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

(Mark One)
(X) Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (Fee Required)
For the fiscal year ended December 31, 1993
OR
( ) Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (No Fee Required)
For the transition period from ..... to .....

Registrant, State of Incorporation,
Address and Telephone Number
Hershey Foods Corporation

Commission File No.		I.R.S. Employer Identification No.
1-183	(a Delaware Corporation) 100 Crystal A Drive Hershey, Pennsylvania 17033 (717) 534-6799	23-0691590

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered:
Common Stock, one dollar par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
Class B Common Stock, one dollar par value
(Title of class)

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 by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. (X)

State the aggregate market value of the voting stock held by non-affiliates of the Registrant as of a specified date within 60 days prior to the date of filing.

Common Stock, one dollar par value - $2,591,310,046, as of March 1, 1994.

Class B Common Stock, one dollar par value - $4,622,517, as of March 1, 1994. While the Class B Common Stock is not listed for public trading on any exchange or market system, shares of that class are convertible into shares of Common Stock at any time on a share-for-share basis. The market value indicated is calculated based on the closing price of the Common Stock on the New York Stock Exchange on March 1, 1994.

Indicate the number of shares outstanding of each of the Registrant's classes of common stock as of the latest practicable date.
Common Stock, one dollar par value - 72,113,618 shares, as of March 1, 1994.

Class B Common Stock, one dollar par value - 15,242,979 shares, as of March 1, 1994.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Corporation's 1993 Annual Report to Stockholders for the year ended December 31, 1993 are incorporated by reference into Part II and are reproduced herein as Exhibit 13. Portions of the Proxy Statement for the Corporation's 1994 Annual Meeting of Stockholders are incorporated by reference into Part III.

PART I

Item 1.BUSINESS

Hershey Foods Corporation and its subsidiaries (the "Corporation") are engaged in the manufacture, distribution and sale of consumer food products. The Corporation, primarily through its Hershey Chocolate U.S.A., Hershey Grocery, Hershey International and Hershey Pasta Group divisions and its subsidiary Hershey Canada Inc., produces and distributes a broad line of chocolate, confectionery, grocery and pasta products.

The Corporation was organized under the laws of the State of Delaware on October 24, 1927, as a successor to a business founded in 1894 by Milton S. Hershey.

In March 1993, the Corporation purchased certain assets of three Cleveland, Ohio area pasta companies: Ideal Macaroni Company, Il Pranzo D'oro Corporazoine, Inc. and Weiss Noodle Company. In September 1993, the Corporation purchased all of the shares of Sperlari, S.r.l. from Heinz Italia S.p.A. Sperlari manufactures, markets, sells, and distributes a wide range of confectionery products in Italy, including sugar candies and nougat. In October 1993, the Corporation purchased all of the outstanding shares of Overspecht B.V. Through its subsidiaries, this company manufactures and sells chocolate and non-chocolate confectionery products, cookies, biscuits, and ice cream primarily in the Netherlands and Belgium.

The Corporation's principal product groups include: chocolate and confectionery products sold in the form of bar goods, bagged items, boxed items, and throat drops; grocery products in the form of baking ingredients, chocolate drink mixes, peanut butter, dessert toppings, and beverages; pasta products sold in a variety of different shapes, sizes and packages; and refrigerated puddings. The Corporation believes it is a major factor in these product groups in North America. Operating profit margins vary considerably among individual products and brands. Generally, such margins on chocolate and confectionery products are greater than those on pasta and other food products.

