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 October 4, 1998

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 - 112,701,727 shares, as of November 2, 1998. Class B Common Stock, $1 par value - 30,447,908 shares, as of November 2, 1998.

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

	For the Three Months Ended October 4, 1998	For the Three Months Ended September 28, 1997
Net Sales	$ 1,217,237	$ 1,151,610
Costs and Expenses:		
Cost of sales	706,605	672,604
Selling, marketing and administrative	311,658	292,593
Total costs and expenses	1,018,263	965,197
Income before Interest and Income Taxes	198,974	186,413
Interest expense, net	22,691	20,558
Income before Income Taxes	176,283	165,855

Provision for income taxes	68,750	65,182
Net Income	$ 107,533	$ 100,673
Net Income Per Share - Basic	$ .75	$ .68
Net Income Per Share - Diluted	$ .74	$ .67
Average Shares Outstanding - Basic	143,438	147,454
Average Shares Outstanding - Diluted	145,434	149,416
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 Nine Months Ended	
	October 4, 1998	September 28, 1997
Net Sales	$ 3,195,712	$ 3,059,808
Costs and Expenses:		
Cost of sales	1,881,660	1,792,204
Selling, marketing and administrative	869,337	852,857
Total costs and expenses	2,750,997	2,645,061
Income before Interest and Income Taxes	444,715	414,747
Interest expense, net	66,141	52,091
Income before Income Taxes	378,574	362,656
Provision for income taxes	147,643	142,525
Net Income	$ 230,931	$ 220,131
Net Income Per Share - Basic	$ 1.61	$ 1.46
Net Income Per Share - Diluted	$ 1.59	$ 1.44
Average Shares Outstanding - Basic	143,440	151,230
Average Shares Outstanding - Diluted	145,564	153,063
Cash Dividends Paid per Share:		
Common Stock	$ .6800	$ .6200
Class B Common Stock	$ .6175	$ .5600

The accompanying notes are an integral part of these statements.

HERSHEY FOODS CORPORATION
CONSOLIDATED BALANCE SHEETS
OCTOBER 4, 1998 AND DECEMBER 31, 1997
(in thousands of dollars)

ASSETS	1998	1997
Current Assets:		
Cash and cash equivalents	$ 40,163	$ 54,237
Accounts receivable - trade	433,995	360,831
Inventories	572,944	505,525
Deferred income taxes	87,796	84,024
Prepaid expenses and other	77,578	30,197
Total current assets	1,212,476	1,034,814
Property, Plant and Equipment, at cost	2,665,537	2,587,230
Less - accumulated depreciation and amortization	(1,019,574)	(938,993)
Net property, plant and equipment	1,645,963	1,648,237
Intangibles Resulting from Business Acquisitions	534,074	551,849
Other Assets	82,636	56,336
Total assets	$ 3,475,149	$ 3,291,236
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 134,295	$ 146,932
Accrued liabilities	288,581	371,545
Accrued income taxes	95,395	19,692
Short-term debt	328,843	232,451
Current portion of long-term debt	111	25,095
Total current liabilities	847,225	795,715
Long-term Debt	1,029,117	1,029,136
Other Long-term Liabilities	357,296	346,500
Deferred Income Taxes	274,471	267,079
Total liabilities	2,508,109	2,438,430
Stockholders' Equity:		
Preferred Stock, shares issued: none in 1998 and 1997	---	---
Common Stock, shares issued: 149,502,964 in 1998 and 149,484,964 in 1997	149,503	149,485
Class B Common Stock, shares issued: 30,447,908 in 1998 and 30,465,908 in 1997	30,447	30,465
Additional paid-in capital	29,037	33,852
Unearned ESOP compensation	(26,346)	(28,741)
Retained earnings	2,113,395	1,977,849
Treasury-Common Stock shares at cost: 36,841,187 in 1998 and 37,018,566 in 1997	(1,266,021)	(1,267,861)
Accumulated other comprehensive income	(62,975)	(42,243)
Total stockholders' equity	967,040	852,806
Total liabilities and stockholders' equity	$ 3,475,149	$ 3,291,236

