FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(Mark One)

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended August 31, 1996

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___________________ to ____________________

COMMISSION FILE NUMBER 0-7570

CANANDAIGUA WINE COMPANY, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	16-0716709
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

116 BUFFALO STREET, CANANDAIGUA, NEW YORK 14424
(Address of principal executive offices) (Zip Code)

(716) 394-7900
(Registrant's telephone number including area code)

NONE
(Former name,former address and former fiscal year,if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No
--- ---

The number of shares outstanding of each of the Registrant's classes of common stock, as of October 9, 1996, is set forth below:

CLASS	NUMBER OF SHARES OUTSTANDING
Class A Common Stock, Par Value $.01 Per Share	16,315,386
Class B Common Stock, Par Value $.01 Per Share	3,330,458

Part 1 - Financial Information

<TABLE>

Item 1. Financial Statements

CANANDAIGUA WINE COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

<CAPTION>

	August 31, 1996	February 29,1996
	(unaudited)	(audited)
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS:		
Cash and cash investments	$ 2,030	$ 3,339
Accounts receivable, net	152,343	142,471
Inventories, net	328,505	341,838
Prepaid expenses and other current assets	18,665	30,372
Total current assets	501,543	518,020
PROPERTY, PLANT AND EQUIPMENT, NET	254,500	250,638
OTHER ASSETS	282,148	285,922
Total assets	$ 1,038,191	$ 1,054,580
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable	$ 62,000	$ 111,300
Current maturities of long-term debt	40,766	40,797
Accounts payable	103,299	59,730
Accrued Federal and state excise taxes	21,544	19,699
Other accrued expenses and liabilities	75,086	68,440

Total current liabilities	302,695	299,966
LONG-TERM DEBT, less current maturities	307,204	327,616
DEFERRED INCOME TAXES	58,194	58,194
OTHER LIABILITIES	4,927	12,298
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Class A Common Stock, $.01 par value- Authorized, 60,000,000 shares; Issued, 17,458,582 shares at August 31, 1996, and 17,423,082 shares at February 29, 1996	174	174
Class B Convertible Common Stock, $.01 par value- Authorized, 20,000,000 shares; Issued 3,956,183 shares at August 31, 1996, and 3,991,683 shares at February 29, 1996	40	40
Additional paid-in capital	221,728	221,133
Retained earnings	156,042	142,600
	377,984	363,947
Less-Treasury stock-		
Class A Common Stock, 1,320,446 shares at August 31, 1996, and 1,165,786 shares at February 29, 1996, at cost	(10,606)	(5,234)
Class B Convertible Common Stock, 625,725 shares at August 31, 1996, and February 29, 1996, at cost	(2,207)	(2,207)
	(12,813)	(7,441)
Total stockholders' equity	365,171	356,506
Total liabilities and stockholders' equity	$ 1,038,191	$ 1,054,580

<FN>
The accompanying notes to consolidated financial statements are an integral part of these balance sheets.
</TABLE>
<TABLE>

CANANDAIGUA WINE COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except share data)

<CAPTION>

	For the Six Months Ended August 31,		For the Three Months Ended August 31,	
	1996	1995	1996	1995
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<S>	<C>	<C>	<C>	<C>
GROSS SALES	$ 754,866	$ 592,769	$ 378,037	$ 297,355
Less - Excise taxes	(199,155)	(140,710)	(98,819)	(68,066)
Net sales	555,711	452,059	279,218	229,289
COST OF PRODUCT SOLD	(412,969)	(326,117)	(209,383)	(166,609)
Gross profit	142,742	125,942	69,835	62,680
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	(102,870)	(79,271)	(52,927)	(40,437)
NONRECURRING RESTRUCTURING EXPENSES	--	(1,553)	--	(585)
Operating income	39,872	45,118	16,908	21,658
INTEREST EXPENSE, net	(16,803)	(11,460)	(8,008)	(5,297)

Income before provision for Federal and state income taxes	23,069	33,658	8,900	16,361
PROVISION FOR FEDERAL AND STATE INCOME TAXES	(9,627)	(12,958)	(3,959)	(6,298)
NET INCOME	$ 13,442	$ 20,700	$ 4,941	$ 10,063
SHARE DATA:				
Net income per common and common equivalent share:				
Primary	$ .68	$ 1.03	$ .25	$ .50
Fully diluted	$ .68	$ 1.03	$ .25	$ .50
Weighted average common shares outstanding:				
Primary	19,794,740	20,002,568	19,653,489	20,039,531
Fully diluted	19,794,740	20,081,014	19,653,489	20,095,864

<FN>
The accompanying notes to consolidated financial statements are an integral part of these statements.
</TABLE>
<TABLE>

CANANDAIGUA WINE COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

<CAPTION>

	For the Six Months Ended August 31,	
	1996	1995
	(unaudited)	(unaudited)
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 13,442	$ 20,700
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, plant and equipment	12,424	5,782
Amortization of intangible assets	4,870	2,279
Loss (gain) on sale of property, plant and equipment	201	(33)
Deferred tax provision	--	19,175
Restructuring charges - fixed asset write-down	--	(2,050)
Change in assets and liabilities:		
Accounts receivable, net	(9,872)	5,806
Inventories, net	13,333	60,311
Prepaid expenses	5,109	(6,963)
Accounts payable	43,569	16,653
Accrued Federal and state excise taxes	1,845	(7,932)
Other accrued expenses and liabilities	13,351	(20,822)
Other	(8,466)	(11,558)
Total adjustments	76,364	60,648
Net cash provided by operating activities	89,806	81,348
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment, net of minor disposals	(21,795)	(25,779)
Proceeds from sale of property, plant and equipment	5,200	1,336
Net cash used in investing activities	(16,595)	(24,443)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net repayments of notes payable, short-term borrowings	(49,300)	(7,000)
Principal payments of long-term debt	(20,443)	(50,432)
Purchases of treasury stock	(5,434)	--
Proceeds from employee stock purchases	657	633
Exercise of employee stock options	--	984
Net cash used in financing activities	(74,520)	(55,815)

NET (DECREASE) INCREASE IN CASH AND CASH INVESTMENTS	(1,309)	1,090
CASH AND CASH INVESTMENTS, beginning of period	3,339	3,090
CASH AND CASH INVESTMENTS, end of period	$ 2,030	$ 4,180
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Accrued Earn-Out Amounts	$ --	$ 10,000

<FN>
The accompanying notes to consolidated financial statements are an integral part of these statements
</TABLE>

CANANDAIGUA WINE COMPANY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 1996

1) MANAGEMENT'S REPRESENTATIONS:

The condensed consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission applicable to quarterly reporting on Form 10-Q and reflect, in the opinion of the Company, all adjustments necessary to present the financial information for Canandaigua Wine Company, Inc. and its subsidiaries. All such adjustments are of a normal recurring nature. Certain information and footnote disclosures normally included in financial statements, prepared in accordance with generally accepted accounting principles, have been condensed or omitted as permitted by such rules and regulations. These consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements and related notes, included in the Company's Transition Report on Form 10-K, for the transition period from September 1, 1995, to February 29, 1996.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Certain August 1995 balances have been reclassified to conform with current year presentation.

