Bourbon Industry Insights

Market Dislocation, Inventory Overhang, and Stakeholder Considerations

PREPARED BY NOVO ADVISORS®

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Executive Summary

The bourbon and broader American whiskey market is undergoing a meaningful correction following years of elevated production, pandemic-era demand pull-forward, and aggressive investment in aged inventory. What was recently viewed as a structurally supply-constrained category has shifted into a market defined by excess barrel supply, weaker near-term demand, reduced production schedules, and widening bid-ask spreads for bulk whiskey.

From Novo Advisors' current work in the bourbon sector, including our role as **Chapter 11 Trustee and the financial advisor in the Kentucky Owl LLC bankruptcy case**, we are seeing firsthand how quickly market assumptions can change. Inventory that was once expected to appreciate steadily with age is now competing against a growing volume of aged as well as immature barrels being marketed by producers, investors, contract distillers, and distressed sellers. While premium aged bourbon remains marketable, the buyer universe has become more selective, particularly for new-fill and younger-vintage inventory.

The bourbon market (and the spirits market as a whole) remains a valuable and culturally significant category, but it has entered a period where asset values, liquidity, and recovery outcomes require active management. **Novo Advisors is prepared to help evaluate exposures, preserve inventory value, and develop practical strategies in a rapidly changing market.**

For lenders and investors with exposure to bourbon, whiskey, or almost any adjacent spirits business, the current environment raises several important questions:

- How much of the asset value is tied to inventory assumptions that may no longer be supportable in this market?
- How quickly can excess barrels be monetized without materially impairing price and how should they be sold to realize the best price?
- Are production, storage, tax, insurance, and working capital costs aligned with current demand?
- Is the go-forward business plan still viable in a market where larger producers are reducing output and bulk inventory pricing remains under pressure?
- What options are open to producers to minimize overhead in the near term as they wait for the demand for this product to resume at a more normalized state?

Record amounts of aging inventory and softer consumer demand are contributing to weaker American whiskey sales and creating a more challenging environment for barrel valuation, liquidity planning, and lender recoveries.

Novo Advisors is actively advising in this environment and is well positioned to assist companies in evaluating collateral, liquidity, operational performance, sale strategies, restructuring alternatives, and recovery scenarios for bourbon and broader spirits portfolio exposure.

Industry Values Under Pressure

Consumer Moderation

In 2025, only **54%** of U.S. adults consume alcohol vs. **67%** in 2022

Softness in Sales

American whiskey supplier sales down **0.9%** in 2025

Supply Overhang

16.1 million aging Kentucky bourbon barrels

Current Market Conditions

The industry is facing a significant inventory overhang.

Kentucky bourbon inventory has reached record levels. The Kentucky Distillers' Association reported an all-time high of approximately 16.1 million aging bourbon barrels across the state, supported by more than 125 licensed distilleries—the highest count since Prohibition was repealed[1]. This inventory count reflects years of expansion, new entrants, contract production, and investor capital.

The current bulk market appears even more strained. Based on recent market feedback received in connection with active barrel sale efforts, Novo Advisors believes that the barrels currently being marketed, both publicly and through less visible private channels, is substantial and may exceed 500,000 barrels. This figure includes inventory listed on bulk exchanges as well as barrels being sold by producers and investors seeking to reduce exposure. The supply imbalance has been further exacerbated by significant producers releasing their entire barrel inventories into the open market, increasing near-term availability, and contributing to continued pricing pressure. On a bottled-equivalent basis, the available barrel supply represents a significant future volume of finished whiskey that will ultimately need to be absorbed through branded sales, private-label programs, exports, bulk trades, or other commercial channels. **Bargaining power has shifted toward buyers and has made transaction timing, volume discounts, and barrel-level differentiation and distinction increasingly important.**

The pressure is particularly heightened because many market participants are now sellers rather than buyers. In prior years, producers, private-label groups, investors, and emerging brands were more willing to acquire aged whiskey to support growth or accelerate brand launches. Today, many industry participants are reducing commitments, preserving liquidity, or attempting to monetize their own excess inventory.