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 Nine Months Ended	
	October 4, 1998	September 28, 1997
Cash Flows Provided from (Used by) Operating Activities		
Net Income	$ 230,931	$ 220,131
Adjustments to Reconcile Net Income to Net Cash Provided from Operations:		
Depreciation and amortization	116,544	114,173
Deferred income taxes	3,620	13,419
Changes in assets and liabilities, net of effects from business acquisitions and divestitures:		
Accounts receivable - trade	(73,164)	(144,638)
Inventories	(67,419)	(133,530)
Accounts payable	(12,637)	(1,418)
Other assets and liabilities	(30,163)	85,671
Other, net	48	2,293
Net Cash Flows Provided from Operating Activities	167,760	156,101
Cash Flows Provided from (Used by) Investing Activities		
Capital additions	(117,511)	(133,821)
Capitalized software additions	(29,709)	(17,321)
Other, net	5,858	12,785
Net Cash Flows (Used by) Investing Activities	(141,362)	(138,357)
Cash Flows Provided from (Used by) Financing Activities		
Net increase in short-term debt	96,392	72,481
Long-term borrowings	---	550,000
Repayment of long-term debt	(25,139)	(15,540)
Cash dividends paid	(95,385)	(90,718)
Exercise of stock options	15,992	10,614
Incentive plan transactions	(22,458)	(27,394)
Repurchase of Common Stock	(9,874)	(507,654)
Net Cash Flows (Used by) Financing Activities	(40,472)	(8,211)
(Decrease) Increase in Cash and Cash Equivalents	(14,074)	9,533
Cash and Cash Equivalents, beginning of period	54,237	61,422
Cash and Cash Equivalents, end of period	$ 40,163	$ 70,955

Interest Paid	$ 80,700	$ 45,183
Income Taxes Paid	$ 57,743	$ 114,089

The accompanying notes are an integral part of these statements.

HERSHEY FOODS CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Preferred Stock	Common Stock	Class B Common Stock	Additional Paid-in Capital	Unearned ESOP Compensation	Retained Earnings	Treasury Common Stock	Accumulated Other Comprehensive Income	Total Stockholders' Equity
In thousands of dollars									
Balance as of December 31, 1997	$---	$149,485	$30,465	$33,852	$(28,741)	$1,977,849	$(1,267,861)	$(42,243)	$852,806
Comprehensive income									
Net income						75,433			75,433
Other comprehensive income:									
Foreign currency translation adjustments								(575)	(575)
Comprehensive income									74,858
Dividends:									
Common Stock, $.22 per share						(24,769)			(24,769)
Class B Common Stock, $.20 per share						(6,091)			(6,091)
Conversion of Class B Common Stock into Common Stock		12	(12)						---
Incentive plan transactions				(1,033)					(1,033)
Exercise of stock options				(5,902)			14,265		8,363
Employee stock ownership trust transactions				129	798				927
Balance as of April 5, 1998	---	149,497	30,453	27,046	(27,943)	2,022,422	(1,253,596)	(42,818)	905,061
Comprehensive income									
Net income						47,965			47,965
Other comprehensive income:									
Foreign currency translation adjustments								(7,216)	(7,216)
Comprehensive income									40,749
Dividends:									
Common Stock, $.22 per share						(24,789)			(24,789)
Class B Common Stock, $.20 per share						(6,091)			(6,091)
Exercise of stock options				1,250			(5,545)		(4,295)
Employee stock ownership trust transactions				125	799				924
Balance as of July 5, 1998	---	149,497	30,453	28,421	(27,144)	2,039,507	(1,259,141)	(50,034)	911,559
Comprehensive income									
Net income						107,533			107,533
Other comprehensive income:									
Foreign currency translation adjustments								(12,941)	(12,941)
Comprehensive income									94,592
Dividends:									
Common Stock, $.24 per share						(27,021)			(27,021)
Class B Common Stock, $.2175 per share						(6,624)			(6,624)
Conversion of Class B Common Stock into Common Stock		6	(6)						---
Exercise of stock options				495			2,994		3,489
Employee stock ownership trust transactions				121	798				919
Repurchase of Common Stock							(9,874)		(9,874)

Balance as of October 4, 1998	$---	$149,503	$30,447	$29,037	$(26,346)	$2,113,395	$(1,266,021)	$(62,975)	$967,040

The accompanying notes are an integral part of these statements.

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 1998 presentation. Operating results for the three months and year-to-date ended October 4, 1998, are not necessarily indicative of the results that may be expected for the year ending December 31, 1998. For more information, refer to the consolidated financial statements and footnotes included in the Corporation's 1997 Annual Report on Form 10-K.

2. COMPREHENSIVE INCOME

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (FAS No. 130). Under FAS No. 130, standards are established for reporting and display of comprehensive income and its components in financial statements. Comprehensive income is reported in the Consolidated Statements of Stockholder's Equity. Other comprehensive income represents foreign currency translation adjustments.