3) INVENTORIES:

Inventories are valued at the lower of cost (computed in accordance with the last-in, first-out (LIFO) or first-in, first-out (FIFO) methods) or market. The percentage of inventories valued using the LIFO method is 93% at August 31, 1996, and 94% at February 29, 1996. Replacement cost of the inventories determined on a FIFO basis is approximately $333,266,000, and $332,849,000, at August 31, 1996, and February 29, 1996, respectively. The net realizable value of the Company's inventories is in excess of $328,505,000, and $341,838,000, at August 31, 1996, and February 29, 1996, respectively.

Elements of cost include materials, labor and overhead and consist of the following:

	August 31, 1996	February 29, 1996
(IN THOUSANDS)		
Raw materials and supplies	$ 25,802	$ 24,197
Wines and distilled spirits in process	217,754	254,956
Finished case goods	84,949	62,685
	$328,505	$341,838

If the FIFO method of inventory valuation had been used, reported net income would have been $8.0 million, or $.41 per share, higher for the six months ended August 31, 1996; and reported net income would have been $1.9 million, or $.09 per share, lower for the six months ended August 31, 1995.

4) OTHER LIABILITIES:

The major components of other liabilities are as follows:

	August 31, 1996	February 29, 1996
(IN THOUSANDS)		
Accrued loss on noncancelable grape contracts	$ 1,171	$ 8,937
Other	3,756	3,361

	$ 4,927	$ 12,298
	=====	======

5) ACQUISITIONS:

The following table sets forth the unaudited pro forma consolidated results of operations of the Company for the six months ended August 31, 1996 and 1995. The six month unaudited pro forma consolidated results of operations for the period ended August 31, 1995, gives effect to the UDG Acquisition as if it occurred on March 1, 1995. The unaudited pro forma consolidated results of operations are presented after giving effect to certain adjustments for depreciation, amortization of goodwill, interest expense on the acquisition financing and related income tax effects. The unaudited pro forma consolidated results of operations are based upon currently available information and upon certain assumptions that the Company believes are reasonable under the circumstances. The unaudited pro forma consolidated results of operations do not purport to represent what the Company's consolidated results of operations would actually have been if the UDG Acquisition in fact had occurred on such date or to project the Company's consolidated results of operations at any future date or for any future period.

	For the Six Months Ended August 31,	
	1996	1995
(IN THOUSANDS, EXCEPT SHARE DATA)		
Net sales	$ 555,711	$ 493,572
Income before provision for Federal and state income taxes	$ 23,069	$ 37,141
Net income	$ 13,442	$ 22,842
Share data:		
Net income per common and common equivalent share:		
Primary	$ .68	$ 1.14
Fully diluted	$ .68	$ 1.14
Weighted average common shares outstanding:		
Primary	19,794,740	20,002,568
Fully diluted	19,794,740	20,081,014

6) BORROWINGS:

Borrowings consist of the following at August 31, 1996:

<TABLE>
<CAPTION>

	Current	Long-term	Total
<S>	<C>	<C>	<C>
(IN THOUSANDS)			
Notes Payable:			
Senior Credit Facility:			
Revolving Credit Loans	$ 62,000	$ --	$ 62,000
	========	========	========
Long-term Debt:			
Senior Credit Facility:			
Term loan, variable rate, aggregate proceeds of $246,000, due in installments through August 2001	$ 40,000	$176,000	$216,000
Senior Subordinated Notes:			
8.75% redeemable after December 15, 1998, due 2003	--	130,000	130,000
Capitalized Lease Agreements:			
Capitalized facility and equipment leases at interest rates ranging from 8.9% to 11.5%, due in monthly installments through fiscal 1998	648	--	648
Industrial Development Agencies:			
7.5% 1980 issue, original proceeds $2,370, due in annual installments of $118 through fiscal 2000	118	237	355
Other Long-term Debt:			
Loans payable - 5.0% secured by cash surrender value of officers' life insurance policies	--	967	967
	--------	--------	--------
	$ 40,766	$307,204	$347,970
	========	========	========

</TABLE>

7) SUBSEQUENT EVENT:

Vintners Holdback -

On September 26, 1996, the Company reached a final settlement with the company formerly known as Vintners International Company, Inc. and its lenders on the disputed final closing net asset statement. As a result, the Company will record a purchase price reduction for the Vintners Acquisition, which will reduce recorded goodwill by approximately $5.9 million.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

THE INFORMATION IN THIS ITEM 2 CONTAINS FORWARD-LOOKING STATEMENTS. THE COMPANY DESIRES TO TAKE ADVANTAGE OF THE "SAFE HARBOR" WHICH IS AFFORDED SUCH STATEMENTS UNDER THE PRIVATE SECURITIES LITIGATION AND REFORM ACT OF 1995 WHEN THEY ARE ACCOMPANIED BY MEANINGFUL CAUTIONARY STATEMENTS IDENTIFYING IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE IN THE FORWARD-LOOKING STATEMENTS. SUCH CAUTIONARY STATEMENTS ARE SET FORTH UNDER THE HEADING "IMPORTANT INFORMATION REGARDING FORWARD-LOOKING STATEMENTS" BELOW IN THIS ITEM 2.

RESULTS OF OPERATIONS OF THE COMPANY

The Company's results of operations over recent years have been significantly impacted by acquisitions. As previously reported, on September 1, 1995, the Company acquired certain distilled spirits brands and related assets from United Distillers Glenmore, Inc., and certain of its North American affiliates (collectively, "UDG"); and, in addition, this transaction included multiyear agreements under which UDG will supply the Company with bulk whisky and the Company will supply UDG with services including continued packaging of various UDG brands not acquired by the Company (the "UDG Acquisition"). The Company financed the UDG Acquisition through an amendment to its then-existing bank credit facility, primarily through an increase in the term loan facility under that bank credit facility.

