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Tennessee and Kentucky Distilled Spirits: What's at Stake from a New Trade War?

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American distilled spirits enjoy global popularity and are among the nation's top agricultural exports. Despite disruptions from the 2018 trade war and the COVID-19 pandemic, exports have shown a steady upward trend, reaching almost \$3.0 billion in 2024 (Figure 1).

Tennessee and Kentucky lead the nation in distilled spirits exports, consistently ranking first and second, respectively, among exporting states. While distilled spirits make up approximately 2% of total agricultural exports nationwide, they dominate sales in both states, accounting for 36% of Tennessee's and 48% of Kentucky's agricultural exports in 2024. In that year, Tennessee exported over \$900 million worth of distilled spirits, while Kentucky shipped around \$750 million, together comprising more than half of the country's total distilled spirits export revenue. Texas, the third-largest exporting state, exported around \$350 million in distilled spirits in 2024 (USDA-FSA, 2025).

Since the inauguration, the Trump administration has imposed and postponed tariffs on various countries. These tariffs can provoke strong retaliatory actions from major trading partners, which are often aimed at American distilled spirits. For instance, during the 2018 trade war, the European Union (EU) targeted iconic American products like whiskey and bourbon (Muhammad and Thompson, 2024). Both Canada and the EU have been embroiled in the recent trade actions by the Trump administration. In response, both countries have either implemented or proposed retaliatory tariffs on U.S. goods, including distilled spirits (Romero, 2025; Cook and McHugh, 2025). Currently, the United States has halted the tariffs that were to be imposed on EU goods (Trump, 2025). Canada received a temporary reprieve a few weeks prior to the EU (Wolff, 2025). In response, the retaliatory tariffs on American spirits have also been halted.

Given the uncertainty surrounding current U.S. trade policy, the likelihood of future tariffs remains high. This article explores what is at stake if Canada and the EU impose retaliatory tariffs on American distilled spirits. Specifically, we analyze the economic impact of distilled spirits exports in Tennessee and Kentucky—two states where these exports play a critical role. As the leading agricultural export in both states, distilled spirits are vital to their agricultural economies and contribute significantly to U.S. export sales. Our goal is to highlight the significance of distilled spirits exports in each state, emphasizing the relationship between export sales, related economic activity (both directly and indirectly), and the jobs supported by the sector, all of which could be affected by tariff retaliation.

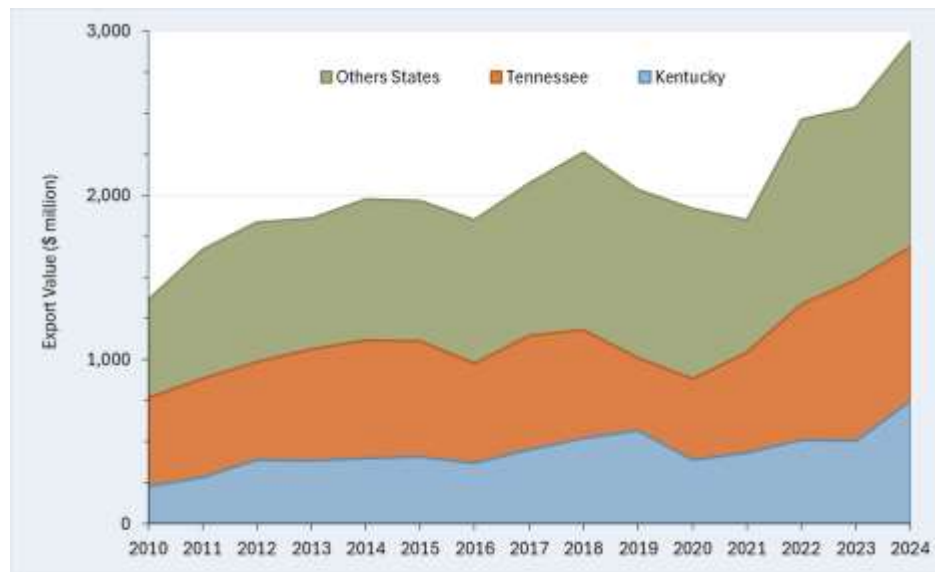
Distilled Spirits Exports from Tennessee and Kentucky

Distilled spirits fall into six main categories: whiskey (which includes bourbon), vodka, rum, gin, tequila, and brandy. Each is defined by its key ingredient; for example, rum is produced from sugarcane, brandy from grapes, and whiskey from corn and other grains. Production methods, geography, and legal requirements also help in defining these categories (Aylott and Aylott, 2022). Tennessee Whiskey and Kentucky Bourbon are iconic American spirits with distinct legal and trade implications, especially in the context of intellectual property and international trade. Both are protected under U.S. law as products tied to specific regions with strict production standards (U.S. Congress, 2015).