Jim Beam's flagship Clermont, Kentucky facility paused whiskey production beginning January 2026.

1 *Kentucky Distillers' Association, October 2025*

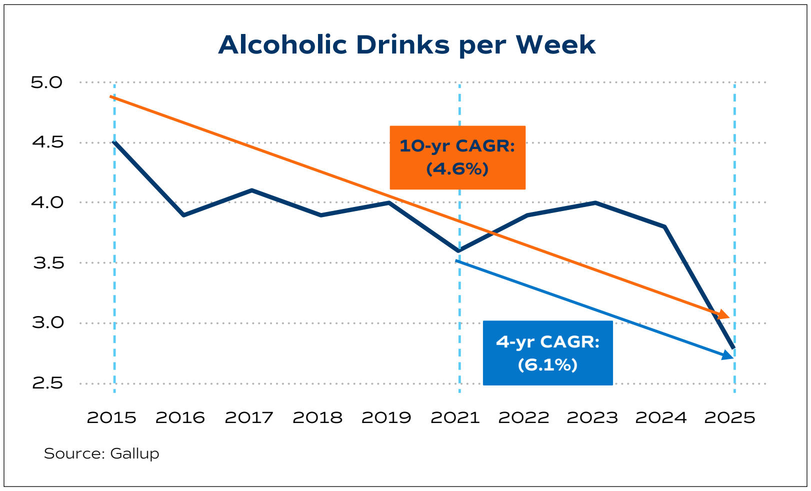
Production cuts confirm the shift from growth to correction.

The inventory overhang is no longer theoretical. Several large and mid-sized producers have reduced output, paused production, or otherwise adjusted capacity to better align with demand. Jim Beam's flagship Clermont, Kentucky facility paused whiskey production beginning January 2026, while other operations remain open[2]. More broadly, recent industry commentary points to reduced shifts, workforce reductions, and underutilized capacity at contract and bulk-focused producers.

These actions are significant because bourbon production decisions are inherently long-cycle. Whiskey distilled today may not be commercially marketable for years. As a result, production cuts do not immediately resolve the inventory overhang; instead, they signal that producers are nervous and are attempting to prevent the current surplus from compounding further. This dynamic is important because businesses may continue carrying high storage, tax, insurance, financing, and operating costs even as near-term demand for their inventory weakens.

Consumer demand has softened across beverage alcohol.

The bourbon correction is also occurring against a broader slowdown in alcohol consumption. Gallup reported that the percentage of U.S. adults who say they drink alcohol fell to 54%, the lowest level in Gallup's nearly 90 years of tracking[3]. Not only are many Americans eliminating their alcohol consumption, but those who continue to drink appear to be drinking less frequently and in lower quantities, with the decline becoming more pronounced in the past few years.



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2 *Wall Street Journal, May 2026*
3 *Gallup, Inc., August 2025*

The demand environment has also softened as consumers reassess discretionary spending and drinking occasions. Health-and-wellness preferences, moderation trends, alternative intoxicants, and affordability concerns are all contributing to a more difficult backdrop for spirits volume growth. Health concerns are also becoming a more significant headwind for beverage alcohol consumption, with Gallup data showing that Americans' perception of moderate drinking (1 to 2 alcoholic beverages per day) as harmful to health and longevity has risen across all age groups and is now held by the majority of younger consumers[4].