3. INTEREST EXPENSE

Interest expense, net consisted of the following:

	For the Nine Months Ended	
	October 4, 1998	September 28, 1997
	(in thousands of dollars)	
Interest expense	$ 70,238	$ 55,809
Interest income	(2,302)	(2,262)
Capitalized interest	(1,795)	(1,456)
Interest expense, net	$ 66,141	$ 52,091

4. NET INCOME PER SHARE

A total of 36,841,187 shares were held as Treasury Stock as of October 4, 1998.

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 October 4, 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	$ 107,533	143,438,495	$.75
Effect of Dilutive Securities			
Stock options	-	1,900,602	
Performance stock units	-	87,958	
Restricted stock units	-	7,397	
Net Income per Share - Diluted			
Net income and assumed conversions	$ 107,533	145,434,452	$.74

For the Three Months Ended September 28, 1997	Income (Numerator)	Shares (Denominator)	Per-Share Amount
In thousands of dollars except shares and per share amounts			
Net Income per Share - Basic			
Net income	$ 100,673	147,454,003	$.68
Effect of Dilutive Securities			
Stock options	-	1,842,340	
Performance stock units	-	114,829	
Restricted stock units	-	4,532	
Net Income per Share - Diluted			
Net income and assumed conversions	$ 100,673	149,415,704	$.67

For the Nine Months Ended October 4, 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	$ 230,931	143,440,288	$1.61
Effect of Dilutive Securities			
Stock options	-	2,028,319	
Performance stock units	-	88,219	
Restricted stock units	-	7,419	
Net Income per Share - Diluted			
Net income and assumed conversions	$ 230,931	145,564,245	$1.59

For the Nine Months Ended September 28, 1997	Income (Numerator)	Shares (Denominator)	Per-Share Amount
In thousands of dollars except shares and per share amounts			
Net Income per Share - Basic			
Net income	$ 220,131	151,230,300	$1.46
Effect of Dilutive Securities			
Stock options	-	1,714,359	
Performance stock units	-	114,095	
Restricted stock units	-	4,303	
Net Income per Share - Diluted			
Net income and assumed conversions	$ 220,131	153,063,057	$1.44

5. 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:

	October 4, 1998	December 31, 1997
	(in thousands of dollars)	
Raw materials	$ 203,803	$ 223,702
Goods in process	40,765	36,015
Finished goods	435,123	334,639
Inventories at FIFO	679,691	594,356
Adjustment to LIFO	(106,747)	(88,831)
Total inventories	$ 572,944	$ 505,525

6. LONG-TERM DEBT

In March 1997, the Corporation issued $150 million of 6.95% Notes due 2007 (6.95% Notes) under the November 1993 Form S-3 Registration Statement. Proceeds from the debt issuance were used to repay a portion of the commercial paper borrowings associated with the acquisition of the Leaf North America confectionery operations (Leaf) in December 1996.

In August 1997, the Corporation filed another Form S-3 Registration Statement under which it could offer, on a delayed or continuous basis, up to $500 million of additional debt securities. Also in August 1997, the Corporation issued $150 million of 6.95% Notes due 2012 (Notes) and $250 million of 7.2% Debentures due 2027 (Debentures) under the November 1993 and August 1997 Registration Statements. Proceeds from the debt issuance were used to repay short-term borrowings associated with the purchase of Common Stock from the Hershey Trust Company, as Trustee for the benefit of Milton Hershey School (Milton Hershey School Trust). As of October 4, 1998, $250 million of debt securities remained available for issuance under the August 1997 Registration Statement. As of October 4, 1998 and December 31, 1997, $150.0 million of commercial paper borrowings were reclassified as long-term debt in accordance with the Corporation's intent and ability to refinance such obligations on a long-term basis.

7. FINANCIAL INSTRUMENTS

The carrying amounts of financial instruments including cash and cash equivalents, accounts receivable, accounts payable and short-term debt, including $150.0 million of commercial paper borrowings reclassified as long-term debt, approximated fair value as of October 4, 1998 and December 31, 1997, because of the relatively short maturity of these instruments. The carrying value of long-term debt, including the current portion, was $879.1 million as of October 4, 1998, compared to a fair value of $999.0 million, based on quoted market prices for the same or similar debt issues.

As of October 4, 1998, the Corporation had foreign exchange forward contracts maturing in 1998 and 1999 to purchase $23.3 million in foreign currency, primarily British sterling and Dutch gilders, and to sell $11.1 million in foreign currency, primarily Japanese yen and Canadian dollars, at contracted forward rates.

