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

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

For the quarterly period ended July 4, 1999

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 1-183

HERSHEY FOODS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	23-0691590
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
100 Crystal A Drive Hershey, Pennsylvania	17033
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (717) 534-6799

____
(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 ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, $1 par value - 109,071,088 shares, as of August 2, 1999. Class B Common Stock, $1 par value - 30,443,908 shares, as of August 2, 1999.

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PART I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements (Unaudited)

HERSHEY FOODS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(in thousands except per share amounts)

	For the Three Months Ended July 4, 1999	July 5, 1998
Net Sales	$ 853,239	$880,399
Costs and Expenses:		
Cost of sales	512,796	522,715
Selling, marketing and administrative	241,371	258,309
Total costs and expenses	754,167	781,024
Income before Interest and Income Taxes	99,072	99,375
Interest expense, net	17,015	20,744
Income before Income Taxes	82,057	78,631
Provision for income taxes	32,002	30,666

Net Income	$ 50,055	$ 47,965
Net Income Per Share - Basic	$ .36	$ .33
Net Income Per Share - Diluted	$ .35	$ .33
Average Shares Outstanding - Basic	140,001	143,510
Average Shares Outstanding - Diluted	141,338	145,752
Cash Dividends Paid per Share:		
Common Stock	$ .2400	$ .2200
Class B Common Stock	$ .2175	$ .2000

The accompanying notes are an integral part of these statements.

HERSHEY FOODS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(in thousands except per share amounts)

	For the Six Months Ended July 4, 1999	July 5, 1998
Net Sales	$ 1,798,391	$ 1,978,475
Costs and Expenses:		
Cost of sales	1,074,960	1,175,055
Selling, marketing and administrative	508,125	557,679
Gain on sale of business	(243,785)	---
Total costs and expenses	1,339,300	1,732,734
Income before Interest and Income Taxes	459,091	245,741
Interest expense, net	35,455	43,450
Income before Income Taxes	423,636	202,291
Provision for income taxes	148,911	78,893
Net Income	$ 274,725	$ 123,398
Net Income Per Share - Basic	$ 1.95	$ .86
Net Income Per Share - Diluted	$ 1.93	$ .85
Average Shares Outstanding - Basic	140,918	143,441
Average Shares Outstanding - Diluted	142,339	145,612
Cash Dividends Paid per Share:		
Common Stock	$ .480	$ .440
Class B Common Stock	$ .435	$ .400

The accompanying notes are an integral part of these statements.

HERSHEY FOODS CORPORATION
CONSOLIDATED BALANCE SHEETS
JULY 4, 1999 AND DECEMBER 31, 1998
(in thousands of dollars)

ASSETS	1999	1998
Current Assets:		
Cash and cash equivalents	$ 31,749	$ 39,024
Accounts receivable - trade	287,967	451,324
Inventories	656,771	493,249
Deferred income taxes	79,457	58,505
Prepaid expenses and other	125,570	91,864
Total current assets	1,181,514	1,133,966
Property, Plant and Equipment, at cost	2,533,642	2,702,787
Less - accumulated depreciation and amortization	(1,004,121)	(1,054,729)
Net property, plant and equipment	1,529,521	1,648,058
Intangibles Resulting from Business Acquisitions	457,448	530,464
Other Assets	90,429	91,610
Total assets	$ 3,258,912	$ 3,404,098

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 107,222	$ 156,937
Accrued liabilities	278,692	294,415
Accrued income taxes	53,579	17,475
Short-term debt	272,186	345,908
Current portion of long-term debt	2,039	89
Total current liabilities	713,718	814,824
Long-term Debt	878,477	879,103
Other Long-term Liabilities	330,154	346,769
Deferred Income Taxes	302,042	321,101
Total liabilities	2,224,391	2,361,797
Stockholders' Equity:		
Preferred Stock, shares issued: none in 1999 and 1998	---	---
Common Stock, shares issued: 149,506,964 in 1999 and 149,502,964 in 1998	149,506	149,503
Class B Common Stock, shares issued: 30,443,908 in 1999 and 30,447,908 in 1998	30,444	30,447
Additional paid-in capital	31,744	29,995
Unearned ESOP compensation	(23,951)	(25,548)
Retained earnings	2,398,342	2,189,693
Treasury-Common Stock shares at cost: 40,443,176 in 1999 and 36,804,157 in 1998	(1,496,482)	(1,267,422)
Accumulated other comprehensive loss	(55,082)	(64,367)
Total stockholders' equity	1,034,521	1,042,301
Total liabilities and stockholders' equity	$ 3,258,912	$ 3,404,098

The accompanying notes are an integral part of these balance sheets.