The Corporation manufactures chocolate and confectionery products in a variety of packaged forms and markets them under more than 50 brands. The different packaged forms include various arrangements of the same bar products, such as boxes, trays and bags, as well as a variety of different sizes and weights of the same bar product, such as snack size, standard, king size, large and giant bars. Among the principal chocolate and confectionery products in the United States are: HERSHEY'S COOKIES 'N' MINT chocolate bars, HERSHEY'S HUGS chocolates, HERSHEY'S HUGS WITH ALMONDS chocolates, HERSHEY'S KISSES chocolates, HERSHEY'S KISSES WITH ALMONDS chocolates, HERSHEY'S milk chocolate bars, HERSHEY'S milk chocolate bars with almonds, HERSHEY'S MINIATURES chocolate bars, AMAZIN' FRUIT gummy bears fruit candy, BAR NONE candy bars, CADBURY'S CREME EGGS candy, CARAMELLO candy bars, KIT KAT wafer bars, LUDEN'S throat drops, MR. GOODBAR milk chocolate bars with peanuts, PETER PAUL ALMOND JOY candy bars, PETER PAUL MOUNDS candy bars, REESE'S crunchy peanut butter cups, REESE'S peanut butter cups, REESE'S PIECES candies, ROLO caramels in milk chocolate, SKOR toffee bars, SYMPHONY milk chocolate bars, WHATCHAMACALLIT candy bars, Y&S TWIZZLERS licorice-type candy, YORK peppermint pattie candy, and 5TH AVENUE candy bars.

The Corporation also markets a line of grocery products in the baking, beverage, peanut butter, puddings and toppings categories. Principal products include HERSHEY'S baking chocolate, HERSHEY'S baking chips, HERSHEY'S chocolate drink, HERSHEY'S chocolate milk mix, HERSHEY'S cocoa, HERSHEY'S CHOCOLATE SHOPPE toppings, HERSHEY'S syrup, REESE'S peanut butter and REESE'S peanut butter chips. Refrigerated HERSHEY'S chocolate bar flavor puddings are available throughout the United States. HERSHEY'S chocolate milk is produced and sold under license by approximately 25 independent dairies throughout the United States, using a chocolate milk mix manufactured by the Corporation.

Principal products in Canada include CHIPITS chocolate chips, GLOSETTE chocolate-covered raisins, peanuts and almonds, LIFE SAVERS candy, OH HENRY! candy bars, PLANTERS peanuts, POT OF GOLD boxed chocolates, REESE PEANUT BUTTER CUPS candy, and Y&S TWIZZLERS licorice-type candy.

The Corporation's chocolate, confectionery and grocery products are sold primarily to grocery wholesalers, chain grocery stores, candy distributors, mass merchandisers, chain drug stores, vending companies, wholesale clubs, convenience stores, concessionaires and food distributors by full-time sales representatives, food brokers and part-time retail sales merchandisers throughout the United States and Canada. The Corporation also manufactures, imports, markets, sells and distributes chocolate products in Mexico under the HERSHEY'S brand name. These products are sold through chain grocery stores, food distributors, and wholesale clubs. The Corporation believes its chocolate and confectionery products are sold in over 2 million retail outlets in North America. Selected products in Canada are sold through a network of independent brokers.

The Corporation manufactures, markets, sells and distributes high-quality assorted pralines and seasonal chocolate products in Germany under the GUBOR brand name which are sold directly to retailers. Additionally, the Corporation imports, markets, sells and distributes selected HERSHEY'S chocolate and confectionery products in the Japanese market. In Italy, the Corporation manufactures, markets, sells, and distributes various confectionery and nougat products under several brand names including SPERLARI, DONDI, SCARAMELLINI, FRESH CLUB, SPRINT, GALATINE, and GNAMMY. In the Netherlands and Belgium, the Corporation manufactures and sells chocolate and confectionery products, cookies, biscuits, and ice cream. These products are sold primarily under private labels, but products are also marketed and sold under the WIVER and JAMIN brand names.

The Corporation manufactures and sells quality pasta products throughout the United States. The Corporation markets its products on a regional basis under several brand names, including AMERICAN BEAUTY, LIGHT 'N FLUFFY, P&R, RONZONI, SAN GIORGIO, and SKINNER, as well as certain private labels. These products are sold through chain grocery stores, grocery wholesalers, wholesale clubs, convenience stores and food distributors.