To hedge foreign currency exposure related to anticipated transactions associated with the purchase of certain raw materials and finished goods, generally covering 3 to 24 months, the Corporation, from time to time, also purchases foreign exchange options which permit, but do not require, the Corporation to exchange foreign currencies at a future date with another party at a contracted exchange rate. As of December 31, 1997, the Corporation had purchased foreign exchange options of $3.6 million, related to Swiss francs. These options matured in early 1998 and no foreign exchange options were outstanding as of October 4, 1998.

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 October 4, 1998, 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 October 4, 1998, the Corporation had agreements outstanding with an aggregate notional amount of $75.0 million, with maturities through 1999. As of October 4, 1998, interest rates payable were at a weighted average fixed rate of 6.3%, and the interest rate receivable was floating based on the 30-day commercial paper composite rate which was 5.6% as of October 4, 1998. Any interest rate differential on interest rate swaps is recognized as an adjustment to interest expense over the term of each agreement. As of October 4, 1998, 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.

8. 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 (FAS No. 133). FAS 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. FAS 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.

FAS No. 133 is effective for fiscal years beginning after June 15, 1999, but may be implemented as of the beginning of any fiscal quarter after issuance. Retroactive application is not permitted. FAS 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, but are not limited to, commodity futures and options contracts, foreign exchange forward and options contracts and interest rate swaps.

The Corporation anticipates the adoption of FAS No. 133 as of January 1, 2000, and is presently analyzing methods for implementing and complying with this complex pronouncement. As of October 4, 1998, the Corporation had not quantified the impact of adopting FAS No. 133. However, the implementation of FAS No. 133 could increase volatility in earnings and other comprehensive income.

RESULTS OF OPERATIONS - THIRD QUARTER 1998 VS. THIRD QUARTER 1997

Consolidated net sales for the third quarter increased from $1,151.6 million in 1997 to $1,217.2 million in 1998, an increase of 6% from the prior year. The higher sales primarily reflected incremental sales from the introduction of new confectionery products and higher sales of core confectionery and grocery products. These increases were offset somewhat by the impact of currency exchange rates in the Canadian and Mexican markets, lower sales of core pasta products and sales declines in international markets, particularly Asia.

The consolidated gross margin increased from 41.6% in 1997 to 42.0% in 1998. The increase was primarily due to manufacturing efficiencies and the impact of reduced costs associated with aged and obsolete inventories of seasonal products and products sold in conjunction with special theme promotions. These increases were partially offset by higher costs for certain major raw materials, primarily milk and cocoa. Selling, marketing and administrative expenses increased by 7%, primarily reflecting higher marketing expenses for existing products and increased spending associated with the introduction of new products.

Net interest expense in the third quarter of 1998 was $2.1 million above the comparable period of 1997 primarily as a result of increased borrowings associated with the purchase of Common Stock from the Milton Hershey School Trust, offset somewhat by lower interest expense reflecting reduced average short-term borrowings.

The third quarter effective income tax rate decreased from 39.3% in 1997 to 39.0% in 1998 primarily as a result of changes in the mix of the Corporation's income among various tax jurisdictions.

RESULTS OF OPERATIONS - FIRST NINE MONTHS 1998 VS. FIRST NINE MONTHS 1997

Consolidated net sales for the first nine months of 1998 increased by $135.9 million or 4% primarily as a result of incremental sales from the introduction of new confectionery products and increased sales of core confectionery and grocery products. These increases were offset somewhat by a decline in sales in the Corporation's Asian and Russian markets and the impact of currency exchange rates in the Canadian and Mexican markets.

The consolidated gross margin decreased from 41.4% in 1997 to 41.1% in 1998. The decrease was primarily due to lower profitability resulting from higher costs for certain major raw materials, primarily milk and cocoa, labor and overhead, in addition to the mix of non-chocolate and chocolate confectionery items sold in 1998 compared to 1997. These cost increases were partially offset by improved manufacturing efficiencies associated primarily with production of the acquired Leaf brands and lower costs for packaging and certain minor raw materials. Selling, marketing and administrative expenses were 2% higher than 1997, as higher marketing expenses associated with the introduction of new products were partially offset by reduced marketing expenses for existing brands and lower selling expenses in international markets.

Net interest expense was $14.1 million above prior year, primarily as a result of increased borrowings associated with the purchase of Common Stock from the Milton Hershey School Trust, partially offset by lower interest expense reflecting reduced average short-term borrowings.