The following table sets forth, for the periods indicated, certain items in the Company's consolidated statements of income expressed as a percentage of net sales:
<TABLE>
<CAPTION>

	Three Months Ended August 31,		Six Months Ended August 31,	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of product sold	75.0	72.7	74.3	72.1
Gross profit	25.0	27.3	25.7	27.9
Selling, general and administrative expenses	18.9	17.6	18.6	17.6
Nonrecurring restructuring expenses	0.0	0.3	0.0	0.3
Operating income	6.1	9.4	7.1	10.0
Interest expense, net	2.9	2.3	3.0	2.5
Income before provision for income taxes	3.2	7.1	4.1	7.5
Provision for Federal and state income taxes	1.4	2.7	1.7	2.9
Net income	1.8%	4.4%	2.4%	4.6%

</TABLE>

THREE MONTHS ENDED AUGUST 31, 1996 ("SECOND QUARTER 1997"), COMPARED TO THREE MONTHS ENDED AUGUST 31, 1995 ("AUGUST 1995 QUARTER")

NET SALES

Net Sales for the Company's Second Quarter 1997 increased to $279.2 million from $229.3 million for the August 1995 Quarter, an increase of $49.9 million, or approximately 21.8%. This increase resulted primarily from (i) $26.7 million of additional imported beer sales, primarily Mexican beers; (ii) the inclusion of $24.7 million of net sales of products and services from the UDG Acquisition; and (iii) $4.3 million of increased net sales of branded wine products resulting from selling price increases implemented between October 1995 and May 1996. These increases were partially offset by $5.8 million of lower sales of spirits brands other than the brands from the UDG Acquisition, grape juice concentrate and other nonbranded products.

FOR PURPOSES OF COMPUTING THE NET SALES AND UNIT VOLUME COMPARATIVE DATA FOR THE TABLE BELOW AND FOR THE REMAINDER OF THE DISCUSSION OF NET SALES, SALES OF PRODUCTS ACQUIRED IN THE UDG ACQUISITION HAVE BEEN INCLUDED FOR THE AUGUST 1995 QUARTER, WHICH WAS PRIOR TO THE UDG ACQUISITION.

The table below sets forth the net sales (in thousands of dollars) and unit volumes (in thousands of cases) for the branded beverage alcohol products, branded wine products, each category of branded wine products, beer and spirits brands sold by the Company for Second Quarter 1997 and the August 1995 Quarter:

<TABLE>

Three Months Ended August 31, 1996, Compared to Three Months Ended August 31, 1995

<CAPTION>

	Net Sales			Unit Volume		
	1996	1995	%Inc/ (Dec)	1996	1995	%Inc/ (Dec)
Branded Beverage Alcohol Products (1)	$251,903	$220,168	14.4 %	15,778	13,934	13.2 %
Branded Wine Products	$116,746	$112,397	3.9 %	6,195	6,533	(5.2)%
Non-varietal Table Wines	$ 49,853	$ 50,699	(1.7)%	3,061	3,277	(6.6)%
Varietal Table Wines	$ 37,762	$ 29,378	28.5 %	1,559	1,379	13.1 %
Dessert Wines	$ 15,272	$ 17,485	(12.7)%	962	1,188	(19.0)%
Sparkling Wines	$ 13,859	$ 14,835	(6.6)%	613	689	(11.0)%
Beer	$ 90,457	$ 63,783	41.8 %	7,227	5,148	40.4 %
Spirits	$ 44,700	$ 44,158	1.2 %	2,356	2,241	5.1 %

<FN>

(1) The sum of net sales and unit volume amounts from the categories may not equal total Branded Beverage Alcohol Products because miscellaneous items affecting net sales and unit volume may be included in total Branded Beverage Alcohol Products but not reflected in the category information.

</TABLE>

Net sales and unit volume of the Company's branded beverage alcohol products for Second Quarter 1997 increased 14.4% and 13.2%, respectively, as compared to the August 1995 Quarter. The net sales increase resulted from higher imported beer sales and price increases on most of the Company's branded wine products, particularly varietal table wine brands. Unit volume increases were largely the result of increased sales of the Company's imported beer brands, particularly its Mexican beers. The Company's varietal table wine and distilled spirits unit volumes also increased in Second Quarter 1997, while its dessert wine, non-varietal table wine and sparkling wine volumes declined as compared to the August 1995 Quarter.

Net sales of the Company's branded wine products increased $4.3 million, or 3.9%, for Second Quarter 1997 as compared to the August 1995 Quarter. Unit volume of the Company's branded wine products declined by 5.2%. The $4.3 million increase in net sales resulted from selling price increases which the Company implemented between October 1995 and May 1996, partially offset by the decline in unit volume of these products. The Company believes that the decline in unit volume resulted from the Company's selling price increases, industry trends related to certain categories and the timing of shipments of some sparkling and dessert wine products in the August 1995 Quarter.

Net sales and unit volume of the Company's non-varietal table wine products declined by 1.7% and 6.6%, respectively, for Second Quarter 1997 as compared to the August 1995 Quarter. The Company believes that these declines reflect the impact of the Company's selling price increases and other competitive pressures.

Net sales and unit volume of the Company's varietal table wine brands increased by 28.5% and 13.1%, respectively, as compared to the August 1995 Quarter. Net sales growth outpaced unit volume growth principally due to selling price increases. Net sales and unit volume of the Company's varietal wine products such as chardonnay, cabernet sauvignon and merlot, which represent more than half of the Company's varietal wine volume, increased substantially and at a rate which more than offset lower white zinfandel unit volume in Second Quarter 1997 as compared to the August 1995 Quarter.

Net sales and unit volume of the Company's dessert wine products declined by 12.7% and 19.0%, respectively, during Second Quarter 1997. The Company believes that these results reflect the continuing trend of consumer preferences away from the dessert wine category, as well as the timing of shipments in the August 1995 Quarter relative to the subsequent quarter.

Net sales and unit volume of the Company's sparkling wine products declined by 6.6% and 11.0%, respectively, during Second Quarter 1997 as compared to the August 1995 Quarter. The Company believes that this decline largely reflects the timing of shipments in the August 1995 Quarter relative to the subsequent quarter.

Net sales and unit volume of the Company's beer products increased by 41.8% and 40.4%, respectively, in Second Quarter 1997. Net sales and volume increases were largely due to the Company's Mexican beer brands, particularly Corona, Modelo Especial and Pacifico, which continued the strong growth they have experienced in previous quarters. The Company believes that the growth in its Mexican beers is related to the growth of the Hispanic population in the Company's distribution areas, the continued popularity of imported beers in general and the narrowing price gap between imported beers and domestic beers. The Company does not believe that the high growth rate in its imported beer business will be sustainable.

