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 March 30, 1997

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 - 122,297,699 shares, as of April 28, 1997. Class B Common Stock, $1 par value - 30,470,908 shares, as of April 28, 1997.

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

	For the Three Months Ended	
	March 30, 1997	March 31, 1996
Net Sales	$ 1,002,469	$ 931,514
Costs and Expenses:		

Cost of sales	589,281	549,748
Selling, marketing and administrative	284,005	270,352
Total costs and expenses	873,286	820,100
Income before Interest and Income Taxes	129,183	111,414
Interest expense, net	15,682	12,224
Income before Income Taxes	113,501	99,190
Provision for income taxes	44,607	39,775
Net Income	$ 68,894	$ 59,415
Net Income per Share	$ .45	$ .38
Cash Dividends Paid per Share:		
Common Stock	$ .2000	$ .1800
Class B Common Stock	$ .1800	$ .1625
Average Shares Outstanding	152,838	154,627

The accompanying notes are an integral part of these statements.

HERSHEY FOODS CORPORATION
CONSOLIDATED BALANCE SHEETS
MARCH 30, 1997 AND DECEMBER 31, 1996
(in thousands of dollars)

ASSETS	1997	1996
Current Assets:		
Cash and cash equivalents	$ 77,284	$ 61,422
Accounts receivable - trade	245,651	294,606
Inventories	547,438	474,978
Deferred income taxes	98,037	94,464
Prepaid expenses and other	52,817	60,759
Total current assets	1,021,227	986,229
Property, Plant and Equipment, at cost	2,458,508	2,422,702
Less - accumulated depreciation and amortization	(854,616)	(820,807)
Net property, plant and equipment	1,603,892	1,601,895
Intangibles Resulting from Business Acquisitions	574,481	565,962
Other Assets	38,690	30,710
Total assets	$ 3,238,290	$ 3,184,796
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 122,005	$ 134,213
Accrued liabilities	355,950	357,828
Accrued income taxes	46,712	10,254
Short-term debt	276,158	299,469
Current portion of long-term debt	40,508	15,510
Total current liabilities	841,333	817,274
Long-term Debt	629,856	655,289
Other Long-term Liabilities	328,630	327,209
Deferred Income Taxes	249,134	224,003
Total liabilities	2,048,953	2,023,775
Stockholders' Equity:		
Preferred Stock, shares issued: none in 1997 and 1996	---	---
Common Stock, shares issued: 149,479,964 in 1997 and 149,471,964 in 1996	149,479	149,472
Class B Common Stock, shares issued: 30,470,908 in 1997 and 30,478,908 in 1996	30,471	30,478
Additional paid-in capital	39,099	42,432
Cumulative foreign currency translation adjustments	(34,162)	(32,875)
Unearned ESOP compensation	(31,136)	(31,935)
Retained earnings	1,802,086	1,763,144
Treasury-Common Stock shares at cost: 27,153,165 in 1997 and 27,009,316 in 1996	(766,500)	(759,695)
Total stockholders' equity	1,189,337	1,161,021
Total liabilities and stockholders' equity	$ 3,238,290	$ 3,184,796

