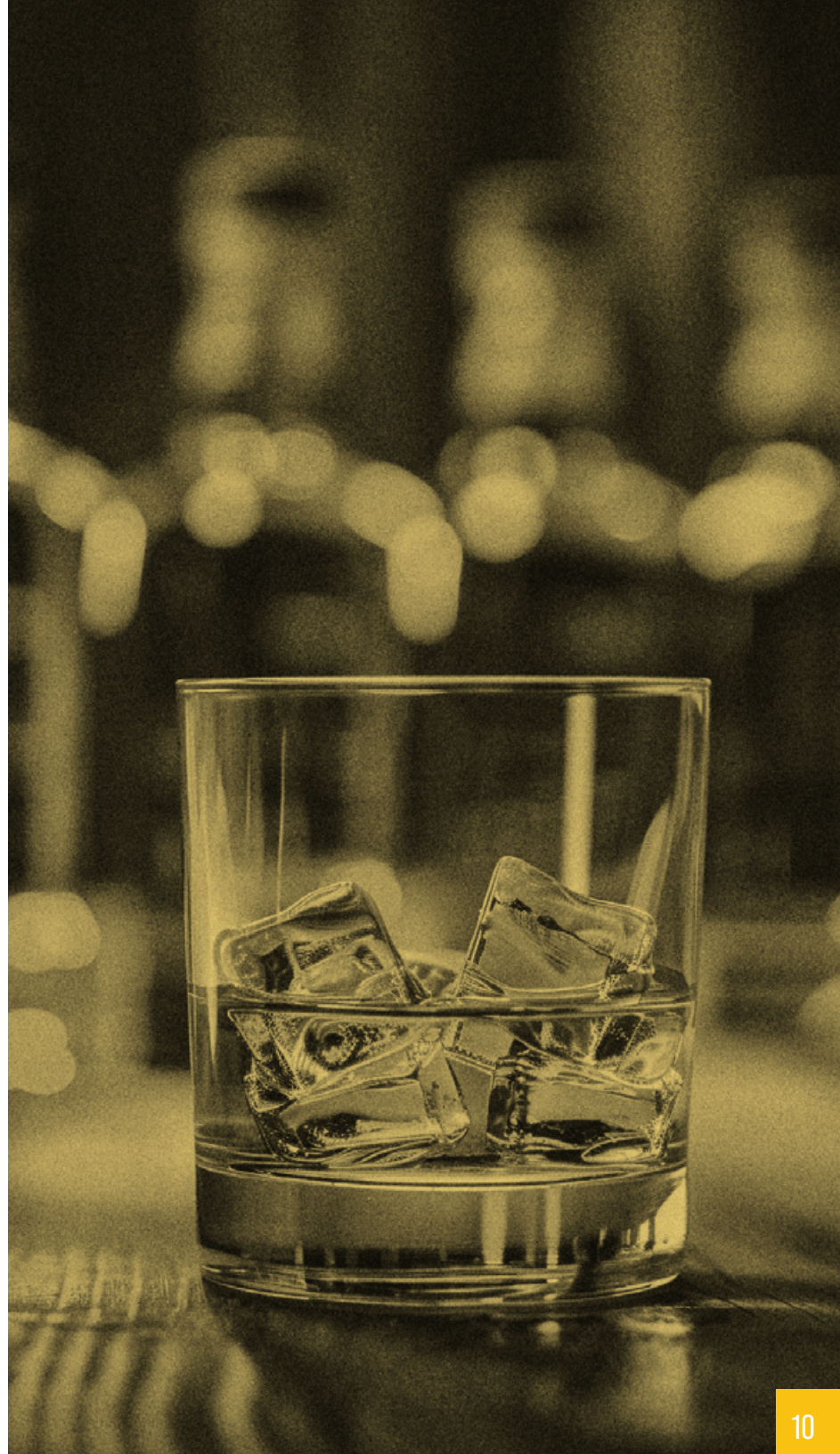
As consumers show a willingness to pay more for artisanal, limited edition, and aged bourbons, distilleries can command higher prices for these premium products.

This trend reflects a growing appreciation for the craftsmanship behind bourbon production, with consumers seeking unique and exclusive experiences.

For investors, this means investing in brands or distilleries that focus on premium offerings could yield higher returns due to the higher margins on the products.

This trend is highlighted by the February 2024 report from the Distilled Spirits Council showing consumers are overwhelmingly choosing spirits of a higher quality and associated price points. Volumes of “High End Premium American Whiskey” were up 6.7% and “Super Premium American Whiskey” was up 4.0% in 2023.

One important consideration in premiumization as it relates to aged bourbon barrels is the angels share. As consumers prefer bourbon that has been matured for a longer period of time, the production volumes required rise drastically. The days of bottling young, low-quality bourbon are going to the wayside placing new challenges on producers. Given the evaporation that occurs each year, a consumer preference towards older expressions will constrain available supplies for years to come.



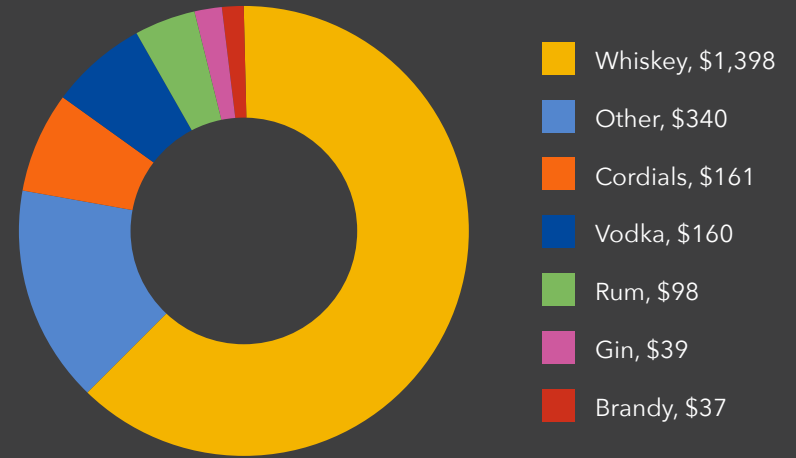
# BOURBON SURGING ACROSS INTERNATIONAL MARKETS

While demand for bourbon domestically within the United States remains strong, the biggest catalyst for growth over the next 10 years is expected to be international markets. In 2023, just 17.82% of bourbon was exported outside the United States.<sup>1</sup> Europe, Asia and even the Middle East are just beginning to fall in love with the nuanced flavors of bourbon and American Whiskey. This can be seen in terms of rising exports, an increase in the number of bourbon bars and greater access to bourbon in these markets. As availability of bourbon becomes more widespread within these regions, experts predict that exports will grow to rival domestic demand.