HERSHEY FOODS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of dollars)

	For the Six Months Ended July 4, 1999	July 5, 1998
Cash Flows Provided from (Used by) Operating Activities		
Net Income	$ 274,725	$ 123,398
Adjustments to Reconcile Net Income to Net Cash Provided from Operations:		
Depreciation and amortization	79,821	77,162
Deferred income taxes	(9,476)	2,058
Gain on sale of business, net of tax of $78,769	(165,016)	---
Changes in assets and liabilities, net of effects from business acquisitions and divestitures:		
Accounts receivable - trade	142,848	130,389
Inventories	(188,778)	(118,053)
Accounts payable	(38,163)	(46,186)
Other assets and liabilities	(107,357)	(59,224)
Net Cash Flows (Used by) Provided from Operating Activities	(11,396)	109,544
Cash Flows Provided from (Used by) Investing Activities		
Capital additions	(55,282)	(77,822)
Capitalized software additions	(17,814)	(20,164)
Proceeds from divestiture	450,000	---
Other, net	2,589	8,933
Net Cash Flows Provided from (Used by) Investing Activities	379,493	(89,053)
Cash Flows Provided from (Used by) Financing Activities		
Net increase (decrease) in short-term debt	(74,052)	54,348
Long-term borrowings	1,685	---
Repayment of long-term debt	(110)	(25,096)
Cash dividends paid	(66,076)	(61,740)
Exercise of stock options	15,135	13,849
Incentive plan transactions	---	(22,458)
Repurchase of Common Stock	(251,954)	---
Net Cash Flows (Used by) Financing Activities	(375,372)	(41,097)
(Decrease) in Cash and Cash Equivalents	(7,275)	(20,606)
Cash and Cash Equivalents, beginning of period	39,024	54,237
Cash and Cash Equivalents, end of period	$ 31,749	$ 33,631
Interest Paid	$ 36,186	$ 43,787
Income Taxes Paid	$ 120,125	$ 40,685

The accompanying notes are an integral part of these statements.

HERSHEY FOODS CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

In thousands of dollars	Preferred Stock	Common Stock	Class B Common Stock	Additional Paid-in Capital	Unearned ESOP Compensation	Retained Earnings	Treasury Common Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance as of December 31, 1998	$ ---	$ 149,503	$30,447	$ 29,995	$(25,548)	$2,189,693	$(1,267,422)	$ (64,367)	$1,042,301
Comprehensive income:									
Net income						224,670			224,670
Other comprehensive income:									
Foreign currency translation adjustments								4,996	4,996
Comprehensive income									229,666
Dividends:									
Common Stock, $.24 per share						(26,599)			(26,599)
Class B Common Stock, $.2175 per share						(6,622)			(6,622)
Incentive plan transactions				(480)					(480)
Exercise of stock options				2,304			18,808		21,112
Employee stock ownership trust transactions				127	799				926
Repurchase of Common Stock							(236,959)		(236,959)
Balance as of April 4, 1999	---	149,503	30,447	31,946	(24,749)	2,381,142	(1,485,573)	(59,371)	1,023,345
Comprehensive income:									
Net income						50,055			50,055
Other comprehensive income:									
Foreign currency translation adjustments								4,289	4,289
Comprehensive income									54,344
Dividends:									
Common Stock, $.24 per share						(26,233)			(26,233)
Class B Common Stock, $.2175 per share						(6,622)			(6,622)
Conversion of Class B Common Stock into Common Stock		3	(3)						---
Exercise of stock options				(495)			4,086		3,591
Employee stock ownership trust transactions				121	798				919
Supplemental retirement contribution				172					172
Repurchase of Common Stock							(14,995)		(14,995)
Balance as of July 4, 1999	$ ---	$ 149,506	$30,444	$ 31,744	$(23,951)	$2,398,342	$(1,496,482)	$ (55,082)	$1,034,521