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 Three Months Ended	
	March 30, 1997	March 31, 1996
Cash Flows Provided from (Used by) Operating Activities		
Net Income	$ 68,894	$ 59,415
Adjustments to Reconcile Net Income to Net Cash Provided from Operations:		
Depreciation and amortization	40,124	33,109
Deferred income taxes	21,558	5,230
Changes in assets and liabilities, net of effects from business acquisitions and divestitures:		
Accounts receivable - trade	48,955	86,852
Inventories	(72,460)	(49,686)
Accounts payable	(12,208)	(5,190)
Other assets and liabilities	39,594	(7,968)
Other, net	594	301
Net Cash Flows Provided from Operating Activities	135,051	122,063
Cash Flows Provided from (Used by) Investing Activities		
Capital additions	(38,017)	(36,017)
Proceeds from divestitures	---	15,852
Other, net	(13,181)	2,872
Net Cash Flows (Used by) Investing Activities	(51,198)	(17,293)
Cash Flows Provided from (Used by) Financing Activities		
Net (decrease) increase in short-term debt	(173,311)	(42,150)
Long-term borrowings	150,000	---
Repayment of long-term debt	(46)	(1,311)
Cash dividends paid	(29,952)	(27,307)
Exercise of stock options	4,104	9,578
Incentive plan transactions	(11,923)	(13,707)
Repurchase of Common Stock	(6,863)	(2,283)
Net Cash Flows (Used by) Financing Activities	(67,991)	(77,180)
Increase in Cash and Cash Equivalents	15,862	27,590
Cash and Cash Equivalents, beginning of period	61,422	32,346
Cash and Cash Equivalents, end of period	$ 77,284	$ 59,936
Interest Paid	$ 12,038	$ 9,441
Income Taxes Paid	$ 12,592	$ 10,023

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. Operating results for the three months ended March 30, 1997, are not necessarily indicative of the results that may be expected for the year ending December 31, 1997. For more information, refer to the consolidated financial statements and footnotes included in the Corporation's 1996 Annual Report on Form 10-K.

2. INTEREST EXPENSE

Interest expense, net consisted of the following:

	For the Three Months Ended	
	March 30, 1997	March 31, 1996
	(in thousands of dollars)	
Interest expense	$ 16,918	$ 13,871
Interest income	(1,068)	(892)
Capitalized interest	(168)	(755)
Interest expense, net	$ 15,682	$ 12,224

3. STOCK SPLIT

In August 1996, the Corporation's Board of Directors declared a two-for-one split of the Common Stock and Class B Common Stock effective September 13, 1996, to stockholders of record August 23, 1996. The split was effected as a stock dividend by distributing one additional share for each share held. Unless otherwise indicated, all shares and per share information have been restated to reflect the stock split.

4. NET INCOME PER SHARE

Income per share has been computed based on the weighted average number of shares of the Common Stock and the Class B Common Stock outstanding during each period. A total of 143,849 shares of Common Stock was repurchased during the first quarter of 1997 under the share repurchase program begun in 1996. A total of 27,153,165 shares were held as Treasury Stock as of March 30, 1997.

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:

	March 30, 1997	December 31, 1996
	(in thousands of dollars)	
Raw materials	$ 272,814	$ 204,419
Goods in process	35,726	31,444
Finished goods	320,472	316,726
Inventories at FIFO	629,012	552,589
Adjustment to LIFO	(81,574)	(77,611)
Total inventories	$ 547,438	$ 474,978

6. ACQUISITIONS AND DIVESTITURES

In January 1996, the Corporation completed the sale of the assets of Hershey Canada Inc.'s PLANTERS nut and LIFE SAVERS and BREATH SAVERS hard candy, and BEECH-NUT cough drops businesses to Johnvince Foods group and Beta Brands Inc., respectively.

In December 1996, the Corporation acquired from an affiliate of Huhtamaki Oy (Huhtamaki), Huhtamaki's Leaf North America (Leaf) confectionery operations and sold to Huhtamaki the outstanding shares of Gubor Holding GmbH (Gubor) and Sperlari, S.r.l. (Sperlari). For further information, refer to the Corporation's 1996 Annual Report on Form 10-K.

7. LONG-TERM DEBT

In March 1997, the Corporation issued $150 million of 6.95% Notes due 2007 (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 Leaf acquisition. As of March 30, 1997 and December 31, 1996, $150.0 million and $300.0 million, respectively, 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.

8. 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 March 30, 1997, because of the relatively short maturity of these instruments. The carrying value of long-term debt, including the current portion, also approximated fair value as of March 30, 1997, based upon quoted market prices, as of those dates, for the same or similar debt issues.