With export sales totaling over \$1.5 billion in recent years, whiskey accounts for the largest share of U.S. distilled spirits exports (more than 50%), far exceeding other spirit categories.¹ The next largest categories are liqueurs and cordials (<\$400 million in 2024), which is usually a main category with added flavoring and

¹ Whiskey is the generic name used to define whiskey, rye whiskey, bourbon, and scotch. Unless specified otherwise, *whiskey* refers to both whiskey and bourbon.

Figure 1. U.S. Distilled Spirits Exports (Tennessee, Kentucky, and Other States), 2010–2024



Source: USDA_FAS (2025).

sweeteners, and vodka (<\$300 million in 2024). Tennessee's exports are predominantly whiskey, averaging more than 96% of all spirits exported from the state since 2010. In contrast, Kentucky's exports are somewhat more diversified: Whiskey accounted for around 64% (2022–2024 average), while vodka and liqueurs each accounted for around 13% during this period, increasing to around 20% each in 2024 (USDA-FAS, 2025).

Figure 2 shows the trends in distilled spirits exports from Tennessee and Kentucky from 2010 to 2024, highlighting total exports (world) and exports specifically to the EU and Canada. Tennessee exports show a general upward trend, peaking in 2023 at \$983 million before slightly declining in 2024. EU imports from Tennessee follow a similar pattern, with notable increases from 2010 to 2023, reaching a high of \$587 million in 2023. This growth can be attributed to increasing demand for high-quality distilled spirits in European markets, coupled with strategic marketing and distribution efforts by Tennessee producers. However, the data also highlight a significant drop in 2019 and 2020, with total exports dropping to \$442 million in 2019 and \$494 million in 2020. This decline is due to the first trade war and the COVID-19 pandemic, which disrupted global supply chains and reduced consumer demand (Muhammad and Thompson, 2024). Tennessee's distilled spirits exports to Canada are significantly smaller. The EU accounted for 58% of all exports (2022–2024), whereas Canada only accounted for 3% during this period. Nonetheless, Tennessee exports to Canada also show a steady increase, peaking at \$24 million in 2023 before slightly declining to \$22 million in 2024.

Exports of distilled spirits from Kentucky present a slightly different picture compared to Tennessee (Figure