The accompanying notes are an integral part of this statement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include the accounts of the Corporation and its subsidiaries after elimination of intercompany accounts and transactions. These statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. Certain reclassifications have been made to prior year amounts to conform to the 1999 presentation. Operating results for the three months and year-to-date ended July 4, 1999, are not necessarily indicative of the results that may be expected for the year ending December 31, 1999. For more information, refer to the consolidated financial statements and footnotes included in the Corporation's 1998 Annual Report on Form 10-K for the fiscal year ended December 31, 1998.

2. INTEREST EXPENSE

Interest expense, net consisted of the following:

	For the Six Months Ended	
	July 4, 1999	July 5, 1998
	(in thousands of dollars)	
Interest expense	$ 38,194	$ 46,332
Interest income	(1,525)	(1,738)
Capitalized interest	(1,214)	(1,144)
Interest expense, net	$ 35,455	$ 43,450

3. NET INCOME PER SHARE

A total of 40,443,176 shares were held as Treasury Stock as of July 4, 1999.

In accordance with Financial Accounting Standards No. 128 "Earnings Per Share", Basic and Diluted Earnings per Share are computed based on the weighted average number of shares of the Common Stock and the Class B Stock outstanding as follows:

For the Three Months Ended July 4, 1999	Income (Numerator)	Shares (Denominator)	Per-Share Amount
In thousands of dollars except shares and per share amounts			
Net Income per Share - Basic			
Net income	$ 50,055	140,000,667	$.36
Effect of Dilutive Securities			
Stock options	-	1,279,354	
Performance stock units	-	20,725	
Restricted stock units	-	36,870	
Net Income per Share - Diluted			
Net income and assumed conversions	$ 50,055	141,337,616	$.35

For the Three Months Ended July 5, 1998	Income (Numerator)	Shares (Denominator)	Per-Share Amount
In thousands of dollars except shares and per share amounts			
Net Income per Share - Basic			
Net income	$ 47,965	143,509,698	$.33
Effect of Dilutive Securities			
Stock options	-	2,162,813	
Performance stock units	-	72,928	
Restricted stock units	-	6,747	
Net Income per Share - Diluted			
Net income and assumed conversions	$ 47,965	145,752,186	$.33

For the Six Months Ended July 4, 1999	Income (Numerator)	Shares (Denominator)	Per-Share Amount
In thousands of dollars except shares and per share amounts			
Net Income per Share - Basic			
Net income	$ 274,725	140,917,694	$1.95
Effect of Dilutive Securities			
Stock options	-	1,363,184	
Performance stock units	-	20,843	
Restricted stock units	-	37,116	
Net Income per Share - Diluted			
Net income and assumed conversions	$ 274,725	142,338,837	$1.93

For the Six Months Ended July 5, 1998	Income (Numerator)	Shares (Denominator)	Per-Share Amount
In thousands of dollars except shares and per share amounts			
Net Income per Share - Basic			
Net income	$ 123,398	143,441,165	$.86
Effect of Dilutive Securities			
Stock options	-	2,092,179	
Performance stock units	-	72,366	
Restricted stock units	-	6,694	
Net Income per Share - Diluted			
Net income and assumed conversions	$ 123,398	145,612,404	$.85

4. INVENTORIES

The majority of inventories are valued under the last-in, first-out (LIFO) method. The remaining inventories are stated at the lower of first-in, first-out (FIFO) cost or market. Inventories were as follows:

	July 4, 1999	December 31, 1998
	(in thousands of dollars)	
Raw materials	$ 266,160	$ 170,777
Goods in process	73,536	83,522
Finished goods	407,679	322,125
Inventories at FIFO	747,375	576,424
Adjustment to LIFO	(90,604)	(83,175)
Total inventories	$ 656,771	$ 493,249

5. LONG-TERM DEBT

In August 1997, the Corporation filed a Form S-3 Registration Statement under which it could offer, on a delayed or continuous basis, up to $500 million of additional debt securities. As of July 4, 1999, $250 million of debt securities remained available for issuance under the August 1997 Registration Statement.

