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Constellation Brands reports a 26% drop in first-half wine and spirits sales

The company said 2025 brand divestitures drove the decline, even though organic sales in the retained business rose 12%.

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Constellation Brands said its wine and spirits net sales fell 26% in the first half of its fiscal year, even as sales in the business it kept grew on an organic basis after the company’s recent brand sales were excluded from the comparison.

In results for the six months ended Aug. 31, 2026, the U.S. drinks company reported wine and spirits net sales of $308.6 million, down from the same period a year earlier. The decline was largely tied to assets the company sold in 2025, not solely to weaker underlying demand. Excluding the effect of those divestitures, organic net sales in the wine and spirits segment increased 12%.

The results show how much reported sales in the beverage industry can be shaped by portfolio changes as well as by consumer demand. They also point to possible near-term pressure on shipments across the wine business as large distributors work down inventories, a factor that can affect suppliers even when retail sales trends are steadier than shipment figures suggest.

Constellation’s broader business remained supported by beer, which continued to generate most of the company’s revenue. Group net sales for the first half rose 1% to $5.066 billion from $4.996 billion a year earlier. Net income attributable to the company increased 24% to $1.220 billion from $982.1 million. Beer net sales rose 4% to $4.757 billion.

The company said the first-half comparison in wine and spirits was heavily affected by the absence of sales from brands and production assets it sold to The Wine Group in 2025. That transaction included mainstream wine labels such as Woodbridge, Meiomi, Cook’s, Robert Mondavi Private Selection, SIMI and J. Rogét, along with associated wineries, vineyards and production facilities. Constellation said those wine businesses had contributed $142 million in net sales between March 1 and June 1 of 2025, which weighed on comparisons in both the first quarter and the first half of fiscal 2027.

After adjusting for those disposals, the retained wine and spirits business showed growth. Citing U.S. retail channels tracked by Circana, Constellation said its wine and spirits portfolio outperformed the broader category in both dollar sales and volume. The company also said its wine portfolio ranked third in U.S. dollar share gains.

Profitability in the segment improved during the half. Gross margin in wine and spirits rose to 53.6% from 51.6%, a 2-point increase. Constellation attributed that in part to the sale of lower-margin brands and to lower product costs.

The second quarter was stronger for the division on a reported basis. Wine and spirits net sales increased 17%, helped mainly by a 15.4% rise in shipment volumes. The operating margin reached 3.8%, and the segment returned to an operating profit. Constellation said recoveries tied to claims related to U.S. tariffs reduced cost of goods sold, while restructuring and cost-saving measures lowered marketing and other selling, general and administrative expenses. The company also said sales through the distribution channel improved.

Distributor depletions in the second quarter, which measure sales by distributors to retailers and other licensed outlets, rose 10.2%. Constellation said Kim Crawford and Mi CAMPO were among the main drivers, with depletion growth of about 11% and 51%, respectively.

Even with the second-quarter rebound, the company kept a cautious outlook for the rest of the year. Constellation maintained its forecast for fiscal 2027 organic net sales in a range from a 1% decline to a 1% increase for the company overall, for beer, and for wine and spirits. Management said wine and spirits shipments are expected to decline in the second half, partly because the company is working with major distributors on mutually agreed plans to reduce finished-goods inventories.

The company’s quarterly filing also pointed to continuing pressure from economic uncertainty and broader socioeconomic factors. That means the wine and spirits unit is entering the second half with improving retail and margin indicators in parts of the business, but with shipment volumes likely to be affected by inventory reductions in the distribution system. For producers, wholesalers and retailers across the beverage market, that distinction matters because shipment data can soften before consumer demand does, especially when companies are also reshaping their brand portfolios.