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Constellation Brands posted 5% higher quarterly beer sales despite a 0.6% depletion decline

Distributor shipments rose 5.5% to 123.9 million case equivalents, a gap that suggested inventory growth in the distribution channel

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Constellation Brands reported higher beer revenue in the United States for its fiscal second quarter even as sales moving from distributors to stores and bars slipped, a gap that suggests the company shipped more product into the channel than the market

sold through during the period.

The company said on Oct. 6 that net beer sales rose to $2.4736 billion in the quarter ended Aug. 31, up from $2.345 billion a year earlier. That was an increase of $128.6 million, or 5%. Beer shipments to distributors also increased, rising 5.5% to 123.9 million case equivalents from 117.4 million. The gain amounted to 6.5 million case equivalents. But depletions, the industry measure that tracks sales from distributors to retailers and on-premise accounts, fell 0.6%.

That divergence is important because shipments show what Constellation sold into its distribution network, while depletions are a closer measure of consumer demand at the store and restaurant level. The company did not say that inventories built up in the channel, and any such buildup remains an inference rather than a confirmed explanation. Still, the gap between stronger shipments and weaker depletions points to either a timing issue in the channel or higher distributor inventories during the quarter.

The company’s beer portfolio showed mixed brand performance. Modelo Especial, one of Constellation’s biggest labels, declined by about 2% in the quarter. Corona Extra fell 5%. At the same time, several other brands posted stronger gains. Pacifico grew 19%, Victoria rose 15%, and Modelo Chelada increased 5%. Those shifts show that growth within the portfolio is becoming less evenly distributed, with newer or smaller brands carrying more of the momentum while two major labels softened.

Profitability in the beer business rose more slowly than revenue. Beer operating income increased to $964.2 million from $951.6 million, a gain of $12.6 million, or 1%. The beer operating margin fell to 39% from 40.6%, a decline of 1.6 percentage points. That means the company generated more sales dollars but kept a smaller share of each dollar as operating profit.

The lower margin helps explain why revenue growth did not translate into a stronger profit increase. Constellation did not in the figures provided tie the margin decline directly to the shipments and depletions gap. But when sales growth comes from shipping more volume into the distribution system while final demand is weaker, it can put pressure on pricing, mix, promotions, or operating efficiency. The company’s results show that dynamic even though revenue continued to rise.

For the first six months of the fiscal year, Constellation’s beer business reported net sales of $4.7571 billion, up from $4.5795 billion in the same period a year earlier. That was an increase of $177.6 million, or 3.9%. The first-half figures suggest that the beer division is still growing overall, though the quarterly slowdown in depletions shows that growth is not moving in a straight line.

Constellation said it continues to gain share in a U.S. beer market that remains under pressure. That matters because even modest growth can stand out when the broader category is shrinking. The company has long relied on imported beer brands with strong Hispanic and multicultural appeal, especially Modelo and Corona, to outperform the domestic beer market. The latest quarter indicates that strategy is still supporting revenue, but not all of its core brands are expanding at the same pace.

The results also underline the limits of reading shipments alone as a sign of demand. A rise in shipments can reflect distributor ordering patterns, calendar effects, or preparation for future sales periods. Depletions, by contrast, show what left distributor warehouses for retail and hospitality accounts. When the two measures move in opposite directions, analysts often look for changes in inventory levels across the distribution chain, though that cannot be confirmed without more detail from the company.

Constellation reported the figures in its earnings release and regulatory filing for the fiscal second quarter and first half ended Aug. 31. The company measures beer volume in standardized case equivalents based on 24 12-ounce servings, a unit that does not refer to a single uniform physical package. The quarter’s numbers show a beer business that is still increasing sales and shipments in the United States, but doing so while final market demand weakens and operating margins narrow.