6. FINANCIAL INSTRUMENTS

The carrying amounts of financial instruments including cash and cash equivalents, accounts receivable, accounts payable and short-term debt approximated fair value as of July 4, 1999 and December 31, 1998, because of the relatively short maturity of these instruments. The carrying value of long-term debt, including the current portion, was $880.8 million as of July 4, 1999, compared to a fair value of $903.8 million, based on quoted market prices for the same or similar debt issues.

As of July 4, 1999, the Corporation had foreign exchange forward contracts maturing in 1999 and 2000 to purchase $20.9 million in foreign currency, primarily British sterling, and to sell $11.7 million in foreign currency, primarily Canadian dollars and Japanese yen, at contracted forward rates.

The fair value of foreign exchange forward contracts is estimated by obtaining quotes for future contracts with similar terms, adjusted where necessary for maturity differences. As of July 4, 1999, the fair value of foreign exchange forward contracts approximated the contract value. The Corporation does not hold or issue financial instruments for trading purposes.

In order to minimize its financing costs and to manage interest rate exposure, the Corporation, from time to time, enters into interest rate swap agreements to effectively convert a portion of its floating rate debt to fixed rate debt. As of July 4, 1999, the Corporation had agreements outstanding with an aggregate notional amount of $75.0 million maturing in 1999. As of July 4, 1999, interest rates payable were at a weighted average fixed rate of 6.3%, and the interest rates receivable were floating based on the 30-day commercial paper composite rate which was approximately 5.0% as of July 4, 1999. Any interest rate differential on interest rate swaps is recognized as an adjustment to interest expense over the term of each agreement. As of July 4, 1999, the fair value of interest rate swap agreements approximated the contract value. The Corporation's risk related to swap agreements is limited to the cost of replacing such agreements at prevailing market rates.

7. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133). SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

The effective date for SFAS No. 133 has been deferred to fiscal years beginning after June 15, 2000, but may be implemented as of the beginning of any fiscal quarter after issuance.

Retroactive application is not permitted. SFAS No. 133 must be applied to (a) derivative instruments and (b) certain derivative instruments embedded in hybrid contracts that were issued, acquired, or substantively modified after December 31, 1997. Changes in accounting methods will be required for derivative instruments utilized by the Corporation to hedge commodity price, foreign currency exchange rate and interest rate risks. Such derivatives include commodity futures and options contracts, foreign exchange forward and options contracts and interest rate swaps.

The Corporation anticipates the adoption of SFAS No. 133 as of January 1, 2001. As of July 4, 1999, net deferred losses on derivatives of approximately $33.3 million after tax would have been reported as a component of other comprehensive loss and classified as accumulated other comprehensive loss on the consolidated balance sheets upon adoption of SFAS No. 133.

8. SHARE REPURCHASES

A total of 1,963,089 shares of Common Stock was purchased during the first quarter of 1999 under the share repurchase program begun in 1996, completing the $200 million program. In February 1999, the Corporation's Board of Directors approved an additional share repurchase program authorizing the repurchase of up to $230 million of the Corporation's Common Stock. Under this new program, the Corporation purchased 1,579,779 shares of its Common Stock from Hershey Trust Company, as trustee for the benefit of Milton Hershey School and an additional 694,811 shares through open market transactions during the first half of 1999. As of July 4, 1999, a total of 40,443,176 shares were held as Treasury Stock and $90.5 million remained available for repurchases of Common Stock under the repurchase program approved in February.