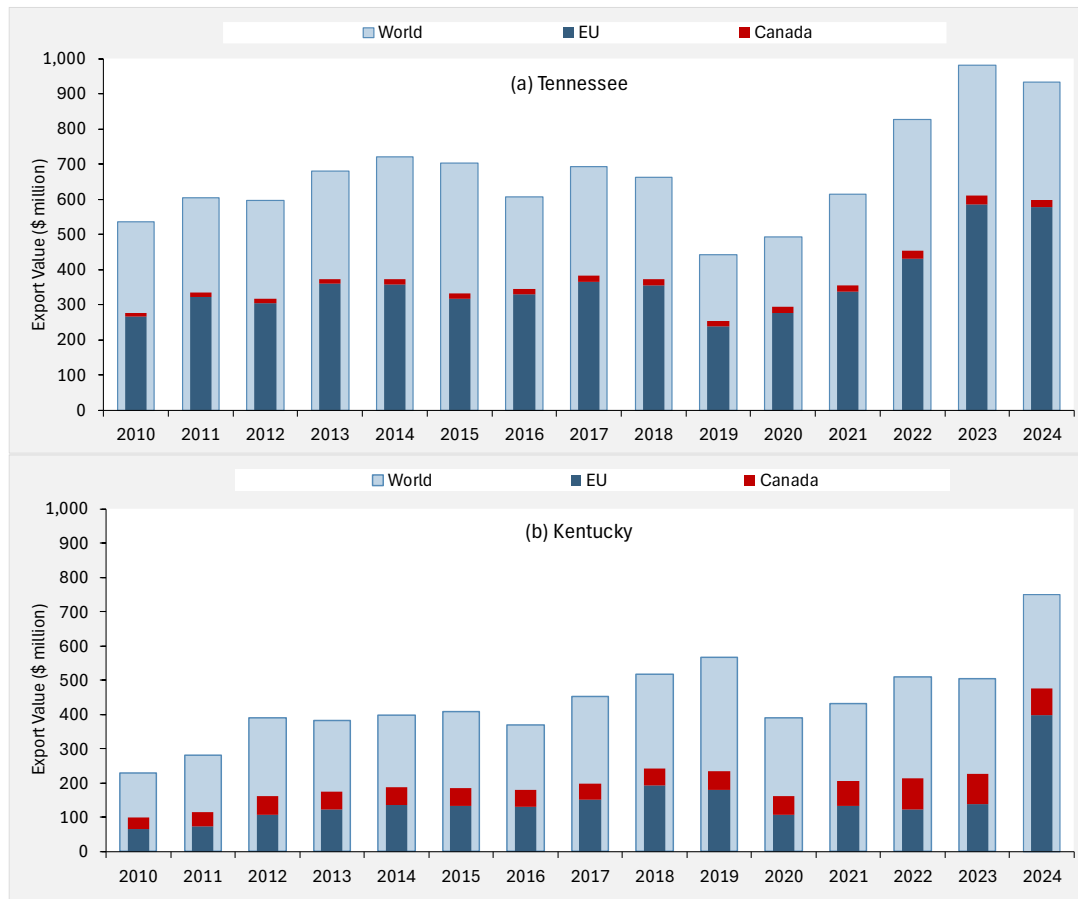
2). While total exports worldwide exhibit a steady increase, peaking at \$751 million in 2024, exports to the EU show more variability. Exports to the EU peaked at \$397 million in 2024, a significant rise compared to previous years, mostly due to increases in products like vodka and liqueurs. Additionally, the data suggests that Kentucky has been more resilient to global economic challenges, maintaining consistent growth in both total exports and exports to the EU. Similar to Tennessee, Kentucky experienced a notable decrease in exports in 2020 (\$391 million). Unlike Tennessee, exports actually increased in 2019 despite the trade war. This resilience is partly due to Kentucky being less reliant on the EU market and less dependent on whiskey export sales, which were the target of retaliation during the previous trade war with the EU (Muhammad and Thompson, 2024). Kentucky's exports to Canada account for a higher percentage compared to Tennessee's, steadily increasing before peaking at \$91 million in 2022 and then declining to \$80 million in 2024.

From 2022 to 2024, Tennessee's distilled spirits exports to the EU averaged \$540 million, while exports to Canada averaged \$24 million. Kentucky, meanwhile, saw average exports of \$222 million to the EU and \$88 million to Canada (USDA-FAS, 2025). These values will be used later in the article to assess the total economic impact and job supported by exports.

Importance of American Distilled Spirits in Canada and the EU

Figure 3 shows distilled spirits imports in Canada and the EU from 2022 to 2024 (3-year average) by exporting country. The United States plays a crucial role in the Canadian market for distilled spirits. During this period, Canada's imports of distilled spirits averaged \$1.1 billion.

Figure 2. Exports of Distilled Spirits from Tennessee and Kentucky to All Countries (World), the EU, and Canada: 2010–2024



Note: Distilled spirits are defined according to the Harmonized System (HS) of classifying trade goods: HS 2208 Undenatured ethyl alcohol of an alcoholic strength by volume of <80% (spirits, liqueurs and other spirituous beverages).
Source: USDA-FAS (2025).

The U.S. was the largest supplier, accounting for \$249 million or approximately 24% of Canada’s total imports. The United Kingdom followed closely with \$232 million (22%). Mexico was the third-largest market, with exports valued at \$149 million (14%). These top three countries collectively accounted for 60% of imported distilled spirits in Canada (United Nations, 2025).