As of March 30, 1997, the Corporation had foreign exchange forward contracts maturing in 1997 and 1998 to purchase $21.6 million in foreign currency, primarily British sterling, German marks and Swiss francs, and to sell $25.4 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 March 30, 1997, the fair value of foreign exchange forward contracts approximated carrying 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 March 30, 1997 and March 31, 1996, the Corporation had agreements outstanding with an aggregate notional amount of $250.0 million and $200.0 million with maturities through 1999 and

1997, respectively. As of March 30, 1997 and March 31, 1996, interest rates payable were at weighted average fixed rates of 6.1% and 5.6%, respectively, and interest rates receivable were floating based on 30-day commercial paper composite rates. Any interest rate differential on interest rate swaps is recognized as an adjustment to interest expense during the period. The Corporation's risk related to swap agreements is limited to the cost of replacing such agreements at current market rates.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Results of Operations - First Quarter 1997 vs. First Quarter 1996

Consolidated net sales for the first quarter rose from $931.5 million in 1996 to $1,002.5 million in 1997, an increase of 8% from the prior year. The higher sales primarily reflected incremental sales from the Leaf acquisition and from the introduction of new confectionery products. These increases were offset somewhat by lower sales resulting from the divestitures of the Gubor and Sperlari businesses in December 1996 and a decline in sales of pasta and grocery products.

The consolidated gross margin increased from 41.0% in 1996 to 41.2% in 1997. The increase reflected the impact of confectionery selling price increases, improved manufacturing efficiencies and the favorable impact of the divestitures of the Gubor and Sperlari businesses. These favorable variances were partially offset by the lower margin associated with the recently acquired Leaf business and increases in manufacturing costs. Selling, marketing and administrative expenses increased by 5%, due to increased marketing expenses associated with the introduction of new products.

Net interest expense in the first quarter of 1997 was $3.5 million above the comparable period of 1996 primarily as a result of increased borrowings associated with the Leaf acquisition.

The first quarter effective income tax rate decreased from 40.1% in 1996 to 39.3% in 1997 primarily due to changes in the geographic mix of the Corporation's income.

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 three months of 1997, the Corporation's cash and cash equivalents increased by $15.9 million. Cash provided from operations and long-term borrowings was sufficient to repay $173.3 million of short-term borrowings, finance capital additions of $38.0 million and pay cash dividends of $30.0 million.

The ratio of current assets to current liabilities was 1.2:1 as of March 30, 1997 and December 31, 1996. 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 44% as of March 30, 1997, and 46% as of December 31, 1996.

As of March 30, 1997, the Corporation could borrow up to $600 million under its committed credit facility agreements with options to increase borrowings by $1.0 billion. As of March 30, 1997, and March 31, 1996, the Corporation also had lines of credit with domestic and international commercial banks in the amount of approximately $20 million and $100 million, respectively, which could be borrowed directly or used to support the issuance of commercial paper.

In March 1997, the Corporation issued $150 million of Notes under a November 1993 Registration Statement. As of March 30, 1997, $150 million of debt securities remained available for issuance under the Registration Statement. Proceeds from any offering of the $150 million of debt securities available under the shelf registration may be used for general corporate requirements including, reducing existing commercial paper borrowings, financing capital additions, and funding future business acquisitions and working capital requirements.

As of March 30, 1997, the Corporation's principal capital commitments included manufacturing capacity expansion and modernization. The Corporation anticipates that capital expenditures will be in the range of $175 million to $225 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.

Recent Pronouncements of the Financial Accounting Standards Board

In February 1997, the Financial Accounting Standards Board issued Financial Accounting Standards No. 128, Earnings Per share (FAS 128). FAS 128 specifies the computation, presentation, and disclosure requirements for earnings per share and is effective for periods ending after December 15, 1997. Adoption of this accounting standard is not expected to have a material effect on the earnings per share computations of the Corporation.

PART II

Items 1 through 3 and 5 have been omitted as not applicable.