The effective income tax rate decreased from 39.3% in 1997 to 39.0% in 1998 primarily due to changes in the mix of the Corporation's income among various tax jurisdictions.

FINANCIAL CONDITION

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 nine months of 1998, the Corporation's cash and cash equivalents decreased by $14.1 million. Cash and cash equivalents on hand at the beginning of the period, cash provided from operations and short-term borrowings were sufficient to finance capital and capitalized software additions of $147.2 million, pay cash dividends of $95.4 million and to repay $25.1 million of long-term debt.

The ratio of current assets to current liabilities was 1.4:1 as of October 4, 1998, and 1.3:1 as of December 31, 1997. 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 58% as of October 4, 1998, and 60% as of December 31, 1997.

As of October 4, 1998, the Corporation maintained a committed credit facility agreement with a syndicate of banks in the amount of $600 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 $20 million as of October 4, 1998 and December 31, 1997.

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 October 4, 1998, $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 October 4, 1998, the Corporation's principal capital commitments included manufacturing capacity expansion and modernization. The Corporation anticipates that capital expenditures will be in the range of $165 million to $200 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.

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 October 4, 1998. 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 declined from $9.6 million as of December 31, 1997, to $7.6 million as of October 4, 1998. Market risk represents 10% of the estimated average fair value of net commodity positions at four dates prior to the end of each period. The decrease in average market risk was primarily related to changes in the excess of futures contracts held over unpriced physical forward contracts in 1998 compared to 1997.

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 of year 2000 issues regarding major business applications software and other significant IT systems began in 1990. A formal program to assess and address year 2000 issues associated with IT systems was established in late 1995. The Corporation expects that remediation of these systems will be essentially completed by the third quarter of 1999. 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.

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 which is expected to enable 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. The system is year 2000 compliant and will address year 2000 issues for approximately 80% of the Corporation's business applications software. As of October 4, 1998, configuration of this system was approximately 60% complete, with full implementation expected by the third quarter of 1999. Total commitments for this system are expected to be in the range of $80 million to $90 million which will be financed with cash provided from operations and short-term borrowings. As of October 4, 1998, approximately $48.8 million of capitalized software and hardware and $5.5 million of expenses have been incurred for this project.

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, as well as non-IT systems. As of October 4, 1998, remediation of IT systems was approximately 75% complete and approximately 85% of non-IT systems were determined to be year 2000 compliant or have been remediated. The total cost to complete remediation of IT and non-IT systems 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 third party business partners. All of the Corporation's major customers have been contacted regarding year 2000 issues related to electronic data interchange (EDI). As of October 4, 1998, no major customer or supplier remediation issues have been identified which would significantly impact EDI transactions. The Corporation is also in the process of contacting its major suppliers of ingredients, packaging, facilities and logistics 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 will be developed as needed and, to the extent possible, for any potential systems failures resulting from year 2000 issues.

STOCKHOLDER PROPOSALS AND NOMINATIONS

The 1999 Annual Meeting of Stockholders will be held on April 27, 1999. To be eligible for inclusion in the Corporation's Proxy Statement for the 1999 Annual Meeting of Stockholders, stockholder proposals must be received by the Corporation by November 16, 1998.

In accordance with the Corporation's By-Laws, stockholders (other than those holding 25% of the outstanding votes entitled to be cast) who do not submit proposals for inclusion in the Proxy Statement but who intend to present a proposal, nomination for director or other business for consideration at any meeting of stockholders, including any Annual Meeting, are required to notify the Secretary of the Corporation of their proposal or nomination and provide other information in advance of such meeting. Stockholders interested in making proposals at the 1999 Annual Meeting should submit their name and address, their shareholdings, a brief description of the proposal, and any financial or other interest they have in such proposal to the Corporation no later than February 27, 1999.

In addition, the Corporation's By-Laws require that a stockholder wishing to make a nomination for director at the 1999 Annual Meeting, who does not submit the nomination for inclusion in the Proxy Statement for such meeting, must submit the following information to the Corporation no later than February 27, 1999: name and address, a representation that the stockholder is a holder of record and intends to attend such meeting, a description of any arrangement between the stockholder and the individual planned to be nominated, the nominee's name, address and biographical information, and the consent of the nominee.

All notices for stockholder proposals and director nominations should be sent to the attention of the Secretary of the Corporation at 100 Crystal A Drive, Hershey, Pennsylvania 17033-0810.