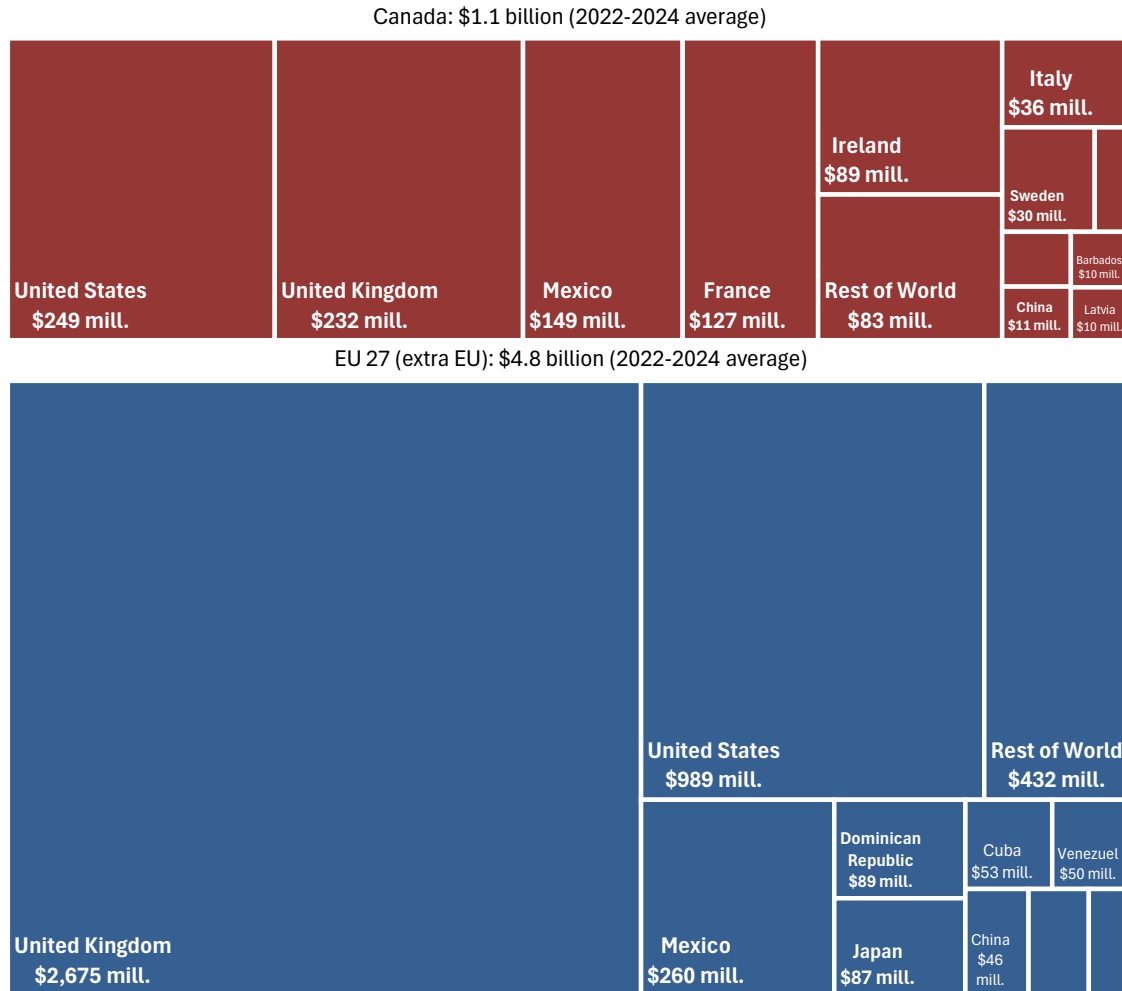
The EU market for distilled spirits is significantly influenced by the United States, which was the second-largest supplier from 2022 to 2024. The EU is a much larger import market than Canada, with distilled spirits imports averaging \$4.8 billion annually during this period. The United Kingdom was the leading supplier, with export sales of \$2.7 billion, accounting for a substantial 56% of all imported distilled spirits in the EU. The U.S. was the second-largest supplier, with sales to the EU valued at \$989 million, making up 22% of total imports. Mexico ranked third, with exports worth \$260 million (6%). Together, these three countries represented almost 83% of all imported distilled spirits in the EU (Eurostat, 2025).

Distilled Spirits and Agriculture

Distilleries are vital for corn producers in Tennessee and Kentucky. Annually, distilleries in the two states utilize over 41 million bushels of corn, with Tennessee using 13 million bushels and Kentucky using 28 million bushels. Most of this corn is grown locally. Over the past 5 years, distillery utilization has represented between 8% and 13% of Tennessee’s corn production and between 10% and 14% in Kentucky’s (USDA-NASS, 2025). To put this in perspective, U.S. corn production in 2022–2024 (3-year average) was 14.6 billion bushels.