Net sales and unit volume of the Company's distilled spirits brands increased by 1.2% and 5.1%, respectively, for Second Quarter 1997 as compared to the August 1995 Quarter. Excluding the impact of the UDG Acquisition, spirits net sales and unit volume declined by 2.8% each in the quarter. Net sales and unit volume of the spirits brands acquired in the UDG Acquisition increased by 6.3% and 16.3%, respectively, in the quarter. The increase in unit volume sales of these brands over and above the increase in net sales generally reflects lower pricing of these brands to be more in line with the pricing strategy of the rest of the Company's spirits portfolio. In total, the Company's distilled spirits unit volume growth exceeds the industry growth rate.

GROSS PROFIT

The Company's gross profit increased to $69.8 million in Second Quarter 1997 from $62.7 million in the August 1995 Quarter, an increase of $7.1 million. The change in gross profit resulted primarily from (i) approximately $10.2 million of gross profit from sales generated from the business acquired from UDG; (ii) approximately $6.6 million of additional gross profit from increases in beer sales; (iii) approximately $5.0 million of lower gross profits due primarily to lower volume of branded wine products, and lower grape juice concentrate and other nonbranded sales as compared to the August 1995 Quarter; and (iv) approximately $4.7 million of lower gross profit primarily due to increased cost of product sold, particularly higher grape costs in the fall 1996 harvest, and additional costs resulting from inefficiencies in the production of wine and grape juice concentrate, particularly at the Company's newly consolidated West Coast operations. These costs were partially offset by additional net sales resulting primarily from selling price increases of the Company's branded wine and grape juice concentrate products and a partial reduction of certain grape contract loss reserves established in connection with the 1993 Vintners Acquisition. The reduction in these reserves corresponds to the increase in grape costs relative to the contract pricing and the termination of certain unfavorable contracts. The Company's increased production costs stemmed from low bulk conversion rates and bottling inefficiencies. The Company also experienced high imported concentrate and bulk freight costs. The Company has instituted a series of steps to address these matters including a reengineering effort to redesign more effectively its work processes, organizational structure and information systems.

Gross profit as a percentage of net sales was 25.0% for Second Quarter 1997 as compared to 27.3% in the August 1995 Quarter. The decline in the gross profit margin was largely due to higher costs, particularly grape costs, of wine and grape juice concentrate products, partially offset by increased selling prices on most of the Company's branded wine and grape juice concentrate products. The Company has experienced significant increases in its cost of grapes in both the 1995 and 1996 harvests. The Company believes that these increases in grape costs were due to an imbalance in supply and demand in the varieties which the Company purchases.

However, selling price increases in effect during the Second Quarter 1997, on an annualized basis, more than offset higher costs from the fall 1995 harvest.

For comparison purposes to companies using the first-in, first-out method of accounting for inventory valuation ("FIFO") only, the Company's Second Quarter 1997 results reflect a reduction in gross profit of approximately $7.9 million due to the Company's last-in, first-out method of accounting for inventory valuation ("LIFO"), based on the Company's current estimate of a $27.5 million LIFO adjustment for the 1997 fiscal year. The Company previously estimated that gross profit for the 1997 fiscal year would be negatively impacted as a result of LIFO by $23.5 million. The LIFO estimate for the 1997 fiscal year will be revised, as appropriate, through the end of the fiscal year. For comparison purposes, the Company's August 1995 Quarter results reflected an addition to gross profit of approximately $0.4 million due to LIFO.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for Second Quarter 1997 were $52.9 million, an increase of $12.5 million as compared to the August 1995 Quarter. Of this amount, $5.1 million related to the UDG Acquisition; $4.4 million was due to selling, advertising and promotion expenses associated with increased unit volume exclusive of sales related to the UDG Acquisition; and $3.0 million was due to increased personnel and other related expenses to expand the Company's management capabilities.

INTEREST EXPENSE, NET

Net interest expense totaled $8.0 million in Second Quarter 1997, an increase of $2.7 million as compared to the August 1995 Quarter, primarily due to additional interest expense from the UDG Acquisition financing.

PROVISION FOR FEDERAL AND STATE INCOME TAXES

The Company's effective tax rate for Second Quarter 1997 increased to 44.5% from 38.5% for the August 1995 Quarter due to a higher effective tax rate in California caused by statutory limitations on the Company's ability to utilize certain deductions.

NET INCOME

As a result of the foregoing, net income for Second Quarter 1997 was $4.9 million, a decrease of $5.1 million as compared to the August 1995 Quarter.

For financial analysis purposes only, the Company's earnings before interest, taxes, depreciation and amortization ("EBITDA") for Second Quarter 1997 was $33.5 million using the FIFO method and $25.6 million using the LIFO method. EBITDA should not be construed as an alternative to operating income or net cash flow from operating activities and should not be construed as an indication of operating performance or as a measure of liquidity.

SIX MONTHS ENDED AUGUST 31, 1996 ("SIX MONTHS 1997"), COMPARED TO SIX MONTHS ENDED AUGUST 31, 1995 ("AUGUST 1995 SIX MONTHS")

NET SALES

Net Sales for the Company's Six Months 1997 increased to $555.7 million from $452.1 million for the August 1995 Six Months, an increase of $103.6 million, or approximately 22.9%. This increase resulted primarily from (i) the inclusion of $49.0 million of net sales of products and services from the UDG Acquisition; (ii) $39.3 million of additional imported beer sales, primarily Mexican beers; (iii) $9.2 million of increased net sales of branded wine products resulting from selling price increases implemented between October 1995 and May 1996; and (iv) $6.1 million of higher sales of grape juice concentrate and other nonbranded products.

FOR PURPOSES OF COMPUTING THE NET SALES AND UNIT VOLUME COMPARATIVE DATA FOR THE TABLE BELOW AND FOR THE REMAINDER OF THE DISCUSSION OF NET SALES, SALES OF PRODUCTS ACQUIRED IN THE UDG ACQUISITION HAVE BEEN INCLUDED IN THE ENTIRE PERIOD FOR THE AUGUST 1995 SIX MONTHS, WHICH WAS PRIOR TO THE UDG ACQUISITION.