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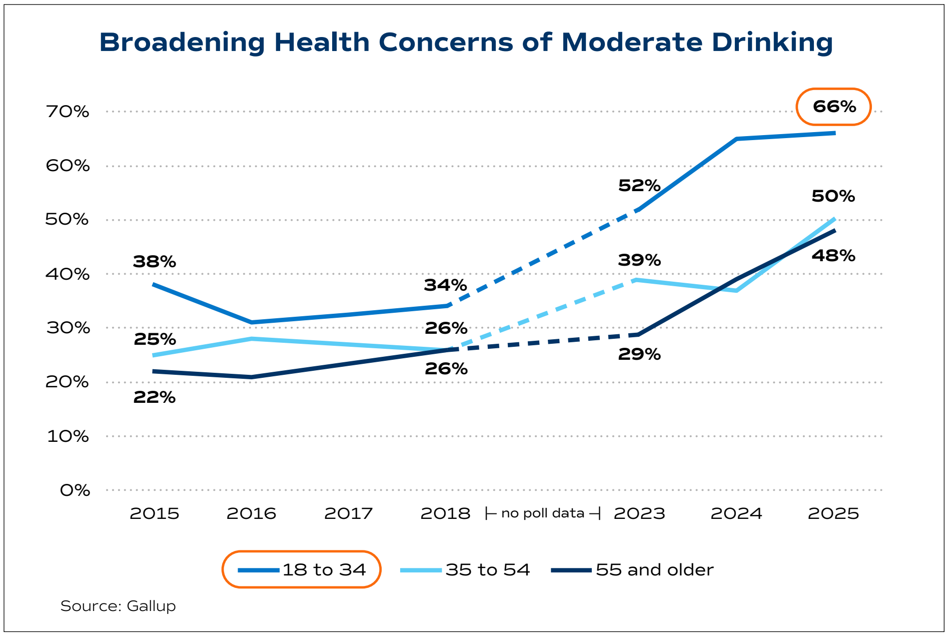

4 Gallup, Inc., August 2025

Industry-level data also indicates pressure within American whiskey specifically. The Distilled Spirits Council reported that American whiskey supplier sales totaled approximately $5.13 billion in 2025, down 0.9% year-over-year, following a decline in 2024 as well[5].

American Whiskey Trends

	9-Liter Case Volume (000s)			Gross Revenue ($ mil)		
Whiskey Tier	**2024**	**2025**	***Var.***	**2024**	**2025**	***Var.***
Value	3,683	3,615	*(1.8%)*	$ 244	$ 240	*(1.6%)*
Premium	6,493	6,392	*(1.6%)*	734	729	*(0.7%)*
High End Premium	14,598	14,495	*(0.7%)*	2,812	2,783	*(1.0%)*
Super Premium	5,510	5,494	*(0.3%)*	1,386	1,378	*(0.6%)*
Total American Whiskey	30,284	29,996	*(1.0%)*	$ 5,176	$ 5,130	*(0.9%)*

Source: DistilledSpirits.org

While overall American whiskey volume and revenue declined by approximately 1% in 2025, the High-End Premium and Super Premium tiers experienced revenue declines that exceeded their case-volume declines, suggesting that higher-tier whiskey brands are facing not only softer demand but also pricing, mix, or promotional pressure resulting in reduced revenue per case.

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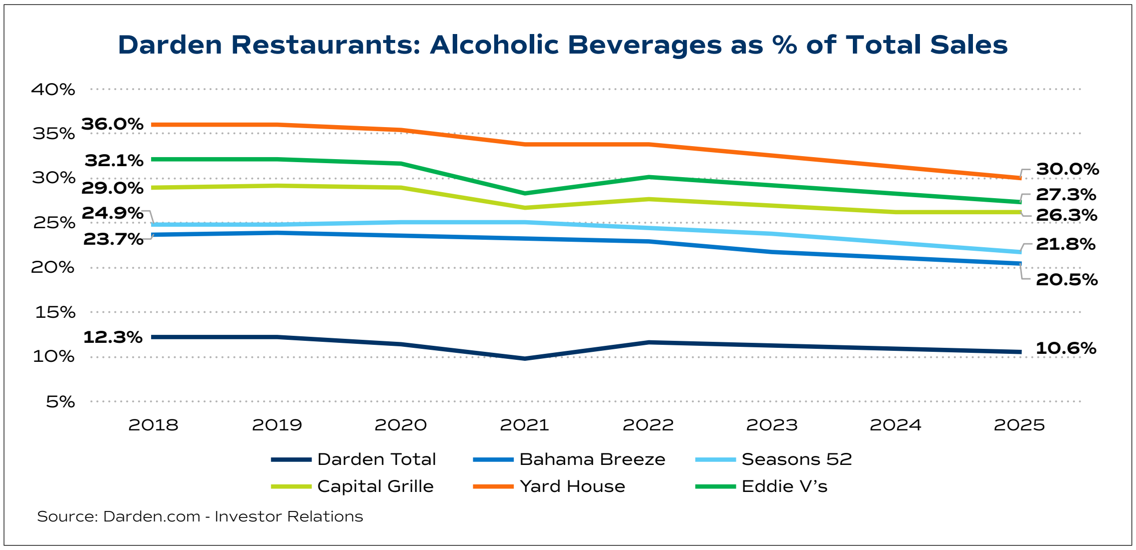
Although the category remains large and strategically important, the growth profile has changed. The market is no longer absorbing incremental supply at the pace assumed during the expansion cycle.