Tariffs on distilled spirits may not have an immediate impact on Tennessee and Kentucky corn producers due to the production lag associated with bourbon and whiskey. Whiskey and bourbon are usually aged for more than 4 years, meaning the corn produced in 2024 will not be “available” as distilled spirits until 2028 or later. However, changes in trade policy could reduce current corn usage if distilled spirit companies anticipate lower future sales.

Figure 3. The Value of Imported Distilled Spirits in Canada (upper panel) and the EU (lower panel) by Exporting Country, 2022-2024 (3-year average)



Note: Distilled spirits are defined according to the Harmonized System (HS) of classifying trade goods: HS 2208 Undenatured ethyl alcohol of an alcoholic strength by volume of <80% (spirits, liqueurs and other spirituous beverages).

Source: United Nations (2025) (Canada); Eurostat (2025). Euro converted to \$U.S. using exchange rate data from <https://www.irs.gov/individuals/international-taxpayers/yearly-average-currency-exchange-rates>

In addition to corn, distilleries in Tennessee and Kentucky use rye, barley, and other grains in their mash. Rye and barley are typically sourced from northern states and Western Canada. The two largest distilleries in Tennessee are Jack Daniels and George Dickel. Jack Daniel’s uses a mash consisting of 80% corn, 8% rye, and 12% barley, while George Dickel uses 84% corn, 8% rye, and 8% barley (WhiskeyRaw.com, 2025). Prominent Kentucky bourbon producers (Old Forester, Woodford Reserve, Bulleit, Elijah Craig, Jim Beam, Wild Turkey, Maker’s Mark, Four Roses, Knob Creek, Baker’s, and Old Grand Dad) use 60%–78% corn, 10%–35% rye, and 4%–14% barley in their mash. Some distilleries also use wheat, which can be sourced locally. Combined, distilleries in Kentucky and Tennessee use more than 7 million bushels of rye and 5.5 million bushels of barley each year to produce their spirits. U.S.

barley and rye production averaged (2022–2024) 168 million and 12.5 million bushels, respectively (WhiskeyRaw.com, 2025).

Over the past 5 years (2020–2024), the estimated value of corn sales to distilleries have ranged between \$127 and \$190 million in Kentucky and \$59 and \$89 million in Tennessee. On average (2022–2024), Tennessee and Kentucky corn sales to distilleries have resulted in cash receipts of over \$218 million for corn producers (USDA-NASS, 2025). Corn producers often obtain price premiums from distilleries due to the higher quality corn required compared to other uses such as poultry, ethanol, livestock feed, and export markets. Additionally, contracts between corn producers and distilleries can help mitigate price risk during the production season.

Table 1. Distillery Industry Stats for Kentucky and Tennessee, 2023

State	Value of Production ^a (\$ billions)	Jobs ^b	Labor Income ^c (\$ millions)	Gross State Product ^d (\$ millions)
Tennessee	\$2.1	2,612.2	\$236.8	\$892.5
Kentucky	\$6.5	7,599.0	\$885.0	\$2,903.8

^a Annual value of production by all distilleries.
^b Total wage and salary of employees, plus self-employed for both full-time and part-time workers.
^c Employee compensation plus benefits and proprietary or owner-operated income.
^d All income to workers paid by employers; self-employed income; interests, rents, royalties, dividends, and profit payments; and excise and sales taxes collected by businesses from individuals; analogous to state GDP.

Source: IMPLAN (2023).

Economic Impact of Exports to Canada and the EU

Because retaliatory tariffs could seriously impact distilled spirits, disrupting export sales, economic activity, and job stability, it is essential to evaluate what is at risk. In this section, we considered the total economic activity from distillery sales, more specifically both direct export values and their total impacts as a result of multiplier effects) and related jobs for Tennessee and Kentucky. According to the most recent data (2023), Tennessee

and Kentucky distilleries produce a total value (or direct economic activity) of \$2.1 billion and \$6.5 billion, respectively. The industry supports 2,612 jobs in Tennessee and 7,600 in Kentucky, accounting for \$236.8 million and \$885.0 million in labor income, respectively. Gross state product is \$892.5 million for Tennessee and \$2.9 billion for Kentucky. (See Table 1 for definitions.)