The table below sets forth the net sales (in thousands of dollars) and unit volumes (in thousands of cases) for the branded beverage alcohol products, branded wine products, each category of branded wine products, beer and spirits brands sold by the Company for Six Months 1997 and the August 1995 Six Months:

<TABLE>

Six Months Ended August 31, 1996, Compared to Six Months Ended August 31, 1995

<CAPTION>

	Net Sales			Unit Volume		
	1996	1995	%Inc/ (Dec)	1996	1995	%Inc/ (Dec)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Branded Beverage Alcohol Products (1)	$493,939	$443,435	11.4 %	30,697	28,075	9.3 %
Branded Wine Products	$240,404	$231,180	4.0 %	12,867	13,450	(4.3)%
Non-varietal Table Wines	$104,549	$105,394	(0.8)%	6,463	6,878	(6.0)%
Varietal Table Wines	$ 77,025	$ 64,630	19.2 %	3,195	3,029	5.5 %
Dessert Wines	$ 32,744	$ 34,984	(6.4)%	2,055	2,338	(12.1)%
Sparkling Wines	$ 26,086	$ 26,172	(0.3)%	1,154	1,205	(4.2)%
Beer	$163,314	$124,028	31.7 %	13,072	10,028	30.4 %
Spirits	$ 90,222	$ 87,583	3.0 %	4,759	4,575	4.0 %

<FN>

(1) The sum of net sales and unit volume amounts from the categories may not equal total Branded Beverage Alcohol Products because miscellaneous items affecting net sales and unit volume may be included in total Branded Beverage Alcohol Products but not reflected in the category information.

</TABLE>

Net sales and unit volume of the Company's branded beverage alcohol products for Six Months 1997 increased 11.4% and 9.3%, respectively, as compared to the August 1995 Six Months. The net sales increases resulted from higher imported beer sales, price increases on most of the Company's branded wine products, particularly varietal table wine brands, and increased sales of the Company's spirits brands. Unit volume increases were led by substantial growth in the Company's imported beer brands and increases in its varietal table wine and spirits brands, partially offset by declines in unit volume of non-varietal table wines, dessert wines and sparkling wines.

Net sales of the Company's branded wine products increased $9.2 million, or 4.0%, for Six Months 1997 as compared to the August 1995 Six Months due to the Company's selling price increases, despite unit volume declines of 4.3%. The Company believes that the unit volume decrease resulted from the Company's selling price increases, as well as industry trends related to certain categories and the timing of shipments of some sparkling and dessert wine products in the August 1995 Six Months.

Net sales and unit volume of the Company's non-varietal table wine products declined by 0.8% and 6.0%, respectively, for Six Months 1997 as compared to the August 1995 Six Months. The Company believes that the decline in unit volume reflects the impact of the Company's selling price increases and other competitive pressures.

Net sales and unit volume of the Company's varietal table wine brands increased by 19.2% and 5.5%, respectively. Net sales increased at a greater rate than unit volume due to price increases instituted during the six months ended February 29, 1996, and the three months ended May 31, 1996. Net sales and unit volume of the Company's varietal wine products such as chardonnay, cabernet sauvignon and merlot, which represent more than half of the Company's varietal wine volume, increased substantially in Six Months 1997. While white zinfandel unit volume declined in Six Months 1997, net sales for white zinfandel increased modestly.

Net sales and unit volume of the Company's dessert wine products decreased by 6.4% and 12.1%, respectively, during Six Months 1997. The Company believes that, although the decline in unit volume was somewhat mitigated by selling price increases, these results reflect the continuing trend of consumer preferences away from the dessert wine category, as well as the timing of shipments in the August 1995 Six Months relative to subsequent periods.

Net sales and unit volume of the Company's sparkling wine brands declined 0.3% and 4.2%, respectively, during Six Months 1997 as compared to the August 1995 Six Months. The Company believes that the decline in unit volume is consistent with industry trends and is also partially related to the timing of sparkling wine shipments in the August 1995 Six Months relative to subsequent periods.

Net sales and unit volume of the Company's beer brands increased 31.7% and 30.4%, respectively, during Six Months 1997. Net sales and volume increases were largely due to the Company's Mexican beer brands, particularly Corona, Modelo Especial and Pacifico, which

continued strong growth trends. The Company believes that the growth in its Mexican beers is related to the growth of the Hispanic population in the Company's distribution areas, the continued popularity of imported beers in general and the narrowing price gap between imported beers and domestic beers. The Company does not believe that the high growth rate in its imported beer business will be sustainable.

Net sales and unit volume of the Company's distilled spirits brands increased by 3.0% and 4.0%, respectively, in Six Months 1997 as compared to the August 1995 Six Months. Excluding the impact of the UDG Acquisition, spirits net sales and unit volume increased by 7.2% and 2.2%, respectively, during Six Months 1997, reflecting strong brandy sales and increases in tequila and liqueurs and the introduction of a number of new products. Net sales and unit volume of the brands acquired in the UDG Acquisition decreased by 1.7% and increased by 6.4%, respectively, in Six Months 1997, reflecting the impact of downward selling price adjustments for these brands to be more in line with the pricing strategy of the rest of the Company's spirits portfolio.

GROSS PROFIT

The Company's gross profit increased to $142.7 million in Six Months 1997 from $125.9 million in the August 1995 Six Months, an increase of $16.8 million, or 13.3%. This change in gross profit resulted primarily from (i) approximately $20.5 million of gross profit from sales generated from the business acquired from UDG; (ii) approximately $12.4 million of additional gross profit from increases in beer sales; (iii) approximately $10.0 million of lower gross profit primarily due to increased costs of product sold, particularly higher grape costs in the fall 1996 harvest and additional costs resulting from inefficiencies in the production of wine and grape juice concentrate, particularly at the Company's newly consolidated West Coast operations, partially offset by additional net sales resulting primarily from selling price increases of the Company's branded wine and grape juice concentrate products and a partial reduction of certain grape contract loss reserves established in connection with the 1993 Vintners Acquisition, which reduction corresponds to the increase in grape costs relative to the contract pricing and the termination of certain unfavorable contracts; and (iv) approximately $6.1 million of lower gross profits due to lower volume of branded wine products and decreased sales of other nonbranded products. The Company's increased production costs stemmed from low bulk conversion rates and bottling inefficiencies. The Company also experienced high imported concentrate and bulk freight costs. The Company has instituted a series of steps to address these matters, including a reengineering effort to redesign more effectively its work processes, organizational structure and information systems.

Gross profit as a percentage of net sales was 25.7% for Six Months 1997 as compared to 27.9% in the August 1995 Six Months. The decline in the gross profit margin was largely due to higher costs, particularly grape costs, of wine and grape juice concentrate products, partially offset by increased selling prices on most of the Company's branded wine and grape juice concentrate products. The Company has experienced significant increases in its cost of grapes in both the 1995 and the 1996 harvests. The Company believes that these increases in grape costs were due to an imbalance in supply and demand in the varieties which the Company purchases.

However, selling price increases in effect during Six Months 1997, on an annualized basis, more than offset higher costs from the fall 1995 harvest.