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition

Results of Operations - Second Quarter 1999 vs. Second Quarter 1998

Consolidated net sales for the second quarter fell from $880.4 million in 1998 to $853.2 million in 1999, a decrease of 3% from the prior year. The sales decline resulting from the divestiture of the Corporation's pasta business was partially offset by incremental sales from the introduction of new confectionery products, an increase in sales of core confectionery and grocery products and higher export sales in various international markets. The increase in core confectionery and grocery sales was partly attributable to a controlled advance purchase program in June intended to reduce disruptions during the final phase of the implementation of an enterprise-wide information system in early July.

The consolidated gross margin decreased from 40.6% in 1998 to 39.9% in 1999. The decrease reflected lower profitability resulting from the mix of confectionery items sold in the second quarter of 1999 compared with sales in the second quarter of 1998 and higher freight and distribution costs. These cost increases were offset partially by reduced costs for packaging and raw materials.

Selling, marketing and administrative expenses decreased by 7%, primarily reflecting lower expenses related to the divestiture of the pasta business, partially offset by increased marketing expenditures for core confectionery brands, international exports and the introduction of new products.

Net interest expense in the second quarter of 1999 was $3.7 million below the comparable period of 1998, primarily as a result of lower short-term interest expense as a portion of the proceeds from the sale of the pasta business was used to reduce short-term borrowings.

The second quarter effective income tax rate was 39.0% in 1999 and 1998.

Results of Operations - First Six Months 1999 vs. First Six Months 1998

Consolidated net sales for the first six months of 1999 decreased by $180.1 million or 9%, primarily as a result of the divestiture of the Corporation's pasta business and a decrease in sales of core confectionery products in the first quarter. These sales declines were partially offset by incremental sales from the introduction of new confectionery products, increased sales resulting from the controlled advance purchase program in June and increased export sales in international markets.

The consolidated gross margin decreased from 40.6% in 1998 to 40.2% in 1999. The decrease reflected lower profitability resulting from the mix of confectionery items sold in 1999 compared with sales during the comparable period of 1998, primarily related to lower sales of the more profitable standard bars. Higher freight and distribution costs also contributed to the lower gross margin in the first half of 1999. These cost increases were offset partially by decreased costs for packaging materials and raw materials, a one-time benefit from revisions to the Corporation's retiree medical plan and improved manufacturing efficiencies.

Selling, marketing and administrative expenses decreased by 9%, reflecting lower expenses resulting from the divestiture of the pasta business and reduced marketing expenses for existing products. These decreases were offset partially by increased spending associated with international exports and the introduction of new products.

Net interest expense was $8.0 million below the comparable period of 1998, primarily as a result of lower short-term interest expense as a portion of the proceeds from the sale of the pasta business was used to reduce short-term borrowings.

Excluding the provision for income taxes associated with the gain on the sale of the pasta business, the effective income tax rate was 39.0% in 1999 and 1998.

In January 1999, the Corporation recorded a gain of $243.8 million, $165.0 million or $1.16 per share - diluted after tax, on the sale of its pasta business. Excluding the after-tax gain on the sale, net income for the first six months of 1999 of $109.7 million was 11% below the comparable period of the prior year and net income per share - diluted excluding the after-tax gain was $.77 per share or $.08 per share below 1998.

Liquidity and Capital Resources

Historically, the Corporation's major source of financing has been cash generated from operations. Domestic seasonal working capital needs, which typically peak during the summer, generally have been met by issuing commercial paper. During the first six months of 1999, the Corporation's cash and cash equivalents decreased by $7.3 million. Cash and cash equivalents on hand at the beginning of the period and proceeds from the divestiture of the pasta business were sufficient to repay $74.1 million of short-term debt, repurchase $252.0 million of the Corporation's Common Stock, finance capital expenditures and capitalized software additions of $73.1 million and pay cash dividends of $66.1 million.

The ratio of current assets to current liabilities was 1.7:1 as of July 4, 1999, and 1.4:1 as of December 31, 1998. The Corporation's capitalization ratio (total short-term and long-term debt as a percent of stockholders' equity, short-term and long-term debt) was 53% as of July 4, 1999, and 54% as of December 31, 1998.