Table 2 reports the direct economic activity from distilled spirits exports to Canada and the EU. These exports

Table 2. Estimated Economic Activity for Distillery Exports from 2022–2024 to Canada and the EU from Tennessee and Kentucky (2024 dollars)

Canada				
State	Economic Activity (\$ millions)	Jobs (number)	Labor Income (\$ millions)	Gross State Product (\$ millions)
Tennessee				
Export ^a	\$23.8	28.8	\$2.7	\$10.0
Total ^b	\$38.0	88.7	\$7.1	\$18.0
Kentucky				
Export ^a	\$88.3	102.0	\$12.1	\$39.6
Total ^b	\$135.0	304.7	\$25.4	\$64.9
TN/KY Totals				
Exports^c	\$112.1	130.8	\$14.8	\$49.6
Total^d	\$173.0	393.4	\$32.5	\$82.9
EU				
State	Economic Activity (\$ millions)	Jobs (number)	Labor Income (\$ millions)	Gross State Product (\$ millions)
Tennessee				
Export ^a	\$539.5	654.3	\$60.3	\$227.1
Total ^b	\$863.1	2,015.3	\$161.1	\$409.8
Kentucky				
Export ^a	\$222.0	269.2	\$30.3	\$99.6
Total ^b	\$339.6	829.1	\$63.9	\$163.1
TN/KY Totals				
Exports^c	\$761.5	923.6	\$90.6	\$326.7
Total^d	\$1,202.7	2,844.4	\$225.0	\$572.9

^a Distillery exports from 2022-2024 for Tennessee and Kentucky (direct economic activity).
^b Estimated total economic activity that includes multiplier effects.
^c Sum of Tennessee's and Kentucky's combined export value.
^d Sum of Tennessee's and Kentucky's export value including multiplier effects.

play a vital role in Tennessee and Kentucky's economies, generating significant revenue and supporting a wide range of industries. However, export sales are a greater share of Tennessee's production. Focusing solely on exports to the EU (as an example), Tennessee's distilleries contributed an average of \$540 million in direct economic activity, while Kentucky's distilleries generated a little more than \$220 million. When factoring in multiplier effects, such as the economic activity created by input suppliers and other related spending, the total estimated impact is more \$860 million for Tennessee and close to \$340 million for Kentucky, for a combined total impact of more than \$1.2 billion. Distilled spirits exports to the EU not only generate revenue but also support thousands of jobs and contribute to tax revenue across Tennessee and Kentucky. In the two states combined, an estimated 2,800 jobs are supported by EU sales (Table 2). These employment figures reflect the broader impact of exports, as related industries also benefit from increased economic activity. Tax revenue generated by the sector is also substantial. Export sales to the EU contribute an estimated \$115 million in tax revenue annually, while Kentucky sees approximately \$62 million, for a total of \$177 million. These taxes help fund public services and infrastructure, reinforcing the industry's role in state economies.

Several key industries see the greatest economic impact from distilled spirits exports. Based on total economic activity, the most affected sectors include distilleries, other nondurable goods merchant wholesalers, insurance agencies and brokerages, owner-occupied housing, and other real estate businesses. Similarly, when considering job creation, the top impacted industries are distilleries, other nondurable goods merchant wholesalers, warehousing and storage, other

real estate, and insurance agencies and brokerages. These findings highlight how distilled spirits exports create a ripple effect, influencing employment, tax revenue, and business activity across multiple sectors in Tennessee and Kentucky. If Canada or the EU were to impose tariffs on U.S. distilled spirits, it could lead to reduced exports, affecting the economic stability of distilleries and related industries. This could result in job losses, decreased income for workers, and lower tax revenues, ultimately harming the regional economy.

Conclusion

The global success of American distilled spirits, with exports reaching nearly \$3.0 billion in 2024, highlights their significance to both national and local economies. Tennessee and Kentucky, as the leading states in spirits exports, benefit immensely from international trade, supporting thousands of jobs and generating substantial economic activity. However, retaliatory tariffs from key markets such as the EU and Canada pose a serious threat to export sales, economic growth, and industry stability. Given the historically low tariff rates on distilled spirits, the sudden imposition of trade barriers could have far-reaching consequences (Distilled Spirits Council of the United States, 2024). To safeguard the industry, policymakers should prioritize trade negotiations to reduce the likelihood of tariff retaliation while expanding market diversification efforts to lessen dependence on any single export destination. Strengthening domestic support measures, such as tax incentives and business development programs, can also help distilleries weather economic uncertainty. Maintaining favorable trade relations and proactive policy strategies will be essential in preserving the strength and continued success of America's distilled spirits industry.

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