The imposition of tariffs by the EU in 2020 combined with logistical challenges that came about as a result of the COVID-19 pandemic resulted in a brief pause in international growth.<sup>2</sup> This setback has since been reversed and bourbon is once again growing rapidly on a global scale. In 2022, the last period for which data is available, Kentucky distillers shipped \$508.5 million of product abroad according to the Census Bureau's Foreign Trade Division.<sup>1</sup> Distilleries in other states contributed to raise the total of United States whiskey exports to over \$1.3 billion with a compounded annual growth rate projected to be 11.44% over the next 5 years.<sup>3</sup> Canada, Australia, Japan, Spain, United Kingdom and Germany lead the way, together accounting for 71% of the value of all Kentucky spirits exports.<sup>1</sup> For United States whiskey as a whole the European Union, Australia, Japan, United Kingdom and Canada combined for 78% of exports.<sup>2</sup> This growth trajectory underscores the global appetite for bourbon, with sales expanding significantly across various regions and segments.

<sup>1</sup> Kentucky Distillers Association, The Economic and Fiscal Impacts of the Distilling Industry in Kentucky, 2023  
<sup>2</sup> Distilled Spirits Council Annual Economic Briefing, 2023  
<sup>3</sup> MarketResearch.com Report, <https://www.marketresearch.com/Maia-Research-v4212/Global-Bourbon-Research-Competitive-Status-33786351/>

## American Whiskey Accounted for 63% of Total Spirits Exports in 2023

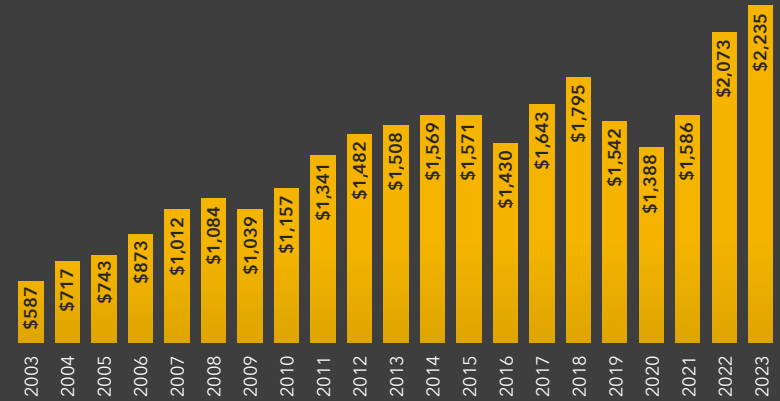


In 2023, the value of U.S. spirits exports topped \$2 billion for the second time.

Source: Distilled Spirits Council Annual Economic Briefing, 2023

## U.S. Spirits Exports Have Nearly Quadrupled In Two Decades

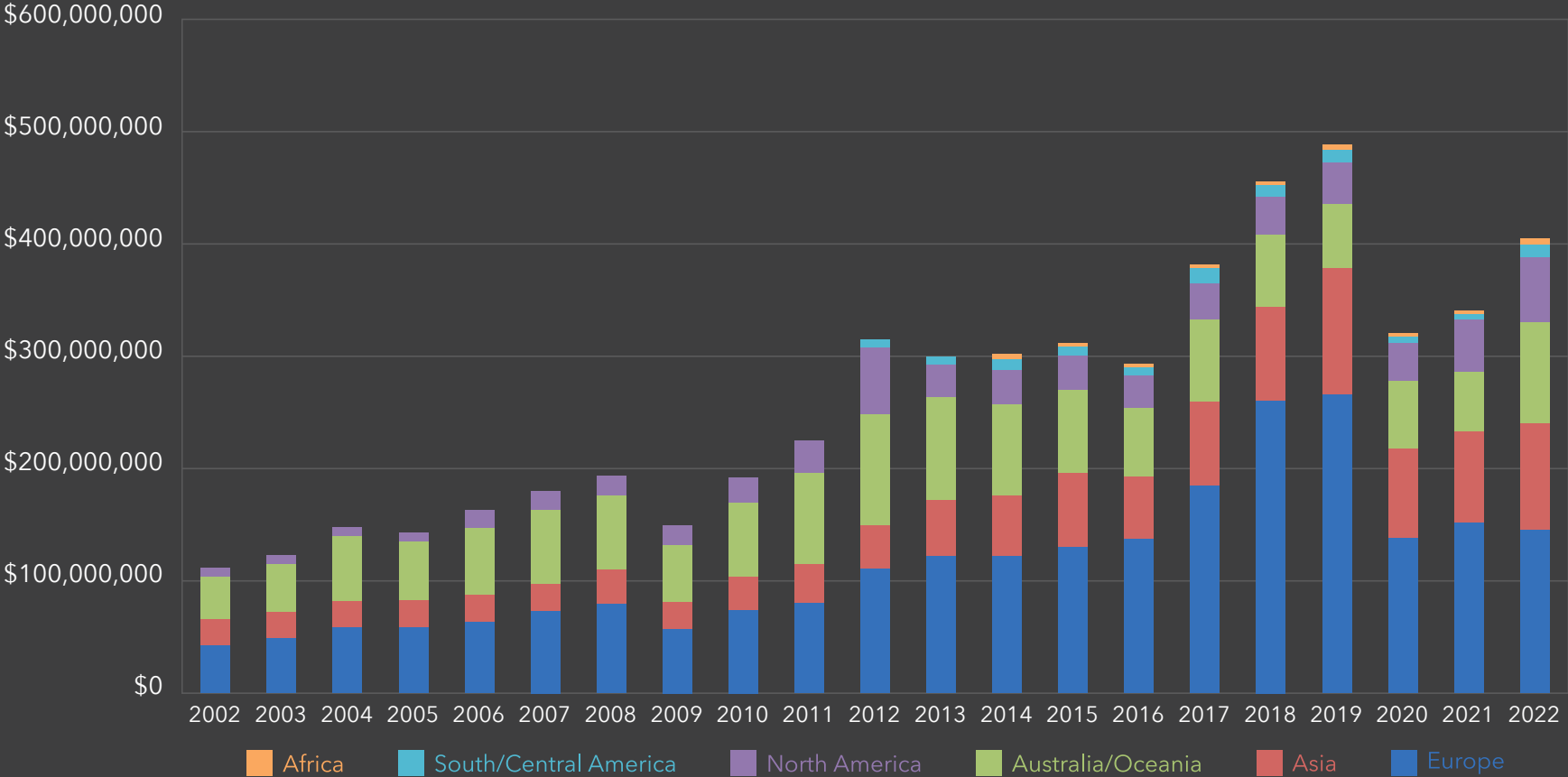
Increasing from \$587 million in 2003 to more than \$2.2 billion in 2023.