As of July 4, 1999, the Corporation maintained a committed credit facility agreement with a syndicate of banks in the amount of $576.8 million which could be borrowed directly or used to support the issuance of commercial paper. The Corporation has the option to increase the credit facility by $1.0 billion with the concurrence of the banks. The Corporation also had lines of credit with domestic and international commercial banks in the amount of approximately $23.0 million as of July 4, 1999 and December 31, 1998.

In March 1997, the Corporation issued $150 million of 6.95% Notes under a November 1993 Registration Statement. In August 1997, the Corporation issued $150 million of Notes and $250 million of Debentures under the November 1993 and August 1997 Registration Statements. As of April 4, 1999, $250 million of debt securities remained available for issuance under the August 1997 Registration Statement. Proceeds from any offering of the $250 million of debt securities available under the shelf registration may be used for general corporate requirements, which include reducing existing commercial paper borrowings, financing capital additions, and funding future business acquisitions and working capital requirements.

As of July 4, 1999, the Corporation's principal capital commitments included manufacturing capacity expansion and modernization. The Corporation anticipates that capital expenditures will be in the range of $150 million to $170 million per annum during the next several years as a result of continued modernization of existing facilities and capacity expansion to support new products and line extensions. Such expenditures will be financed with cash provided from operations and short-term borrowings.

Year 2000 Issues

Year 2000 issues associated with information systems relate to the way dates are recorded and computed in many computer systems. These year 2000 issues could have an impact upon the Corporation's information technology (IT) and non-IT systems. Non-IT systems include embedded technology such as microcontrollers which are integral to the operation of most machinery and equipment. Additionally, year 2000 issues could have a similar impact on the Corporation's major business partners, including both customers and suppliers. While it is not currently possible to estimate the total impact of a failure of either the Corporation or its major business partners or suppliers to complete their year 2000 remediation in a timely manner, the Corporation has determined that it could suffer significant adverse financial consequences as a result of such failure.

Awareness and assessment of year 2000 issues regarding major business applications software and other significant IT systems began in 1990. A formal program to address year 2000 issues associated with IT systems was established in late 1995. In early 1998, a team was established with representatives from all major functional areas of the Corporation which assumed overall responsibility for ensuring that remediation of both IT and non-IT systems will be completed in time to prevent material adverse consequences to the Corporation's business, operations or financial condition. The Corporation expects that remediation of these systems will be essentially completed during the third quarter of 1999.

In late 1996, the Corporation approved a project to implement an enterprise-wide integrated information system to improve process efficiencies in all of the major functional areas of the Corporation, enabling the Corporation to provide better service to its customers. This system will replace most of the transaction systems and applications supporting operations of the Corporation. In addition to improving efficiency and customer service, another benefit of this system is that it is year 2000 compliant and will address year 2000 issues for approximately 80% of the Corporation's business applications software. As of July 4, 1999, approximately $75.0 million of capitalized software and hardware and $8.5 million of expenses have been incurred for this project. As of July 4, 1999, spending for implementation of this system was approximately 75% complete, with full implementation expected during the third quarter of 1999. Total commitments for this system and subsequently identified enhancements are expected to be approximately $112 million which will be financed with cash provided from operations and short-term borrowings.

The Corporation's mainframe, network and desktop hardware and software have recently been upgraded and are substantially year 2000 compliant. The Corporation is in the process of remediating year 2000 compliance issues associated with legacy information systems not being replaced by the integrated information system project, including process automation and factory management systems. During late 1998, the Corporation undertook an extensive review of its year 2000 remediation program. As a result of this review, the Corporation has undertaken additional testing to confirm its year 2000 compliance, but is otherwise maintaining its current program of remediation. As of July 4, 1999, remediation of both IT and non-IT systems was approximately 90% complete, reflecting the latest estimate of testing and work requirements to be performed. The total cost of remediation of IT and non-IT systems not being replaced by the integrated information system project is expected to be in the range of $6.0 million to $8.0 million.