Item 4 - Submission of Matters to a Vote of Security Holders

Hershey Foods Corporation's Annual Meeting of Stockholders was held on April 29, 1997. The following directors were elected by the holders of Common Stock and Class B Common Stock, voting together without regard to class:

Name	Votes For	Votes Withheld
William H. Alexander	412,621,515	503,779
Robert H. Campbell	412,658,524	466,770
C. McCollister Evarts	412,518,401	606,893
Bonnie Guiton Hill	412,627,327	497,967
John C. Jamison	412,678,171	447,123
John M. Pietruski	412,585,063	540,231
Joseph P. Viviano	412,653,635	471,659
Kenneth L. Wolfe	412,771,455	353,839

The following directors were elected by the holders of the Common Stock voting as a class:

Name	Votes For	Votes Withheld
Mackey J. McDonald	97,451,439	12,610,435
Vincent A. Sarni	109,599,177	462,697

Holders of the Common Stock and the Class B Common Stock voting together approved the Key Employee Incentive Plan, as amended. Stockholders cast 391,503,659 votes FOR the approval, 6,825,539 votes AGAINST the approval and ABSTAINED from casting 1,049,984 votes on the approval of the Key Employee Incentive Plan, as amended.

Holders of the Common Stock and the Class B Common Stock voting together approved the appointment of Arthur Andersen LLP as the independent public accountants for 1997. Stockholders cast 412,381,055 votes FOR the appointment, 387,713 votes AGAINST the appointment and ABSTAINED from casting 356,526 votes on the appointment of accountants.

No other matters were submitted for stockholder action.

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 quarters ended March 30, 1997 and March 31, 1996.

Exhibit 27 - Financial Data Schedule for the period ended March 30, 1997 (required for electronic filing only).

b) **Reports on Form 8-K**

A report on Form 8-K was filed January 10, 1997, announcing that the Corporation completed the acquisition of the Leaf North America confectionery operations of Huhtamaki Oy (Huhtamaki) on December 30, 1996. The Corporation also completed the sale of its European operations, Gubor Holding GmbH and Sperlari, S.r.l. to Huhtamaki on that date.

A report on Form 8-K was filed February 26, 1997, announcing that the Corporation, as part of the acquisition of the Leaf North America business, entered into a Trademark and Technology license with Huhtamaki giving Hershey the right to manufacture, market and distribute products under certain Huhtamaki trademarks in North, Central and South America.

A report on Form 8-K was filed March 4, 1997, announcing the Corporation's financial results for the year ended December 31, 1996.

A report on Form 8-K was filed March 7, 1997, announcing that the Corporation entered into a Pricing Agreement concerning the issuance and sale of $150 million of 6.95% Notes due March 1, 2007.

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 May 7, 1997

/s/ William F. Christ

William F. Christ
Senior Vice President and
Chief Financial Officer

Date May 7, 1997

/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 March 30, 1997 (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 Three Months Ended March 30, 1997	March 31, 1996
Earnings:		
Income before income taxes	$ 113,501	$ 99,190
Add (deduct):		
Interest on indebtedness	16,750	13,116
Portion of rents representative of the interest factor (a)	2,781	1,870
Amortization of debt expense	67	56
Amortization of capitalized interest	895	832
Earnings as adjusted	$ 133,994	$ 115,064
Fixed Charges:		
Interest on indebtedness	$ 16,750	$ 13,116
Portion of rents representative of the interest factor (a)	2,781	1,870
Amortization of debt expense	67	56
Capitalized interest	168	755
Total fixed charges	$ 19,766	$ 15,797
Ratio of earnings to fixed charges	6.78	7.28

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 MARCH 30, 1997 AND CONSOLIDATED STATEMENT OF INCOME FOR THE THREE MONTHS ENDED MARCH 30, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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MAR-30-1997
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113,501
44,607
68,894
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BALANCE IS NET OF RESERVES FOR DOUBTFUL ACCOUNTS AND CASH DISCOUNTS.