Source: Distilled Spirits Council Annual Economic Briefing, 2023

# BOURBON SURGING ACROSS INTERNATIONAL MARKETS

Kentucky Exports of Whiskies, by Region of the World (Value)



Source: Kentucky Distillers Association, The Economic and Fiscal Impacts of the Distilling Industry in Kentucky, 2023



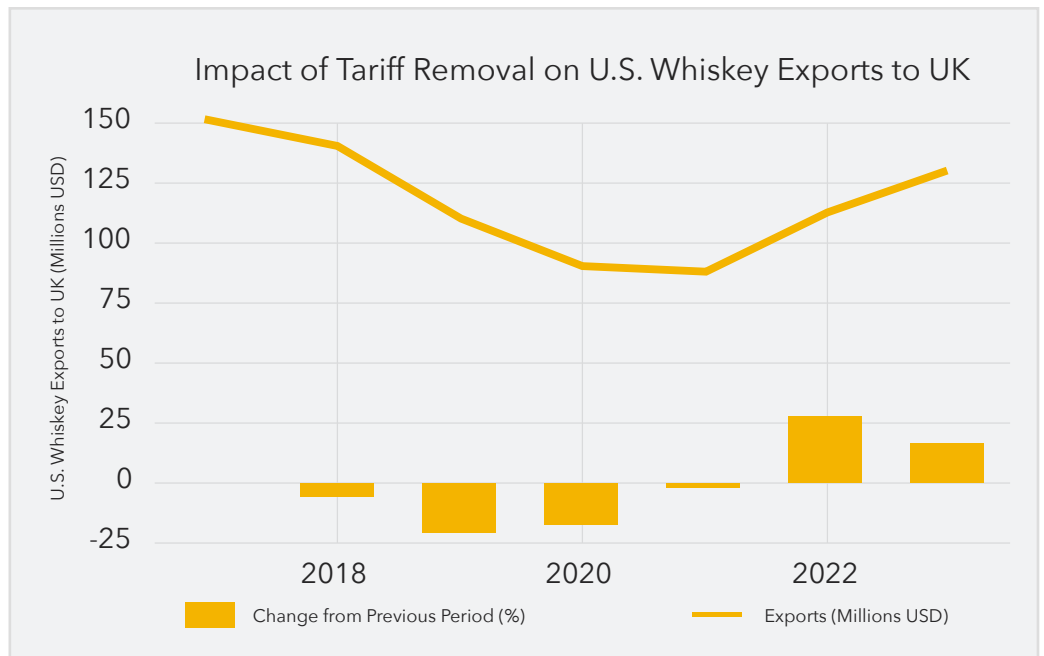
## EU TARIFFS SUSPENDED

A dispute that started with the United States imposing tariffs on aluminum and steel resulted in American spirits getting caught in the crossfire. Imposed in 2020, the tariffs put the brakes on the considerable growth of American spirits across the European Union until they were first suspended in 2021.

Many within the industry feared that the tariffs would resume in January 2024. Fortunately, the suspension has been extended until March 31, 2025; with a path to permanent removal of the tariffs altogether.

Following the suspension of tariffs, American Whiskey exports to the EU increased by 29% to reach \$566 million. In light of it all, the removal of tariffs brings a significant positive change for this market, ensuring its resilience and vitality.

For investors, this presents a clear opportunity to capitalize sooner rather than later. Given that bourbon demands aging to develop its rich flavor and character, investors who expand holdings today can enter the market before the expected increases in EU demand take hold which are anticipated to push prices higher.



Source: Distilled Spirits Council Annual Economic Briefing, 2023

# Bourbon Bars Are Going Worldwide

The emergence of whiskey bars around the world seems to be a burgeoning trend within the hospitality sector, catering to clientele specifically interested in fine spirits. Many enthusiasts are calling it, "The Bourbon Golden Age." The bourbon interest extends beyond the United States, with bars around the world gaining recognition as hubs for both connoisseurs and newcomers alike to explore the rich history.

Buffalo Trace Distillery is opening its first brand home in London's Covent Garden, marking a significant step in introducing American whiskey culture to the UK. This establishment aims to offer a unique experience with its selection of fine whiskeys and immersive tasting sessions. There are two tasting options: "Taste of the Trace," featuring a guided tasting of core products, and "Tradition & Change," showcasing premium expressions.

Denmark's Lidkoeb, where whiskey is celebrated on its very own floor, to London's The Lexington, known for its impressive selection of over a hundred bourbons. The demand for bourbon has become a global phenomenon.

Noteworthy establishments such as the JW Steak House Bourbon Bar in London showcases collections that include rare, pre-Prohibition bourbons. In Shanghai, the Waldorf Astoria offers a refined experience, pairing cigars with selections like *Blanton's Original* or their *Special Reserve*.

The Bourbon Room on the National on 10th in Calgary and Baxter Inn in Sydney, the latter of which impressively stocks over 700 varieties of whiskey, including over 80 bourbons.



