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Diageo’s U.S. tequila sales fell 21% in fiscal 2026.

Don Julio slid 19% after 41.9% growth a year earlier, deepening pressure on a weakening U.S. spirits portfolio.

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Diageo’s tequila business in the United States turned sharply lower in the fiscal year ended June 30, a reversal that reached beyond Casamigos and hit Don Julio, the brand that had been one of the company’s strongest growth drivers in the market.

In results published on Aug. 6, the drinks group said its U.S. tequila net sales fell 21% in fiscal 2026. A year earlier, the same business had grown 16.9%, marking a swing of 37.9 percentage points. The decline came as Diageo faced a softer tequila category, tougher competition and difficult comparisons with a strong prior year.

The change was especially visible in the company’s two main tequila labels. Don Julio moved from 41.9% growth in the previous fiscal year to a 19% decline, a slowdown of 60.9 percentage points. Casamigos, which had already been weakening, saw its drop deepen to 28% from 18% a year earlier. Diageo said distributor depletions, a measure of product moving from distributors into the trade rather than final consumer sales, fell 10% for Don Julio and 23% for Casamigos. The company is now preparing price reductions for Casamigos and a new marketing push for the brand.

The tequila setback fed into a broader slide in Diageo’s U.S. spirits business. The company said its U.S. spirits sales fell 11.5% in fiscal 2026, while volume declined 9%. In the prior fiscal year, that same business had posted 1.6% sales growth. North America, which accounted for 37% of Diageo’s global sales, recorded an 8.4% sales decline to $7.2 billion for the year. At the group level, Diageo said organic sales fell 2% to $19.6 billion, while organic operating profit rose 2% to $5.7 billion as the company cut costs.

Dave Lewis, Diageo’s chief executive, said the weakness reflected more than a single brand problem. According to Shanken News Daily’s account of a call with reporters, Lewis said the U.S. spirits market was down 5% over the past 12 months and that the company expected the market to remain negative next year. He said it could take two years for the category to return to flat growth before expanding again. He also said long-running weakness in core U.S. brands such as Smirnoff, Crown Royal and Captain Morgan had previously been masked by tequila growth, and that the slowdown in tequila had now exposed those problems more clearly.

Retail data showed the weakness was spread across much of Diageo’s portfolio. In the 30 weeks ended July 25, the combined volume of Diageo’s nine leading brands in measured U.S. retail channels fell 8.6%, according to NielsenIQ and Impact Databank figures cited by Shanken News Daily. The data cover off-premise retail channels and

exclude bars, restaurants and ready-to-drink products. Casamigos volume fell 14.8% and Don Julio dropped 12.8%. Baileys declined 10.8%, Crown Royal 10.1% and Smirnoff 9.2%. Bulleit fell 7.7%, Captain Morgan 6.5%, Johnnie Walker 5.8% and Tanqueray 4.7%. Those brands are part of a Diageo portfolio that shipped 38.2 million nine-liter cases in the United States in 2025.

The pressure on tequila came at the same time as the company recorded a large writedown on another premium spirits asset. Diageo recognized a $287 million impairment charge on Don Papa, the superpremium rum brand it acquired in 2023. The company attributed the writedown to a contraction in the European superpremium rum category. The charge was part of about $1.5 billion in total impairments and exceeded the $261 million initial price Diageo paid for the brand, though that comparison does not include deferred and contingent payments tied to the deal. The charge is an accounting writedown, not an immediate cash outflow.

The latest results underline how much Diageo’s U.S. recovery now depends on reviving categories that have slowed at the same time. Crown Royal sales fell 16% in the year, after strong gains tied to its Blackberry extension in the prior period. Smirnoff declined 5%. Buchanan’s slipped 7%. Johnnie Walker rose 1%, and Ketel One increased 4.5%. Diageo Guinness Beer Co. was one of the few brighter spots in North America, growing 4.4%, helped by Guinness draught and Smirnoff ready-to-drink line extensions.

Lewis said the company is not looking for acquisitions or disposals to fix the business. He said valuations were too low to make selling underperforming brands attractive and described the turnaround as an organic one. Diageo is instead relying on cost cuts, a simplified operating model and brand support. The company’s plan includes roughly $1 billion in savings and changes to reduce duplication across markets, part of a broader effort to use its global scale more efficiently while trying to regain momentum in U.S. tequila and its legacy spirits brands.