5 *The Distilled Spirits Council of the United States (DISCUS), February 2026*

This trend is also evident in on-premise dining. As an example, Darden's restaurant concepts have generally seen alcohol represent a smaller share of total sales than before the pandemic, suggesting that consumer pullback is not limited to at-home consumption or retail channels[6].



Bulk pricing has deteriorated and remains volatile.

Broker feedback received by Novo Advisors indicates that bulk aged whiskey prices are materially below levels existing two years ago, with some categories experiencing estimated declines of 60% to 70% from peak pricing.

Based on Novo's current observations and broker dialogue, the market remains most receptive to older bourbon, particularly barrels aged six years or more, where scarcity and product quality can still support buyer interest. However, even older-vintage inventory is subject to meaningful discounts depending on volume, proof, mash bill, storage location, brand association, documentation, and the urgency of the seller. Buyer sentiment toward new-fill and recent-vintage barrels is considerably weaker. **In many cases, the market is discounting young barrels not only for age, but also for the cost and risk of continued storage through maturity.**

These dynamics create a valuation challenge. Barrel inventory marked based on historical cost, prior appraisals, or aging assumptions may not reflect current executable market pricing. Inventory that appeared adequately valued and marketable under earlier assumptions may generate materially lower recoveries when adjusted for current bids, sales costs, carrying costs, taxes, and time-to-monetization.

Trade policy, including tariffs affecting U.S. spirits exports, remains an additional source of uncertainty for the industry and should be monitored as conditions evolve.

6 *Darden Investor Relations — Quarterly Filings*

Key Implications for Businesses

Underlying market values of whiskey may be more sensitive to timing than traditional appraisals suggest.

Bourbon inventory is often treated as a hard asset with an intuitive aging benefit: as the barrel ages, it should become more valuable. In the current market, that relationship is less linear. The value of a given barrel is now highly dependent on the seller's ability to hold the inventory, the market's appetite for the specific vintage, the availability of competing supply, and the cost burden required to carry barrels to a better exit window.

Aged inventory may still provide meaningful collateral support, but forced or accelerated liquidation scenarios often produce materially different outcomes than orderly sale strategies. Companies should therefore understand not just the appraised value of the barrels, but the practical monetization path, expected sales cadence, cost structure, buyer universe, and break-even points by vintage.

Storage, taxes, insurance, and professional costs can erode recoveries.

The carrying and sale cost of bourbon inventory can be substantial. Monthly warehouse storage, insurance, barrel taxes, sampling, retrieval, transfer, broker commissions, legal costs, and administrative expenses all reduce net recovery. The rise in prime and SOFR interest rates since 2021[7] has materially increased the financing cost of holding barrel inventory, particularly for whiskey produced during the elevated production period from early 2022 through September 2024, before year-over-year production declines began in October 2024[8].