Source: Distilled Spirits Council Annual Economic Briefing, 2023



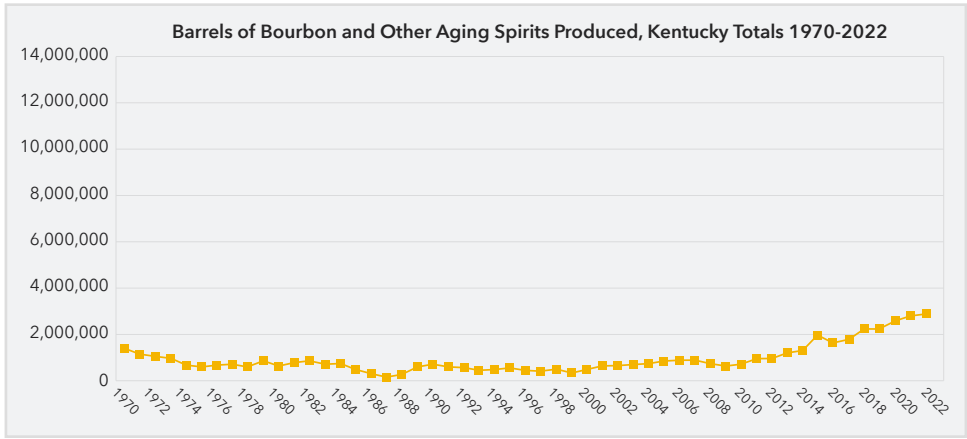


# RAMPING UP PRODUCTION TO MEET FUTURE DEMAND

With international markets developing a taste for bourbon, distilleries are trying to ramp up production to meet the rapid increases in demand which is projected to only grow over the next 10 years. The desire for more well-aged bourbon expressions has amplified this need even more as a longer period of maturation removes a portion of the maturing stock each year due to evaporation. Quite simply, there is a need for more bourbon than ever before and distilleries are responding accordingly.

Kentucky Bourbon, distinct from other distilled spirits, undergoes aging in new charred oak barrels within warehouses for several years before reaching customers. This aging process, subject to state and local taxation, provides publicly accessible data about the annual quantity of bourbon stored and the age-distributed inventory. Historical data, stretching back decades, is presented in the accompanying charts in units of 53-gallon barrels. These charts illustrate the decline in barrel inventory up to around 2000, followed by a significant increase over the past two decades. This growth reflects substantial investments in production capacity, new storage facilities, and barrel stock, with last year's production nearly quadrupling compared to 20 years ago.

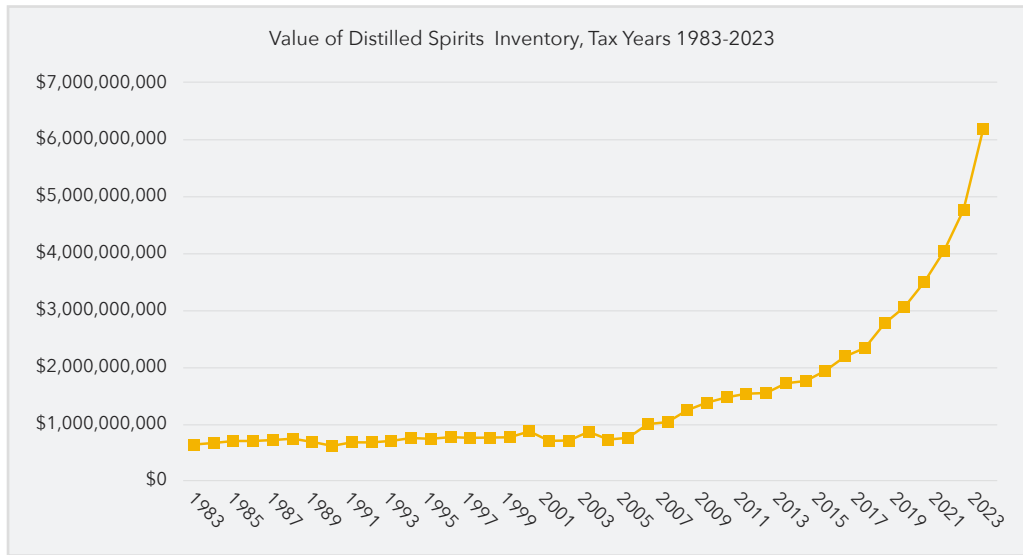
In 2022, the latest year for available data, had around 2.7 million new barrels of Bourbon being produced and added to the warehouse inventory. As of December 31, 2022, Kentucky warehouses were aging 13.3 million barrels of spirits, with Bourbon making up 12.6 million of these barrels, thereby dominating the category. For the 2023 tax year, the total value of the inventory in bonded warehouses—which includes both bulk inventory and cases awaiting shipment, along with the distilled spirits in barrels—was estimated at a record \$6.7 billion. This valuation is based on the barrel count at the end of 2022 and an increased per-barrel valuation.



Source: Kentucky Distillers Association, The Economic and Fiscal Impacts of the Distilling Industry in Kentucky, 2023

# VALUE OF AGING BARREL INVENTORY SKYROCKETS

The combination of increased production, combined with rising prices for barrels has resulted in growth of the total inventory value unlike any period in history. Barrels in Kentucky alone are now worth more than \$6 billion. The growth in barrel prices even as production rises demonstrates the bullish sentiment throughout the industry as, even with high inventories, distillers wonder how they will meet the unprecedented levels of demand over the next 10 years. And, since there is no substitute for time in bourbon production, barrel owners are keenly aware of the value of their holdings and unwavering on price points.



Source: Kentucky Distillers Association, The Economic and Fiscal Impacts of the Distilling Industry in Kentucky, 2023