The Corporation is also in the process of assessing year 2000 remediation issues relating to its major business partners. All of the Corporation's major customers have been contacted regarding year 2000 issues related to electronic data interchange. The Corporation is also in the process of contacting its major suppliers of ingredients, packaging, facilities, logistics and financial services with regard to year 2000 issues. Because of the uncertainties associated with assessing the ability of major business partners to complete the remediation of their systems in time to prevent operational difficulties, the Corporation will continue to contact and/or visit major customers and suppliers to gain assurances that no significant adverse consequences will result due to their failure to complete remediation of their systems.

Year 2000 remediation, conversion, validation and implementation is continuing and, at the present time, it is expected that remediation to both the Corporation's IT and non-IT systems and those of major business partners will be completed in time to prevent material adverse consequences to the Corporation's business, operations or financial condition. However, contingency plans are being developed, including possible increases in raw material and finished goods inventory levels, and the identification of alternate vendors and suppliers. The Corporation is participating in industry-wide efforts to develop contingency plans which, to the extent feasible, may be relied upon to resolve any potential failures resulting from year 2000 issues. Operational and incident specific contingency plans are being developed within the context of an overall business continuity contingency plan for all major functional areas of the Corporation.

Subsequent Events

In early July, the Corporation implemented the final phase of an enterprise-wide integrated information system. This implementation includes substantial revisions to the order taking and distribution administrative processes which, if problems occur, could adversely impact sales and earnings for future periods. While the Corporation is experiencing some start-up difficulties, it is not yet possible to determine what impact, if any, they will have on financial results.

Also in July, the Corporation entered into an operating lease agreement for an amount not to exceed $65 million for the purpose of financing construction costs of a warehouse and distribution facility located on land owned by the Corporation near Hershey, Pennsylvania. Under the agreement, the lessor pays for the construction costs and thereafter leases the facility to the Corporation. The lease term is six years. The lease provides for a substantial residual guarantee and includes an option to purchase the facility at original cost. The first phase of the distribution center is scheduled to open in the second quarter of 2000.

Forward Looking Information

The nature of the Corporation's operations and the environment in which it operates subject it to changing economic, competitive, regulatory and technological conditions, risks and uncertainties. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Corporation notes the following factors which, among others, could cause future results to differ materially from the forward-looking statements, expectations and assumptions expressed or implied herein. Many of the forward looking statements contained in this document may be identified by the use of forward-looking words such as "believe," "expect," "anticipate," "should," "planned," "estimated," and "potential" among others. Factors which could cause results to differ include, but are not limited to: changes in the confectionery and grocery business environment, including actions of competitors and changes in consumer preferences; changes in governmental laws and regulations, including income taxes; market demand for new and existing products; and raw material pricing.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

The potential loss in fair value of foreign exchange forward contracts and interest rate swaps resulting from a hypothetical near-term adverse change in market rates of ten percent was not material as of July 4, 1999. The market risk resulting from a hypothetical adverse market price movement of ten percent associated with the estimated average fair value of net commodity positions increased from $7.6 million as of December 31, 1998, to $11.7 million as of July 4, 1999. Market risk represents 10% of the estimated average fair value of net commodity positions at four dates prior to the end of each period.

PART II - OTHER INFORMATION

Items 2 through 4 have been omitted as not applicable.

Item 1. Legal Proceedings

In January 1999, the Corporation received a Notice of Proposed Deficiency (Notice) from the Internal Revenue Service (IRS) related to the years 1989 through 1996. The most significant issue pertains to the Corporate Owned Life Insurance (COLI) program which was implemented by the Corporation in 1989. The IRS proposed the disallowance of interest expense deductions associated with the underlying life insurance policies. The Corporation believes that it has fully complied with the tax law as it relates to its COLI program. The Corporation filed a protest of the proposed deficiency with the Appeals section of the IRS in April 1999 and intends to vigorously defend its position on this matter.

In June 1999, the Pennsylvania Supreme Court determined that the manufacturing exemption for Capital Stock - Franchise Tax purposes is facially discriminatory under the Commerce Clause of the United States Constitution, and remanded for a determination whether the tax on foreign corporations is a valid compensatory tax. The court further suggested that the result might be that the entire exemption would be ruled unconstitutional. If such a ruling is eventually sustained, the Corporation may be subject to additional Pennsylvania state income tax liability.