SUBSEQUENT EVENT

On November 9, 1998, the Corporation announced that it is exploring the possible sale of its U.S. Pasta business and that Goldman, Sachs & Co. has been engaged to assist in this process.

SAFE HARBOR STATEMENT

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. Forward looking statements contained in this document include, but are not limited to Year 2000 issues (particularly with regard to the Corporation's business partners and suppliers), the impact of the use of derivative instruments, the amount of future capital expenditures and the possible uses of proceeds from any future borrowings under the Corporation's currently effective credit facility or August 1997 Registration Statement. Factors which could cause results to differ include, but are not limited to: changes in the confectionery and pasta 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.

PART II

Items 1 through 5 have been omitted as not applicable.

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 nine months ended October 4, 1998 and September 28, 1997.

Exhibit 27 - Financial Data Schedule for the period ended October 4, 1998 (required for electronic filing only).

Exhibit 99 - Press release announcing that the Corporation is exploring the possible sale of its U.S. Pasta business and that Goldman, Sachs & Co. has been engaged to assist in this process.

b) REPORTS ON FORM 8-K

A report on Form 8-K was filed July 10, 1998 announcing that the Corporation's earnings for the second quarter of 1998 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 November 12, 1998

/s/ William F. Christ

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

Date November 12, 1998

/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 October 4, 1998 (required for electronic filing only)

Exhibit 99 - Press release announcing that the Corporation is exploring the possible sale of its U.S. Pasta business and that Goldman, Sachs & Co. has been engaged to assist in this process.

EXHIBIT 12

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

	For the Nine Months Ended	
	October 4, 1998	September 28, 1997
Earnings:		
Income before income taxes	$ 378,574	$ 362,656
Add (deduct):		
Interest on indebtedness	68,443	54,353
Portion of rents representative of the interest factor (a)	9,265	8,733
Amortization of debt expense	340	257
Amortization of capitalized interest	2,652	2,618
Earnings as adjusted	$ 459,274	$ 428,617
Fixed Charges:		
Interest on indebtedness	$ 68,443	$ 54,353
Portion of rents representative of the interest factor (a)	9,265	8,733
Amortization of debt expense	340	257
Capitalized interest	1,795	1,456
Total fixed charges	$ 79,843	$ 64,799
Ratio of earnings to fixed charges	5.75	6.61

NOTE:

(a) 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 OCTOBER 4, 1998 AND CONSOLIDATED STATEMENT OF INCOME FOR THE NINE MONTHS ENDED OCTOBER 4, 1998 AND IS QUALIFIED IN ITS ENTIRETY TO SUCH FINANCIAL STATEMENTS.

1,000

9-MOS
DEC-31-1998
OCT-04-1998
40,163
0
433,995
0
572,944
1,212,476
2,665,537
1,019,574
3,475,149
847,225
1,029,117
0
0
179,950
787,090
3,475,149
3,195,712
3,195,712
1,881,660
2,750,997
0
0
66,141
378,574
147,643
230,931
0
0
0
230,931
1.61
1.59

BALANCE IS NET OF RESERVES FOR DOUBTFUL ACCOUNTS AND CASH DISCOUNTS.

[LOGO OF HERSHEY FOODS CORPORATION APPEARS HERE]

HERSHEY FOODS NEWS

FOR IMMEDIATE RELEASE CONTACT: John C. Long
(717) 534-7631

November 9, 1998

EXHIBIT 99

Hershey Foods Exploring Sale of U.S. Pasta Business

Hershey, Pa. -- Hershey Foods Corporation announced today that it is exploring the possible sale of its U.S. pasta business and that Goldman, Sachs & Co. has been engaged to assist in this process.

Hershey, through its Hershey Pasta and Grocery Group, holds the number-one share position in the U.S. branded dry pasta category. Its eight regional brands include American Beauty, Ideal by San Giorgio, Light 'n Fluffy, P&R, Mrs. Weiss, Ronzoni, San Giorgio and Skinner pasta. In 1997, combined sales for Hershey's pasta business were $400 million.

"Hershey Foods has been involved in the pasta business since 1966 and today enjoys the leadership position in the U.S. branded dry pasta category. Over the years, this business has provided profitable growth and good cash flow for the corporation. After a thorough review of our strategic direction, we believe that we can generate a better return for our shareholders by focusing resources on our confectionery and related grocery and foodservice businesses," said Kenneth L. Wolfe, Chairman and Chief Executive Officer of Hershey Foods.

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