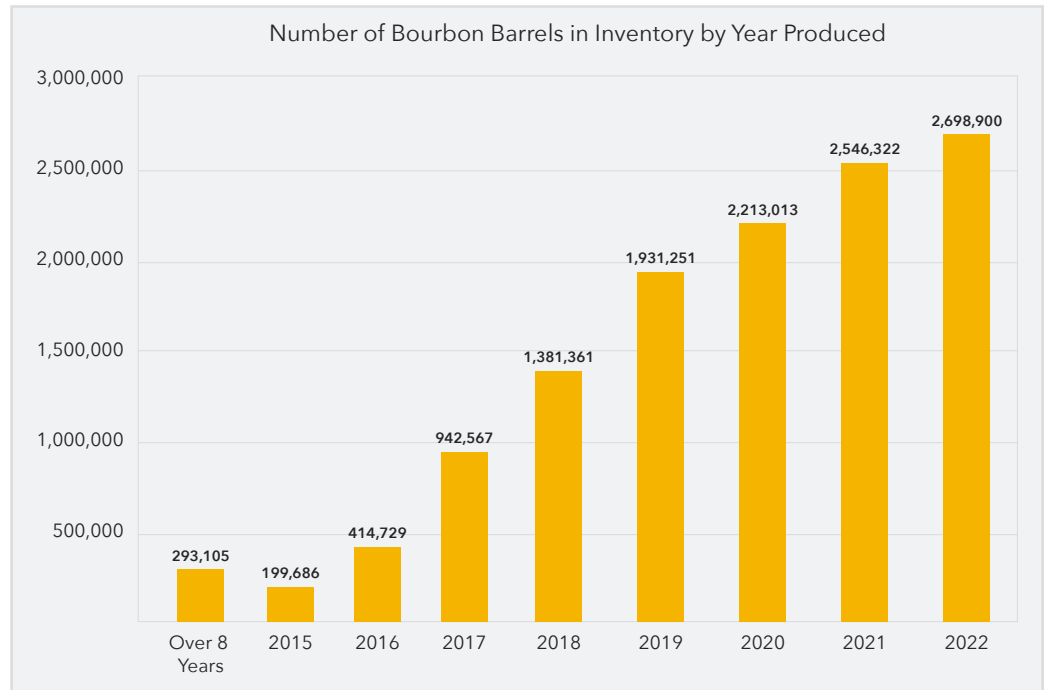






## Limited Inventory Of Aged Bourbon

While production volumes may have climbed, the recent report from the Kentucky Distillers Association exemplifies (or) depicts the highly limited inventory of aged bourbon. At the end of 2023 there were only 293,105 barrels of bourbon in Kentucky aged 8 years or longer, less than 2% of the total inventory. With nearly 2 million barrels expected to be bottled in 2024, the lack of aged stock creates a situation where younger aged spirit must be bottled to meet demand in the short term. The long-term goal of distillers will be to have sufficient stock of aged expressions to avoid the need to bottle barrels before they have reached their optimum level of maturation.



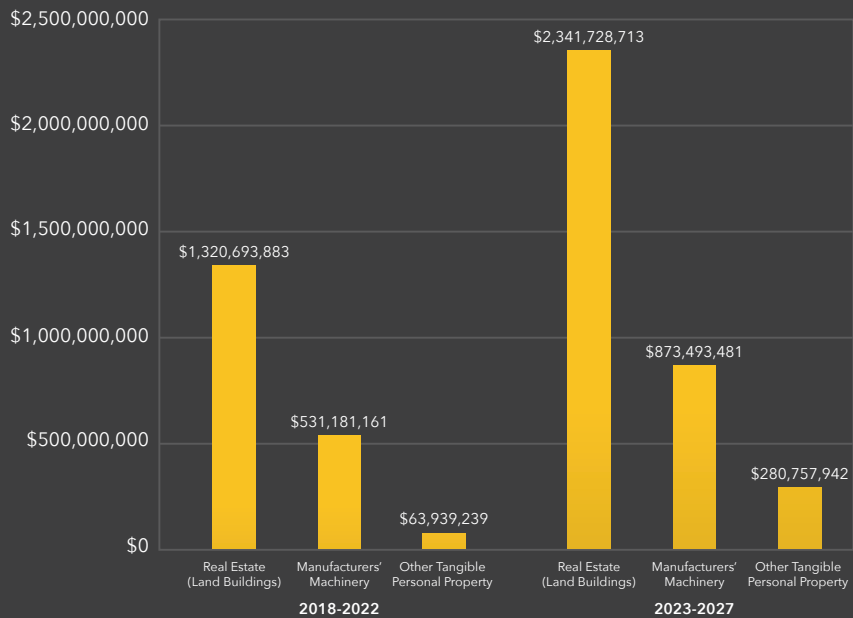
Source: Kentucky Distillers Association, The Economic and Fiscal Impacts of the Distilling Industry in Kentucky, 2023

# WIDESPREAD CAPITAL INVESTMENT ACROSS THE INDUSTRY

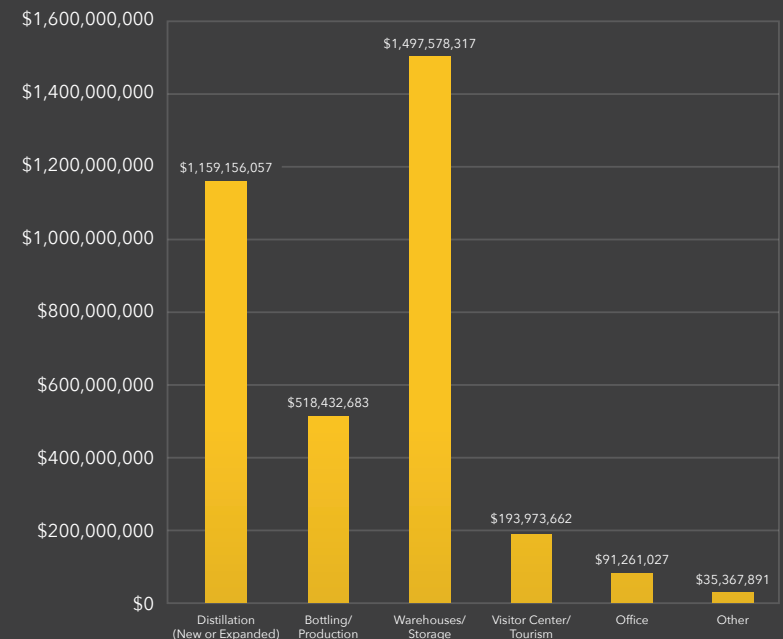
The Kentucky Distillers Association surveyed all their members during the Summer 2023, asking them to disclose spending over the last five years on construction and other capital investments. They also asked their investment plans for the next five years. Clearly, the industry remains in major growth mode, with heavy spending on stills, warehouses, bottling facilities and visitor centers. Members reported capital spending of \$1.916 billion over the last five years, with two-thirds on buildings and land. Moreover, they plan to spend \$3.496 billion over the next five years. One can see in the chart that most of the planned investment is towards direct production – distillation, bottling and warehouses. About \$194 million is planned for visitor centers, almost double the amount in the last study by KDA. Every responding KDA member, whether a large Heritage producer or a small Craft producer, reported significant investments. The Heritage producers, however, accounted for 88 percent of total investments, recent or planned.