The Corporation's marketing strategy for its products is based upon the consistently superior quality of its products, mass distribution and the best possible consumer value in terms of price and weight. In addition, the Corporation devotes considerable resources to the identification, development, testing, manufacturing and marketing of new products. The Corporation utilizes a variety of promotional programs for customers and advertising and promotional programs for consumers. The Corporation employs promotional programs at various times during certain seasons of the year to stimulate sales of certain products. Chocolate, confectionery and grocery seasonal and holiday related sales have typically been highest during the third and fourth quarters of the year.

The Corporation recognizes that the mass distribution of its consumer food products is an important element in maintaining sales growth and providing service to its customers. The Corporation attempts to meet the changing demands of its customers by planning optimum stock levels and reasonable delivery times consistent with achievement of economies of distribution. To achieve these objectives, the Corporation has developed a distribution network from its manufacturing plants, distribution centers and field warehouses strategically located throughout the United States, Puerto Rico, Canada and Mexico. The Corporation uses a combination of public and contract carriers to deliver its products from the distribution points to its customers. In conjunction with sales and marketing efforts, the distribution system has been instrumental in the effective promotion of new, as well as established, products on both national and regional scales.

From time to time the Corporation has changed the prices and weights of its consumer food products to accommodate changes in the cost of manufacturing, including the cost of raw materials; the competitive environment; and profit objectives, while at the same time maintaining consumer value. The Corporation changes the weight on portions of its standard bar line periodically, and selected weight changes were made in 1993. As a result of higher semolina costs, the Corporation implemented a price increase averaging 3.5% in November 1993 on its pasta products and announced a curtailment of certain promotional allowances effective February 1994.

The most significant raw material used in the production of the Corporation's chocolate and confectionery products is cocoa beans. This commodity is imported principally from West African, South American and Far Eastern equatorial regions. West Africa accounts for approximately 60% of the world's crop. Cocoa beans are not uniform, and the various grades and varieties reflect the diverse agricultural practices and natural conditions found in the many growing areas. The Corporation buys a mix of cocoa beans to meet its manufacturing objectives. It attempts to minimize the effect of cocoa bean price fluctuations by the forward purchasing, from time to time, of substantial quantities of cocoa beans, chocolate liquor and cocoa butter, and by the purchase and sale of cocoa futures and options contracts.

The table below sets forth annual cocoa prices for each of the calendar years indicated. The prices are the monthly average of the quotations at noon of the three active futures trading contracts closest to maturity on the New York Coffee, Sugar and Cocoa Exchange. Because of the Corporation's forward purchasing practices and premium prices paid for certain varieties of cocoa beans, these average futures contract prices are not necessarily indicative of the Corporation's average cost of cocoa beans or cocoa products.

Cocoa Futures Contract Prices
(cents per pound)

	1989	1990	1991	1992	1993
Average	54.6	55.5	52.8	47.6	47.3
High	66.8	63.5	60.0	56.2	56.7
Low	42.4	43.6	45.6	41.3	41.8

Source: International Cocoa Organization Quarterly Bulletin of Cocoa Statistics

The price of sugar, the Corporation's second most important commodity for its domestic chocolate and confectionery products, is subject to price supports under farm legislation. Due to import quotas and duties imposed to support the price of sugar established by that legislation, sugar prices paid by United States users are currently substantially higher than prices on the world sugar market. The average wholesale list price of refined sugar, F.O.B. Northeast, has remained relatively stable in a range of 28 cents to 31 cents per pound for the past ten years. The Corporation utilizes forward purchasing and other procurement practices, including, from time to time, the purchase and sale of sugar futures contracts. Therefore, the reported prices of sugar are not necessarily indicative of the Corporation's actual costs.