For comparison purposes to companies using the first-in, first-out method of accounting for inventory valuation ("FIFO") only, the Company's Six Months 1997 results reflect a reduction in gross profit of approximately $13.8 million due to the Company's last-in, first-out method of accounting for inventory valuation ("LIFO"), based on the Company's current estimate of a $27.5 million LIFO adjustment for the 1997 fiscal year. The Company previously estimated that gross profit for the 1997 fiscal year would be negatively impacted as a result of LIFO by $23.5 million. The LIFO estimate for the 1997 fiscal year will be revised, as appropriate, through the end of the fiscal year. The Company's August 1995 Six Months gross profit reflected an addition of approximately $3.1 million due to LIFO.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for Six Months 1997 were $102.9 million, an increase of $23.6 million as compared to the August 1995 Six Months. Of this amount, $10.5 million related to the UDG Acquisition; $7.5 million was due to increased personnel and other related expenses to expand the Company's management capabilities; and $5.6 million was due to additional selling, advertising and promotion expenses associated with increased unit volume exclusive of sales related to the UDG Acquisition.

INTEREST EXPENSE, NET

Net interest expense totalled $16.8 million in Six Months 1997, an increase of $5.3 million as compared to the August 1995 Six Months, primarily due to additional interest expense from the UDG Acquisition financing.

PROVISION FOR FEDERAL AND STATE INCOME TAXES

The Company's effective tax rate for Six Months 1997 increased to 41.7% from 38.5% for the August 1995 Six Months due to a higher effective tax rate in California caused by statutory limitations on the Company's ability to utilize certain deductions.

NET INCOME

As a result of the foregoing, net income for Six Months 1997 was $13.4 million, a decrease of $7.3 million as compared to the August 1995 Six Months.

For financial analysis purposes only, the Company's EBITDA for the Six Months 1997 was $70.9 million using the FIFO method and $57.2 million using the LIFO method. EBITDA should not be construed as an alternative to operating income or net cash flow from operating activities and should not be construed as an indication of operating performance or as a measure of liquidity.

FINANCIAL LIQUIDITY AND CAPITAL RESOURCES

GENERAL

The Company's principal use of cash in its operating activities is for purchasing and carrying inventory of raw materials, inventories in process and finished goods. The Company's primary source of liquidity has historically been cash flow from operations, except during the annual fall grape harvests when the Company has relied on short-term borrowings. The annual grape crush normally begins in August and runs through October. The Company generally begins purchasing grapes in August with payments for such grapes beginning to come due in September. The Company's short-term borrowings to support such purchases generally reach their highest levels in November or December. Historically, the Company has used cash flow from operating activities to repay its short-term borrowings.

CASH FLOWS - SIX MONTHS 1997

OPERATING ACTIVITIES

Net cash provided by operating activities in Six Months 1997 was $89.8 million. The net cash provided by operating activities for Six Months 1997 resulted principally from a net increase in current liabilities (primarily a $43.6 million increase in accounts payable as a result of purchases associated with the 1996 grape harvest), net income adjusted for noncash items plus a net decrease in current assets (primarily a $13.3 million net decrease in inventories).

INVESTING ACTIVITIES AND FINANCING ACTIVITIES

Net cash used in investing activities in Six Months 1997 was $16.6 million, resulting primarily from $21.8 million of capital expenditures, offset in part by proceeds from the sale of property, plant and equipment of $5.2 million, resulting principally from the May 1996 sale of the Company's Central Cellars winery, located in Lodi, California.

Net cash used in financing activities in Six Months 1997 was $74.5 million, resulting principally from net repayments of $49.3 million of revolving loan borrowings under the Company's bank credit facility, principal payments of $20.4 million of long-term debt and repurchases of $5.4 million of the Company's Class A Common Stock.

As of August 31, 1996, under its bank credit facility, the Company had outstanding term loans of $216.0 million bearing interest at 6.6%, $62.0 million of revolving loans bearing interest at 6.7%, $8.1 million of revolving letters of credit and $13.7 million under the Barton Letter of Credit. As of August 31, 1996, under the bank credit facility, $114.9 million of revolving loans were available to be drawn by the Company.

During January 1996, the Company's Board of Directors authorized the repurchase of up to $30.0 million of the Company's Class A Common Stock and Class B Common Stock. The repurchase of shares of common stock will be accomplished, from time to time, depending upon

market conditions, through open market or privately negotiated transactions. The Company may finance such repurchases through cash generated from operations or through its bank credit facility. The repurchased shares will become treasury shares and may be used for general corporate purposes. As of October 11, 1996, the Company had repurchased 175,000 shares of Class A Common Stock at an aggregate cost of $5.4 million.

THE COMPANY'S BANK CREDIT FACILITY

As of October 8, 1996, under its bank credit facility, the Company had outstanding term loans of $206.0 million bearing interest at 6.5% with quarterly principal payments of $10.0 million and a final payment of $16.0 million in August 2001, outstanding revolving loans of $109.0 million bearing interest at 6.3%, undrawn revolving letters of credit of $9.6 million, the Barton Letter of Credit of $13.7 million and $66.4 million available to be drawn in revolving loans.

SENIOR SUBORDINATED NOTES

As of August 31, 1996, the Company had outstanding $130.0 million of its 8.75% Senior Subordinated Notes due 2003 (the "Notes"). The Company is currently contemplating the issuance of additional senior subordinated indebtedness in an amount sufficient to generate at least $50.0 million in net proceeds (the "Offering"). The Company intends to use the net proceeds from the Offering to repay amounts outstanding under the Company's bank credit facility, including revolving loans. The Company will continue to use the revolving loans to support its working capital requirements. In addition, assuming consummation of the Offering, the Company intends to use the revolving loans to complete its previously announced stock repurchase program. There can be no assurance that this Offering will be consummated. Such additional senior subordinated indebtedness offered will not be registered under the Securities Act of 1933, as amended, or any state securities laws, and may not be offered or sold in the United States or any state thereof absent registration or an applicable exemption from registration requirements.

OTHER

The Company's cash requirements have increased during the past twelve months due to increased grape costs, operating inefficiencies at the Company's West Coast wine operations and increased working capital needs from the Company's expanded business. The Company believes that the revolving loans available under its bank credit facility, its financing activities, including issuance of the additional senior subordinated notes, and cash provided by operating activities will provide adequate resources to satisfy its working capital, liquidity and anticipated capital expenditure requirements for at least the next four fiscal quarters.

PROJECTED RESULTS

On September 5, 1996, the Company reduced its estimated net income per share for its fiscal year ending February 28, 1997 to a new range of $1.10 to $1.40 from a range of $2.30 to $2.50. For financial analysis purposes only, the Company estimates that its EBITDA on a LIFO basis for the fiscal year ending February 28, 1997 will be in the range of $102.5 million to $117.5 million. EBITDA should not be construed as an alternative to operating income or net cash flow from operating activites and should not be construed as an indication of operating performance or as a measure of liquidity.