A related measure of investment is available from the Kentucky Cabinet for Economic Development. The agency tracks publicly announced projects and records the planned investment and the projected number of new direct jobs. There were 178 distillery projects announced between 2014 and 2023, totaling \$6.2 billion in value and were associated with 2,700 jobs.

Recent and Planned Capital Expenditures of the 46 KDA Members Responding



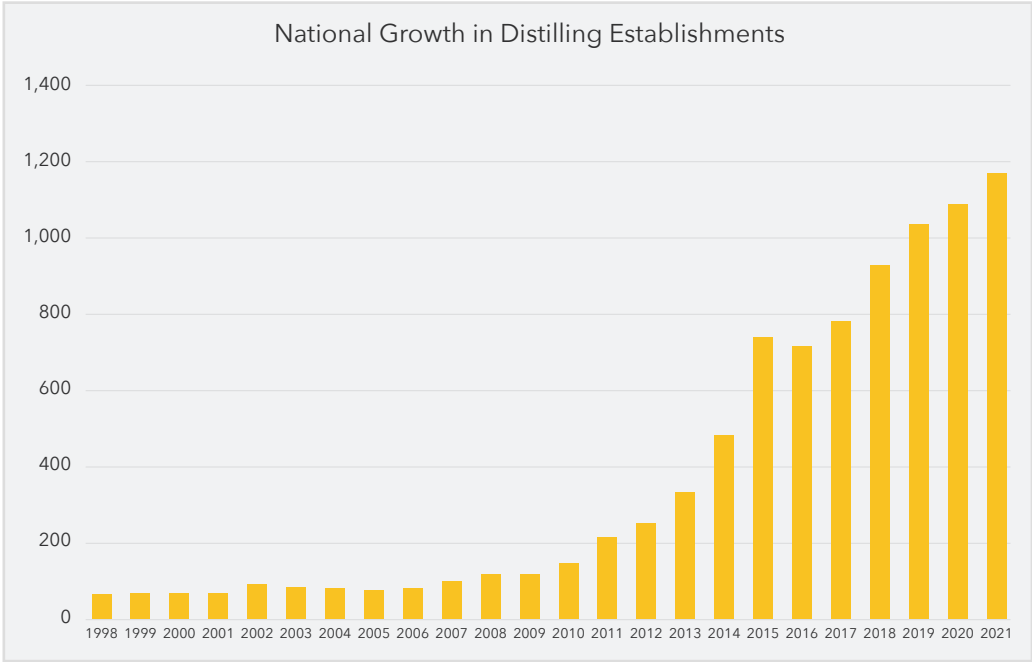
Planned Capital Expenditures, 2023-2027 by Type of the 46 KDA Members Responding





# NEW DISTILLERIES DRIVING AMERICAN SPIRITS RENAISSANCE

The “bourbon boom,” often associated with the expanding global market, is also making its mark on distilleries at the local level as the changing desires of consumers have triggered a wave of new establishments across the nation. The sector has seen exponential growth from 78 establishments in 2006 to 1,171 in 2021, a staggering 1,401% increase. For the period, national distilling employment only rose by a factor of 2.8, from around 6,700 to 19,100, demonstrating the small size of the new distilleries. Distillers employing fewer than 10 people across the country grew dramatically, from 34 to 821 establishments.



Source: Kentucky Distillers Association, The Economic and Fiscal Impacts of the Distilling Industry in Kentucky, 2023

# INVESTING, COLLECTING, OR DRINKING?



## For Investors

Whiskey cask investment has emerged as a compelling diversification strategy for investors, particularly appealing for its potential to deliver lucrative returns that are generally uncorrelated with traditional asset classes. This unique characteristic of whiskey investment, especially in the realm of bourbon and other premium spirits, lies in the inherent scarcity and aging requirements of whiskey, creating a natural limitation on supply and also growing its intrinsic value over time.



## For Collectors

Many are attracted to the “rarity” and investment potential of bottles. Limited-edition bottles and brands like Pappy Van Winkle, have gained a somewhat cult-like following for its premium bourbon. From numerous awards and high demand, Pappy and other premium bourbons have created a scarcity that skyrockets prices and bottle value. Prices can range from hundreds to thousands of dollars, depending on the distillery, age, and uniqueness.



## For Drinkers

We’re seeing Millennial and Gen Z audiences growing rapidly. Fueled by social media and pop culture, platforms like Instagram and TikTok showcase cocktails and bartending skills making the previously niche interest more mainstream. Meanwhile, celebrity endorsements and movie references have elevated bourbon’s “cool” factor. Due to the viral nature of social media, the younger audience is following trends such as online recipes and premium ingredients, indicating consistent growth for this demographic.





## INVESTORS POWER THE NEXT CHAPTER IN BOURBON RENAISSANCE

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Every distillery, from old heritage producers to new craft distilleries needs cash to run. Bourbon, however, needs to mature for a period of time before it develops the flavor profile that buyers demand. During this important time when the barrels are aging, distilleries must sell a sufficient volume of products in order to remain solvent. One such product line has been unaged products such as vodka and gin, but this has still left a void in the books. This is where investors play a pivotal role. Selling full barrels of bourbon to investors helps keep the lights on for new and exciting distilleries.

The investors of today are crucial in the bourbon of tomorrow, enabling the industry to produce a higher volume of well-aged spirit that will push the future of bourbon to new heights. Whereas distilleries have often been forced to bottle younger, distilleries have often been forced to bottle younger, meaning lesser quality bourbon due to premature aging. Investors require patience to allow nature to work its magic on liquid. All the while investors capitalize on the aging process to potentially generate returns that outperform other asset classes.

# HOW INVESTORS BENEFIT FROM BOURBON INVESTMENT

Bourbon investment has created a mutually beneficial partnership between distilleries and investors, as the parties work together to drive the future of bourbon forward. Investors benefit from an investment strategy with the potential for some key benefits in preserving and growing wealth.

## Returns



Prices for bottles is going up rapidly as demand increases internationally, driving the cost of the underlying barrels higher as well. This has the potential to achieve strong, consistent returns for investors.