The Corporation has no other material pending legal proceedings, other than ordinary routine litigation incidental to its business.

Item 5. Other Information

In early July, the Corporation implemented the final phase of an enterprise-wide integrated information system. This implementation includes substantial revisions to the order taking and distribution administrative processes which, if problems occur, could adversely impact sales and earnings for future periods. While the Corporation is experiencing some start-up difficulties, it is not yet possible to determine what impact, if any, they will have on financial results.

Also in July, the Corporation entered into an operating lease agreement for an amount not to exceed $65 million for the purpose of financing construction costs of a warehouse and distribution facility located on land owned by the Corporation near Hershey, Pennsylvania. Under the agreement, the lessor pays for the construction costs and thereafter leases the facility to the Corporation. The lease term is six years. The lease provides for a substantial residual guarantee and includes an option to purchase the facility at original cost. The first phase of the distribution center is scheduled to open in the second quarter of 2000.

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

The following items are attached and incorporated herein by reference:

Exhibit 12 - Statement showing computation of ratio of earnings to fixed charges for the six months ended July 4, 1999 and July 5, 1998.

Exhibit 27 - Financial Data Schedule for the period ended July 4, 1999 (required for electronic filing only).

b) Reports on Form 8-K

A report on Form 8-K was filed April 23, 1999 announcing that the Corporation's earnings for the first quarter of 1999 may be below market expectations.

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.

HERSHEY FOODS CORPORATION
(Registrant)

Date August 17, 1999

/s/ William F. Christ

William F. Christ
Senior Vice President,
Chief Financial Officer
and Treasurer

Date August 17, 1999

/s/ David W. Tacka

David W. Tacka
Corporate Controller and
Chief Accounting Officer

EXHIBIT INDEX

Exhibit 12	-	Computation of Ratio of Earnings to Fixed Charges
Exhibit 27	-	Financial Data Schedule for the period ended July 4, 1999 (required for electronic filing only)

EXHIBIT 12

HERSHEY FOODS CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(in thousands of dollars except for ratios)
(Unaudited)

	For the Six Months Ended	
	July 4, 1999	July 5, 1998
Earnings:		
Income before income taxes	$ 423,636(a)	$ 202,291
Add (deduct):		
Interest on indebtedness	36,980	45,188
Portion of rents representative of the interest factor (b)	6,571	5,813
Amortization of debt expense	243	292
Amortization of capitalized interest	1,613	1,770
Earnings as adjusted	$ 469,043	$ 255,354
Fixed Charges:		
Interest on indebtedness	$ 36,980	$ 45,188
Portion of rents representative of the interest factor (b)	6,571	5,813
Amortization of debt expense	243	292
Capitalized interest	1,214	1,144
Total fixed charges	$ 45,008	$ 52,437
Ratio of earnings to fixed charges	10.42	4.87

NOTE:

(a) Includes a gain of $243.8 million on the sale of the Corporation's pasta business.

(b) Portion of rents representative of the interest factor consists of one-third of rental expense for operating leases.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM HERSHEY FOODS CORPORATION'S CONSOLIDATED CONDENSED BALANCE SHEET AS OF JULY 4, 1999 AND CONSOLIDATED STATEMENT OF INCOME FOR THE SIX MONTHS ENDED JULY 4, 1999 AND IS QUALIFIED IN ITS ENTIRETY TO SUCH FINANCIAL STATEMENTS.

0000047111
HERSHEY FOODS CORPORATION
1,000

6-MOS
DEC-31-1999
JUL-04-1999
31,749
0
287,967
0
656,771
1,181,514
2,533,642
1,004,121
3,258,912
713,718
878,447
0
0
179,950
854,571
3,258,912
1,798,391
1,798,391
1,074,960
1,339,300
0
0
35,455
423,636
148,911
274,725
0
0
0
274,725
1.95
1.93

Balance is net of reserves for doubtful accounts and cash discounts.
Total includes the gain on the sale of business of $243,785.