The Company revised its estimated net income per share for the current fiscal year as a result of below expectation performance of the Company's wine division, offset in part by better than expected performance of the Company's beer and spirits division, Barton. The Company believes its wine division performance will be negatively impacted by (i) increased cost of product sold relating to increased grape costs from the 1996 harvest which the Company does not expect to offset through selling price increases in fiscal 1997; (ii) inefficiencies in its wine division operations; and (iii) decreased unit volume of its branded wine products.

These projected results are based on certain assumptions, including:

(i) the Company's unit volume sales of branded wine products will continue to decrease at approximately the same rate as they decreased during the Six Months 1997;

(ii) increases in the Company's costs will not result in a LIFO adjustment materially in excess of the current estimate of $27.5 million for fiscal 1997;

(iii) the Company will continue to experience wine production operating inefficiencies, although at lower levels as compared to the Six Months 1997;

(iv) the Company's beer and spirits division will continue to experience strong growth;

(v) the Company will not materially change its selling prices, on an overall basis, as compared to current levels at the end of the Six Months 1997; and

(vi) the Company's promotional levels will continue at comparable rates to the Six Months 1997.

The projected results set forth above have not been examined by Arthur Andersen LLP, the Company's independent public accountants, and they assume no responsibility for such projected results.

IMPORTANT INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

The Company makes forward-looking statements from time to time and desires to take advantage of the "safe harbor" which is afforded such statements under the Private Securities Litigation Reform Act of 1995 when they are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the forward-looking statements.

The statements contained in the foregoing "Management's Discussion and Analysis of Financial Condition and Results of Operations," including under "Projected Results" and elsewhere in this Quarterly Report on Form 10-Q which are not historical facts are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those set forth in the forward-looking statements. Any projections of future results of operations, and in particular, (i) the Company's estimated net income per share for the fiscal year ending February 28, 1997, and (ii) the Company's estimated cash flows as measured by EBITDA for the fiscal year ending February 28, 1997, should not be construed in any manner as a guarantee that such results will in fact occur. There can be no assurance that any forward-looking statement will be realized or that actual results will not be significantly higher or lower than set forth in such forward-looking statement. In addition to the risks and uncertainties of ordinary business operations, the forward-looking statements of the Company contained in this Quarterly Report on Form 10-Q are also subject to the following risks and uncertainties:

The Company believes that its future results of operations are inherently difficult to predict due to the Company's use of the LIFO method of accounting for inventory valuation, particularly as it relates to the Company's purchase of grapes from the 1996 fall harvest. In particular, the Company found it necessary to revise its estimate of the impact of LIFO in the first quarter and second quarter of the current fiscal year versus its previous estimates. There are no assurances that the Company may not have to revise this estimate further.

The Company could experience worse than expected production inefficiencies or other raw material supply, production or shipment difficulties which could adversely affect (i) its ability to supply goods to its customers and (ii) the willingness of its wholesale or retail customers to purchase the Company's products. The Company could also experience higher than expected increases in its cost of product sold as a result of inefficiencies or if raw materials such as grapes, concentrate or packaging materials are in short supply or if the Company experiences increased overhead costs. The Company believes that further production inefficiencies and higher than expected other costs related to such matters as loss rates, imported concentrate costs, freight costs and yields will negatively impact its results.

Manufacturing economies related to such matters as bottling line speeds and warehousing capabilities could fail to develop when planned. The Company believes that worse than expected bottling line and warehouse efficiencies will negatively impact its results.

The Company is in a highly competitive environment and its dollar sales and unit volume could be negatively affected by its inability to maintain or increase prices, changes in geographic or product mix, a general decline in beverage alcohol consumption or the decision of its wholesale customers, retailers or consumers to purchase competitive products instead of the Company's products. The Company believes its branded wine unit volume has been negatively impacted by the effect price increases have had on its competitive positioning. This could limit the Company's ability to increase the selling prices of its branded wine products further to offset anticipated higher costs in its fiscal year ending February 28, 1997, and could require selling price decreases of its branded wine products in the future to maintain volume. Wholesaler, retailer and consumer purchasing decisions are influenced by, among other things, the perceived absolute or relative overall value of the Company's products, including their quality or pricing, compared to competitive products. Unit volume and dollar sales could also be affected by pricing, purchasing, financing, operational, advertising or promotional decisions made by wholesalers and retailers which could affect their supply of, or consumer demand for, the Company's products. The Company has also experienced a substantial increase in its sales of its imported beer products, particularly its Mexican brands. The Company does not believe that the high growth rate in its imported beer business will be sustainable.

The Company could experience higher than expected selling, general and administrative expenses if it finds it necessary to increase its number of personnel or its advertising or promotional expenditures to maintain its competitive position or for other reasons.

The Company is currently undergoing a reengineering effort involving the evaluation of its business processes and organizational structure and could make changes in its business in response to this effort which are not currently contemplated.

The Company could experience difficulties or delays in the development, production, testing and marketing of new products.

The Company could experience changes in its ability to obtain or hedge against foreign currency, foreign exchange rates and fluctuations in those rates. The Company could also be affected by nationalizations or unstable governments or legal systems or intergovernmental disputes. These currency, economic and political uncertainties may affect the Company's results, especially to the extent these matters, or the decisions, policies or economic strength of the Company's suppliers, affect the Company's Mexican, German, Chinese and other imported beer products.

The forward-looking statements contained herein are based on estimates which the Company believes are reasonable. This means that the Company's actual results could differ materially from such estimates as a result of being negatively affected as described above or otherwise or positively affected.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company and its subsidiaries are subject to litigation from time to time in the ordinary course of business. Although the amount of any liability with respect to such litigation cannot be determined, in the opinion of management, such liability will not have a material adverse effect on the Company's financial condition or results of operations.