## Natural Appreciation



Barrels are a unique tangible asset in that they get better with time. As the spirit develops a more complex flavor profile, investors have the potential to benefit from any associated increases in value.

## Tangible Asset



Investors can see, touch and even taste the barrels they purchase. Barrels don't just represent a piece of paper, they are a real physical asset.

## Inflation & Volatility Hedge



As a tangible asset, bourbon barrels offer a hedge against inflation and market volatility by being a store of real economic value.

## Strict Oversight & Stringent Regulations



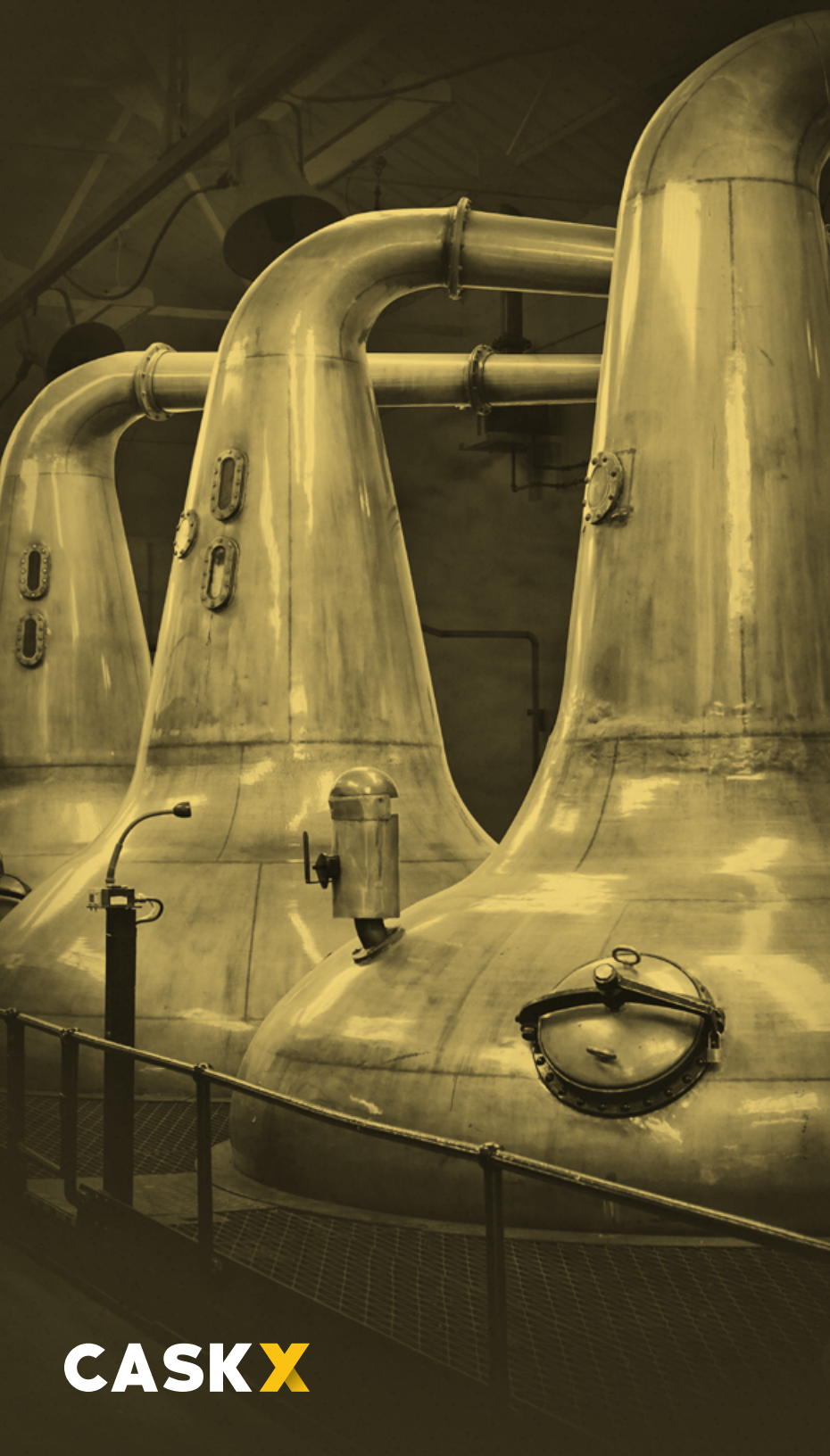
The federal government in the United States oversees all production and storage of distilled spirits, providing investors with peace of mind that assets cannot be misrepresented or mishandled without a penalty to producers.

## Simplicity



Purchasing barrels does not require an investor to physically store the asset, or manage any of the complexity that is typically associated with tangibles. Barrels are stored securely at the distillery warehouse under stringent government reporting rules.





## HOW DISTILLERIES BENEFIT FROM BOURBON INVESTMENT

While the attention surrounding bourbon investment has been focused on the returns and potential for investors, it is providing significant benefits to distilleries as well. Without the involvement of investors the industry would be unable to grow adequately to meet the projected demand of the next 10 years. Distilleries benefit in a number of ways:



### Immediate Cash Flow

Distilleries need not wait years for bourbon to mature before being able to generate revenue.



### Increased Production

Revenue from barrel sales allows distilleries to expand production, storage and bottling capabilities faster than they would otherwise be able to.



### More Competition

Barrel sales have fostered an environment where new producers can compete with heritage distilleries by removing the significant upstart capital requirements of bourbon production.



### Increased Distribution

Non-distiller producers (NDPs) purchase barrels from distilleries in bulk, blend the spirit, bottle it, and build new brands. Most bottlers select only the finest barrels and have built powerful product ranges centered around strict quality standards. Investors power these brands by giving them access to a greater volume of stock, thereby allowing distilleries to grow their distribution and increase distillery recognition among consumers.