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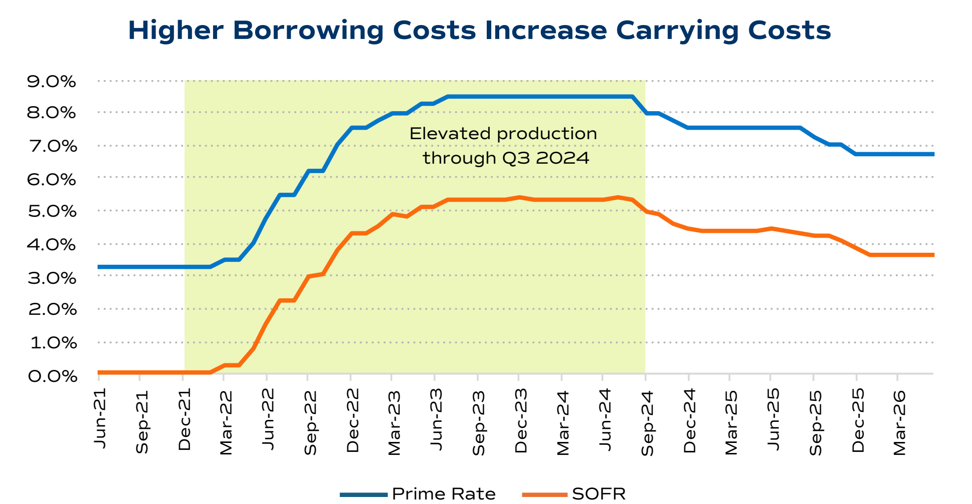

Sources: JP Morgan Chase; Federal Reserve Bank of St. Louis

7 JPMorgan Chase - Historical Prime Rates, Federal Reserve Bank of St. Louis – Historical SOFR
8 Lexington Herald Leader – September 2025

These costs are especially important when the monetization timeline extends over multiple years or when near-term sales volumes are limited. Many distilleries generate revenue not only from production and barrel filling, but also from warehousing and maintenance services. As bourbon demand has softened and production volumes have declined, some distilleries have increased storage fees to offset lost production revenue to adequately cover the fixed costs of maintaining aging inventory.

In a market with depressed pricing, the question is not only "what can the barrels sell for?" but "what will be left after the cost of getting to that sale?" Companies should evaluate gross proceeds, estimated net proceeds, and cost to carry the inventory (or liquidity burn) together. **A strategy that maximizes price per barrel may not maximize profits or recovery if it requires excessive time and carrying costs.**

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Younger barrels require a different underwriting lens.

Recent-vintage and new-fill barrels present a distinct risk profile. While these barrels may eventually become more marketable, today's buyers are heavily discounting the cost, uncertainty, and time required to hold them to maturity. A practical valuation approach should consider estimated production cost, monthly storage cost, age in months, anticipated future pricing, and the discount required to attract a buyer today.

Novo Advisors believes consideration should be given to vintage-level analysis that compares:

- current market bids and ultimate sale prices;
- estimated cost basis;
- cumulative storage and carrying costs;
- forecasted sales timing;
- gross margin or loss by vintage; and
- alternative recovery outcomes under orderly sale, accelerated sale, and bulk liquidation scenarios.

This analysis can help businesses distinguish between barrels that may justify continued carry and barrels where earlier monetization could be economically preferable.

Liquidity may become the binding constraint.

The ability to wait for improved pricing is valuable only if the producer has sufficient liquidity and operational discipline to carry the inventory. Many spirits businesses were built around assumptions of continued category growth, stable capital availability, and appreciating inventory values. In the current environment, those assumptions may no longer hold.

Consideration should be made for producers maintaining a realistic 13-week cash flow forecast, credible budget-to-actual reporting, and a clear plan to reduce costs to minimize operating burn. **Where liquidity is constrained, outcomes may depend on timely intervention, tighter controls, and a disciplined monetization strategy.**

Opportunities Amid the Dislocation

Despite the near-term challenges, the current market is not uniformly negative. Several pockets of opportunity remain. First, older-aged bourbon continues to attract interest, particularly where barrels have strong documentation, desirable characteristics, and a credible path to bottling, blending, private label, or export use. Second, buyers with a strong cash position may find opportunities to acquire quality inventory at pricing levels unavailable during the expansion cycle. Third, brand owners with differentiated positioning, strong distribution, and disciplined production planning may benefit as weaker competitors reduce output or exit the market. Finally, lenders and investors who move quickly to understand their exposures may be able to protect or enhance recoveries before further market deterioration occurs.

The key is discipline. The current environment rewards active inventory management rather than passive reliance on aging assumptions. Preserving value now requires realistic price discovery, disciplined carrying-cost analysis, and coordinated execution among investors, lenders, advisors, brokers, and other stakeholders.