As previously reported in the Company's Quarterly Report on Form 10-Q for the quarterly period ended May 31, 1996, on November 13, 1995, a purported stockholder of the Company filed a class action in the United States District Court for the Southern District of New York, VENTRY, ET AL. V. CANANDAIGUA WINE COMPANY, INC., ET AL. (the "Ventry Class Action"). On November 16, 1995, another purported stockholder of the Company filed a class action in the United States District Court for the Southern District of New York, BRICKELL PARTNERS, ET AL. V. CANANDAIGUA WINE COMPANY, INC., ET AL. (the "Brickell Class Action"). On December 6, 1995, a third purported stockholder of the Company filed a class action in the United States District Court for the Southern District of New York, BABICH, ET AL. V. CANANDAIGUA WINE COMPANY, INC., ET AL. (and this class action together with the Brickell Class Action and the Ventry Class Action, the

"Class Actions"). The defendants in the Class Actions are the Company, Richard Sands and Lynn K. Fetterman. The Class Actions have been consolidated and a consolidated complaint was filed on January 16, 1996. The Class Actions assert violations of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder and seek to recover damages in an unspecified amount which the class members allegedly sustained by purchasing the Company's common stock at artificially inflated prices. The complaints in the Class Actions allege that the Company's public documents and statements were materially incomplete and, as a result, misleading.

The Class Actions were filed after the Company announced its results of operations for the year ended August 31, 1995, on November 9, 1995. These results were below the expectations of analysts and on November 10, 1995, the price of the Company's Class A common stock fell approximately 38% and the price of the Company's Class B common stock fell approximately 30%.

The Company believes that the Class Actions are without merit and intends to vigorously defend the Class Actions. To that end, on April 8, 1996, the Company filed a motion to dismiss the consolidated complaint. That motion is fully briefed and oral argument was held on September 25, 1996. The Company is awaiting decision by the Court.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) See Index to Exhibits located within this Report.

(b) No Current Report on Form 8-K was filed by the Company with the Securities and Exchange Commission during the quarter ended August 31, 1996.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CANANDAIGUA WINE COMPANY, INC.

Dated: October 11, 1996 By: /s/ Richard Sands
Richard Sands, President and
Chief Executive Officer

Dated: October 11, 1996 By: /s/ Lynn K. Fetterman
Lynn K. Fetterman, Senior Vice President
and Chief Financial Officer
(Principal Financial Officer and Principal
Accounting Officer)

INDEX TO EXHIBITS

(2) PLAN OF ACQUISITION, REORGANIZATION, ARRANGEMENT, LIQUIDATION OR SUCCESSION.

Not applicable.

(3) ARTICLES OF INCORPORATION AND BY-LAWS.

3.1 Restated Certificate of Incorporation of the Registrant (filed as Exhibit 3.1 to the Registrant's Transition Report on Form 10-K for the transition period from September 1, 1995 to February 29, 1996 and incorporated herein by reference).

3.2 Amended and Restated By-laws of the Registrant (filed as Exhibit 3.2 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 1995 and incorporated herein by reference).

(4) INSTRUMENTS DEFINING THE RIGHTS OF SECURITY HOLDERS, INCLUDING INDENTURES.

4.1 Specimen of Certificate of Class A Common Stock of the Company (filed as Exhibit 1.1 to the Registrant's Registration Statement on Form 8-A dated April 28, 1992 and incorporated herein by reference).

4.2 Specimen of Certificate of Class B Common Stock of the Company (filed as Exhibit 1.2 to the Registrant's Registration Statement on Form 8-A dated April 28, 1992 and incorporated herein by reference).

4.3 Indenture dated as of December 27, 1993 among the Registrant, its Subsidiaries and Chemical Bank (filed as Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 1993 and incorporated herein by reference).

4.4 First Supplemental Indenture dated as of August 3, 1994 among the Registrant, Canandaigua West, Inc. and Chemical Bank (filed as Exhibit 4.5 to the Registrant's Registration Statement on Form S-8 (Registration No. 33-56557) and incorporated herein by reference).

4.5 Second Supplemental Indenture dated August 25, 1995, among the Registrant, V Acquisition Corp. (a subsidiary of the Registrant now known as The Viking Distillery, Inc.) and Chemical Bank (filed as Exhibit 4.5 to the Registrant's Annual Report on Form 10-K for the fiscal year ended August 31, 1995 and incorporated herein by reference).

(10) MATERIAL CONTRACTS.

Not applicable.

(11) STATEMENT RE COMPUTATION OF PER SHARE EARNINGS.

Computation of per share earnings (filed herewith).

(15) LETTER RE UNAUDITED INTERIM FINANCIAL INFORMATION.

Not applicable.

(18) LETTER RE CHANGE IN ACCOUNTING PRINCIPLES.

Not applicable.

(19) REPORT FURNISHED TO SECURITY HOLDERS.

Not applicable.

(22) PUBLISHED REPORT REGARDING MATTERS SUBMITTED TO A VOTE OF SECURITY HOLDERS.

Not applicable.

(23) CONSENTS OF EXPERTS AND COUNSEL.

Not applicable.

(24) POWER OF ATTORNEY.

Not applicable.

(27) FINANCIAL DATA SCHEDULE.

Financial Data Schedule (filed herewith).

(99) ADDITIONAL EXHIBITS.

Not applicable.

<TABLE>

EXHIBIT 11

CANANDAIGUA WINE COMPANY, INC. AND SUBSIDIARIES

COMPUTATION OF NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE

(in thousands, except per share data)

(unaudited)

<CAPTION>

	For the Six Months Ended August 31,			
	1996		1995	
Net income per common and common equivalent share:	Primary	Fully Diluted	Primary	Fully Diluted
<S>	<C>	<C>	<C>	<C>
Net income available to common and common equivalent shares	$ 13,442	$ 13,442	$ 20,700	$ 20,700
Adjustments	-	-	-	-
Net income available to common and common equivalent shares	$ 13,442	$ 13,442	$ 20,700	$ 20,700
Shares:				
Weighted average common shares outstanding	19,553	19,553	19,550	19,550
Adjustments:				
(1) Assumed exercise of incentive stock options	204	204	285	313
(2) Assumed exercise of stock options	38	38	168	218
Weighted average common and common equivalent shares outstanding	19,795	19,795	20,003	20,081
Net income per common and common equivalent share	$ .68	$ .68	$ 1.03	$ 1.03

<CAPTION>

	For the Three Months Ended August 31,			
	1996		1995	
Net income per common and common equivalent share:	Primary	Fully Diluted	Primary	Fully Diluted
<S>	<C>	<C>	<C>	<C>
Net income available to common and common equivalent shares	$ 4,941	$ 4,941	$ 10,063	$ 10,063
Adjustments	-	-	-	-
Net income available to common and common equivalent shares	$ 4,941	$ 4,941	$ 10,063	$ 10,063
Shares:				
Weighted average common shares outstanding	19,477	19,477	19,567	19,567
Adjustments:				
(1) Assumed exercise of incentive stock options	152	152	291	311
(2) Assumed exercise of stock options	24	24	182	218
Weighted average common and common equivalent shares outstanding	19,653	19,653	20,040	20,096
Net income per common and common equivalent share	$ .25	$ .25	$ .50	$ .50

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