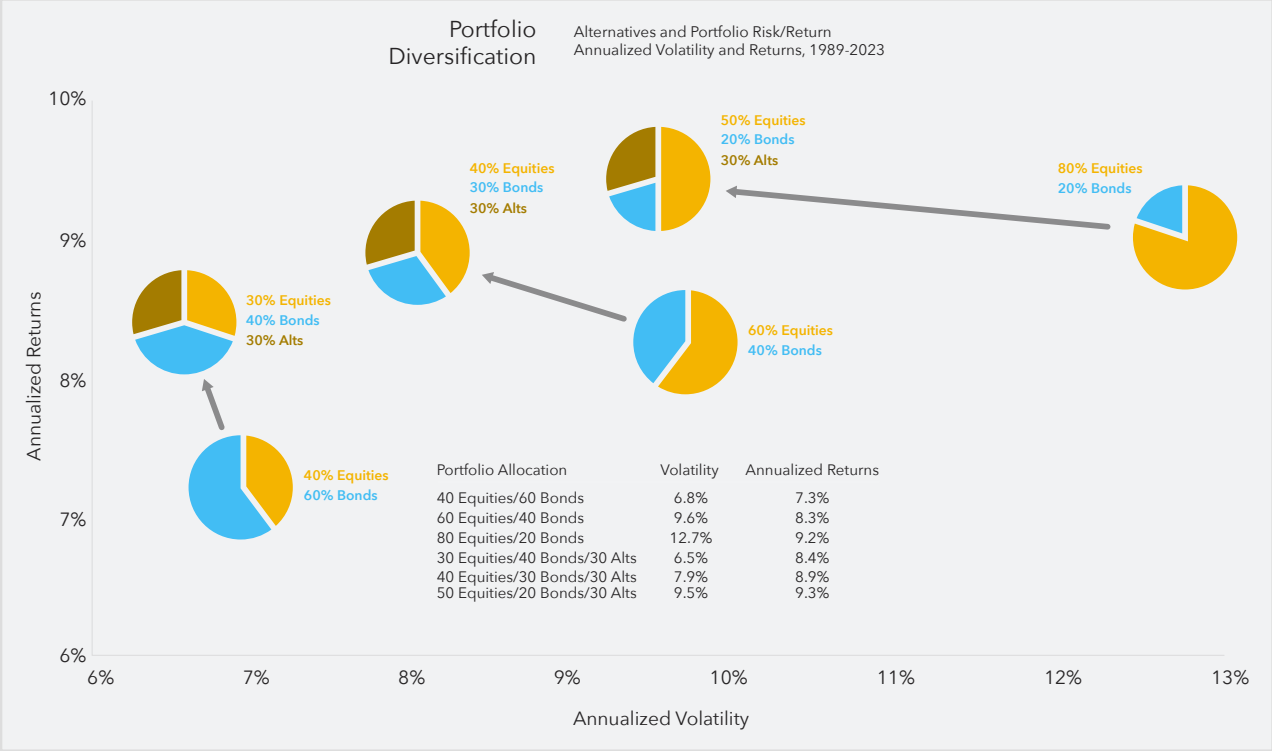
### Brand Growth

Beyond monetary aspects, selling barrels to investors and NDPs helps distilleries diversify and reach out further, taking their brand to the next level. Barrel sales often add value to a brand, and have the potential to send bottle and barrel prices soaring.

# INVESTMENT EXPERTS RECOGNIZE BENEFITS OF TANGIBLE ASSET DIVERSIFICATION

J.P. Morgan released a report in February titled "Guide to Alternatives" which examined the use of alternative assets as part of a diversified portfolio. While this report did not analyze bourbon or American Whiskey specifically, it provided a powerful analysis of the benefits that can be realized by investors who incorporate alternative assets as part of their holdings.

The report showed that portfolios which had a 30% allocation to alternative assets achieved higher annualized returns and lower annualized volatility. This analysis furthers the case for investors to include alternative assets as part of their overall investment strategy.



Source: Guide To Alternatives, JP Morgan, <https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/insights/market-insights/guide-to-alternatives/mi-guide-to-alternatives.pdf>





## INSIGHTS & PREDICTIONS FOR 2024

In examining the state of the American Whiskey industry, it becomes clear that many similarities exist between the American Whiskey and Scotch Whisky industries, with American Whiskey following a similar trajectory to that which has evolved in Scotch Whisky over the past 10 years. Based on this assessment, even as American Whiskey production volumes ramp up and inventory expands, the current barrel count of 13 million<sup>1</sup> is a far cry from the 22 million barrels of Scotch Whisky that are aging today<sup>2</sup>.

This fact, combined with the relative infancy of American Whiskey on an international scale, creates a market that continues to present investment opportunity. Over the course of the next 12 months, we anticipate accelerated growth in American Whiskey sales across global markets, with large increases coming from Europe and Asia. As major brands push marketing initiatives for American Whiskey within these regions, we expect a major shift in consumer preferences towards American Whiskey. We predict that these increased sales will result in nearly 2 million barrels being bottled in 2024. While this is less than the 2.8 million barrels we expect to be produced in 2024, this causes no concern due to the trailing nature of American Whiskey production. American Whiskey produced today will likely be bottled in approximately 4 years, at which time based on our current projections, we estimate over 3 million barrels will be bottled annually. It is for this very reason that distilleries continue to expand production even as inventory rises.

In addition, we expect a continued trend towards the bottling of American Whiskey that has been allowed to age for longer periods of time as consumers shift to more premium offerings. This change in consumer behavior will have a significant impact on the final volume of bottles which can be derived from current barrel inventory due to the aging process. The angels share, or the amount of liquid lost annually due to evaporation, has a larger impact as barrels mature into older ages. Even if demand remains stable, a higher volume of barrels is required for bottling premium expressions compared to the bottling of lesser aged varieties.

Lastly, American Whiskey is becoming a preferred drink over other alcoholic beverages. In 2022, spirits overtook beer in terms of market share in the United States., accounting for 42.1% of the beverage alcohol market, compared to beer's 41.9%.<sup>3</sup> The total sales of wine still eclipses bourbon even as wine sales have begun to fall over the past 2 years, but American Whiskey is pulling in even wine consumers. This trend indicates a shift in consumer preference towards spirits, including American Whiskey, over traditional beverages like beer and wine.

**Our conclusion:** we don't expect American Whiskey to slow down any time soon. The surge is continuing to build steam as multiple factors align to push demand for American Whiskey to new heights.

<sup>1</sup> Kentucky Distillers Association, The Economic and Fiscal Impacts of the Distilling Industry in Kentucky, 2023

<sup>2</sup> Scotch Whisky Association Facts & Figures, 2023

<sup>3</sup> Distilled Spirits Council Annual Economic Briefing, 2023



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