How Novo Advisors Can Assist with Bourbon and Spirits Exposures

Novo Advisors combines restructuring, financial advisory, operational diligence, fiduciary, litigation support, and distressed sale experience.

Our current work in the bourbon sector provides direct visibility into the issues facing investors, lenders, borrowers, trustees, and other stakeholders with exposure to barrel inventory and spirits businesses. Although Novo's direct observations are concentrated in bourbon and American whiskey, the demand slowdown is broader and is affecting beverage alcohol categories across spirits, wine, and beer.

Novo can assist investors, lenders, and stakeholders in the following areas:

Collateral and inventory assessment

Novo is experienced in evaluating barrel inventory by vintage, mash bill, location, proof, ownership documentation, storage arrangement, and marketability. This includes developing recovery analyses that bridge gross barrel value to net cash proceeding after broker fees, transfer costs, storage, taxes, insurance, and other carrying costs.

Market outreach and monetization strategy

Novo can support the development of an orderly sale or liquidation strategy, including broker coordination, buyer outreach, bid evaluation, sale cadence, and comparison of negotiated transactions versus bulk liquidation alternatives. Where appropriate, Novo can help evaluate whether older barrels should be prioritized for sale while younger inventory is held, bundled, discounted, or sold to reduce ongoing and future costs.

Cash flow forecasting and liquidity management

Novo can develop and manage 13-week cash flow forecasts, weekly budget-to-actual reporting, borrowing base monitoring, vendor payment protocols, and liquidity scenarios. This is particularly important where producers must fund ongoing storage, tax, insurance, and professional costs while pursuing asset monetization.

Business plan and restructuring diligence

Novo can review company projections, production schedules, inventory aging assumptions, sales pipelines, contract manufacturing arrangements, distribution economics, and working capital needs. We can help assess whether a producer's plan is realistic in the current market or whether additional restructuring actions are required.

Scenario analysis and recovery modeling

Novo can prepare recovery models under multiple sales and operating scenarios, including orderly liquidation, accelerated sale, bulk sale, going-concern transaction, refinancing, or plan of reorganization. These models can incorporate market discounts, timing risk, cost burn, collateral coverage, and creditor recovery waterfalls.

Stakeholder coordination

Novo has significant experience working with sponsors, equity holders, secured lenders, bankruptcy trustees, debtors, committees, counsel, brokers, buyers, and other parties in complex restructuring situations. In a volatile industry environment, coordinated communication and fact-based reporting are critical to preserving value and reducing execution risk.

Investigation and litigation support

Where appropriate, Novo can support transaction reviews, fund tracing, reclamation analysis, collateral investigation, and litigation-related financial analysis. This may be relevant where inventory ownership, intercompany transfers, financing arrangements, or historical cash activity require further diligence.

Recommended Next Steps

For companies with exposure to bourbon, whiskey, or broader spirits businesses, Novo Advisors recommends a near-term review focused on four questions:

1. What is the current executable value of the inventory?

Appraisals and historical values should be refreshed against current market feedback and actual transaction data.

2. How long will monetization realistically take?

Recovery outcomes should be modeled by vintage, volume, buyer type, and sale cadence.

3. What costs will be incurred before proceeds are realized?

Storage, taxes, insurance, broker commissions, transfer fees, and professional costs should be fully reflected in net recovery analyses.

4. Does the business have enough liquidity to pursue the optimal strategy?

If not, companies may need to evaluate accelerated sale options, enhanced reporting, tighter cash controls, or restructuring alternatives.

For more information, please reach out to our industry experts:

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About Novo Advisors

Novo Advisors is a leading management consulting firm advising organizations through periods of crisis, transformation, and complex business challenges. Novo is not a certified public accounting or law firm. We are dedicated to helping our clients navigate change, mitigate risk, improve performance, and address complex financial, operational, strategic, transactional, and dispute-related matters.

Note on market observations: Certain market commentary in this summary reflects Novo Advisors' ongoing restructuring work in the bourbon sector, discussions with industry participants, and broker feedback received in connection with active barrel sale efforts. Publicly reported industry data has been cited where applicable.

THE NOVO VOICE

Hear directly from our leadership team.

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