

Learn about the **distillery business industry** and find more information on **how to open a distillery**. Don't forget you can receive free or low-cost training and **free professional business advice**, from [your local Small Business Development Center!](#)

View our related **business reports** here: [Winery Business](#), [Brewery Business](#) and [Beverage Industry Research](#).

Get a [free distillery business plan template on our Business Plans Page](#).

Distillery COVID-19 Resources

The **craft distilling industry** has taken a hit during the COVID-19 pandemic recession as [the Distilled Spirits Council and the American Distilling Institute report](#) that **small batch distilleries** have had to furlough more than 40% of workers. Tasting rooms and events restrictions have dramatically decreased on-premise sales, which has contributed to a reported 64% decline in craft spirits sales. As distribution networks are hindered, **craft distilleries** have had to get creative to stay afloat, though a majority do not feel confident they will survive past 6 months of continued business restrictions. Distilleries have taken to depleting remaining inventory by allocating production to liquid hand sanitizer and disinfectant. As some state and local government regulations are [allowing direct-to-consumer sales](#), many **craft distillers** are taking advantage of ecommerce opportunities, click-and-collect, and pick up orders.

- [SBDCNet COVID-19 Small Business Resources](#)
- [American Distilling Institute: COVID-19 Information](#)
- [American Craft Spirits Association: COVID-19 Craft Distillers Resources](#)
- [Distilled Spirits Council: Responding to COVID-19](#)
- [National Alcohol Beverage Control Association: COVID-19 Resources](#)
- [TTB Updates and Guidance on COVID-19](#)

Distillery Business Overview & Trends

NAICS Code: 312140, SIC Code: 2085

This **distilleries industry summary** is from [First Research](#), which also sells a full version of this report.

- “Companies in this industry distill, blend, or mix liquors. Major companies include Bacardi (Bermuda), Brown-Forman (US), Diageo (UK), Gruppo Campari (Italy), Kweichow Moutai (China), Pernod Ricard (France), and Suntory (Japan).
- The distilleries industry is undergoing increased globalization. Many of the world’s largest liquor conglomerates have expanded into multiple regions. The US distillery industry includes about 1,800 establishments (single-location companies and units of multi-location companies) with combined annual revenue of about \$26 billion.
- Competitive Landscape: Demand is driven primarily by trends in alcohol consumption and personal income. The profitability of individual companies depends on efficient operations and strong distribution channels. Large companies have advantages in brand recognition and economies of scale. Small operations can compete effectively by specializing in high-end or unusual spirits. The US industry is highly concentrated: the top 20 companies account for about 95% of industry revenue.
- Some companies in the industry distill alcohol on site; others take neutral spirits and infuse alcohol with flavoring agents. Distilleries compete with wineries and breweries for alcohol spending.
- The US, a net importer of liquor, imports more than \$6 billion in liquor per year and exports about \$2 billion. About 80% of imported liquor comes from the UK, Mexico, France, Ireland, and Canada. Top export markets include Canada, the UK, Australia, Panama, and Germany.”

This [Spirits in the US market research report summary is from Euromonitor](#), which also sells a full version of this report.

- A major trend across spirits categories in 2019 was premiumization, with particular success in both the whiskey and tequila categories
- International demand for US spirits declined in 2019 as a result of counter tariffs put in place due to the ongoing escalating trade wars between the US and its trading partners, leading many American distilleries to reduce production volumes
- Due to COVID-19 impacts on the industry and economy, trends for 2020 include increased at-home consumption, more focus on e-commerce and delivery services for spirits, and serious financial hardship for craft distilleries.

Distillery Customer Demographics

Major customer segments for **distilleries** are reported by IBISWorld, which offers a full version of the industry report for purchase [here](#).

- Distilleries generate approximately \$14.8 billion with key market segmentation defined

by the distribution channel.

- Retail and liquor stores account for 40.7% of sales revenue for distilleries. As many communities repealed the laws banning liquor sales on Sunday, industry revenue has benefitted from consumers' increased alcohol consumption. This trend is expected to rise as consumers look toward alcohol amidst stress related to COVID-19 and the related economic downturn.
- Wholesalers generate 35.8% of industry This may be due to many states restricting sales of spirits directly to retailers and consumers. The use of distributors can be beneficial as they often have extensive networks across various industries.
- Restaurants and exports combined account for 20.8% of industry revenue. Restaurants, along with lodging and drinking establishments, account for a small amount (10.3%) of industry revenue due to disconnect between producers and independent establishments. This source of revenue as well as exports (10.5%) are expected to decline as COVID-19 stay-at-home orders and export restrictions are imposed.

Additional information on **distilled spirits** customers can be found in a variety of trade associations and publications, including:

- [American Drinking Preferences and Industry Trends](#)
- [Market Information for Distilled Spirits by Category](#)
- [State Map of the Economic Impacts of the Distilled Spirits Industry](#)

Distillery Business Startup Costs

According to an article by [Profitable Venture](#), the average **distillery startup costs** are as follows:

- Expect a total of approximately \$30,000 for a small distillery to \$664,525 for a medium distillery
- Start-up inventory may cost up to \$40,000
- Operational cost for the first 3 months may be up to \$150,000

Additional **distillery startup costs** information can be found at:

- [Cost to open a new distillery](#)
- [Starting a distillery](#)
- [How to start a distillery](#)

Distillery Business Plans

- [Distillery Business Plan](#)
- [Writing a Micro Distillery Business Plan](#)
- [Distillery Business Plan](#)
- [How to Start a Liquor Company](#)

Distillery Business Associations

Trade associations often are excellent sources of information on an industry. Here are some relevant **distillery industry associations**:

- [American Distilling Institute](#)
- [American Craft Spirits Association](#)
- [Distilled Spirits Council of the United States](#)

Distillery Business Regulations

The section is intended to provide a general awareness of **distillery regulations** and agencies to consider when starting a distillery business. Check with your state and municipality for rules and regulations that may impact the business in your area.

- [TTB: Requirements for Beverage Distilled Spirits Plant Operations](#)
- [Control State Directory and Info](#)
- [Federal Trade Commission: Alcohol Advertising](#)
- [FDA: Labeling of distilled spirits, wine, and malt beverages](#)
- [FDA: State Retail and Food Service Codes and Regulations by State](#)

Distillery Publications

- [Artisan Spirit Mag](#)
- [Craft Spirits Magazine](#)
- [Distiller Magazine](#)
- [Wine & Spirits Daily](#)

Distillery Business Employment Trends

The [Distilled Spirits Council](#) and the [American Distilling Institute](#) report employment information for the distillery workforce:

- 1.64 million distillery industry employees
- 1,953 craft distilleries in the US
- Investments in distillery equipment and staff has accelerated due to the impact of the Craft Beverage Modernization and Tax Reform Act in 2018, which provided for reduced tax rates on distilled spirits in the US, and a contributed growth of 11.5% in number of active distilleries participating in the market.
- The [federal excise tax reduction](#) for distillers forecasts continued growth in the industry as it enables small batch establishments to create jobs and invest in new facilities and equipment.

A detailed breakdown of other beverage manufacturing occupations is available from the [Bureau of Labor Statistics](#).

Additional Small Business Resources

Already in business or thinking about starting your own small business? Check out our various small business resources:

- View more business reports here: [Small Business Snapshots](#)
- View small business help topics here: [Small Business Information Center](#)
- View industry-specific research here: [Market Research Links](#)
- View business plans samples here: [Sample Business Plans](#)

Remember, you can also receive **free professional business advice** and free or low-cost business training from [your local Small Business Development Center!](#)

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