Other raw materials purchased in substantial quantities for domestic manufacturing purposes include milk, peanuts, and almonds. The price of milk is affected by Federal Marketing Orders and the prices of milk and peanuts are affected by price support programs administered by the United States Department of Agriculture. The Food, Agriculture, Conservation, and Trade Act of 1990, which is a five-year extension of prior farm legislation, was passed by Congress in October 1990. While this law is not substantially different from the previous farm legislation, it continues to have an impact on the price of sugar, peanuts and milk because it sets price support levels for these and other commodities.

During the first three quarters of 1993, domestic milk prices averaged well below year earlier levels, reflecting strong milk production throughout the country. As a result of the wet weather conditions in the Midwest during the summer, production in the Minnesota-Wisconsin milkshed dropped significantly below the prior year levels in the fourth quarter. For the year, milk prices were not materially different from the 1992 levels.

As a result of an excellent 1992 crop harvest, domestic market prices for peanuts were relatively stable through the first three quarters of 1993. However, prices increased modestly during the fourth quarter due to a lower than average 1993 crop harvest.

Domestic almond prices began 1993 at moderate levels but gradually increased during the first and second quarters due to very low carry-in stocks and lower than average new crop prospects. Prices rose substantially during the third and fourth quarters as the below average 1993 crop was harvested and prices finished the year at a record high.

Pasta is made from semolina milled from durum wheat, a class of hard wheat grown in the United States, principally in North Dakota. The Corporation purchases semolina from commercial millers and also is engaged in custom milling arrangements to obtain sufficient quantities of high quality semolina. A decrease in plantings and adverse weather conditions in the Midwest combined to reduce the quantity and quality of the 1993 durum wheat crop, and resulted in a substantial cost increase for this raw material. Supplies are expected to remain tight at least until the harvest of the new crop during the fall of 1994 and prices may remain at elevated levels in the interim.

The Corporation has agreements with Cadbury Beverages Inc. and affiliated companies which license the Corporation to manufacture and/or market and distribute PETER PAUL ALMOND JOY and PETER PAUL MOUNDS confectionery products worldwide as well as YORK, CADBURY and CARAMELLO confectionery products in the United States. The Corporation's rights under these agreements are extendable on a long-term basis at the Corporation's option. The license for CADBURY and CARAMELLO products is subject to a minimum sales requirement which the Corporation substantially exceeded in 1993.

The Corporation also has an agreement with Societe des Produits Nestle SA, which licenses the Corporation to manufacture and distribute in the United States the KIT KAT and ROLO confectionery products. The Corporation's rights under this agreement are extendable on a long-term basis at the Corporation's option, subject to certain conditions, including minimum unit volume sales. In 1993, minimum volume requirements were substantially exceeded.

The Corporation's products are manufactured and sold in the Philippines pursuant to a technical assistance and trademark licensing agreement. The Corporation manufactures and distributes the SKOR toffee bar in the United States and Canada under a technology license from Freia Marabou a.s of Oslo, Norway.

The Corporation has license agreements with Snow Brand Milk Products Co., Ltd. ("Snow Brand") of Sapporo, Japan. Snow Brand manufactures and sells in Japan certain beverage and ice cream products under the Corporation's trademarks. The Corporation has a Technical Assistance and Know-How and Trademark License Agreement with Hai-Tai Confectionery Co., Ltd. ("Hai-Tai") of Seoul, South Korea. Pursuant to that agreement, Hai-Tai manufactures and sells in the South Korean market certain of the Corporation's chocolate and confectionery products. The Corporation has a license agreement with Maeil Dairy Industry Co., Ltd. ("Maeil Dairy") of South Korea. Pursuant to the agreement, Maeil Dairy manufactures, sells and distributes HERSHEY'S chocolate drink and chocolate puddings in South Korea.

Competition

Many of the Corporation's brands enjoy wide consumer acceptance and are among the leading brands sold in the marketplace. However, these brands are sold in highly competitive markets and compete with many other multinational, national, regional and local firms, some of which have resources in excess of those available to the Corporation.

Trademarks

The Corporation has various registered and unregistered trademarks, service marks and licenses which are of material importance to the Corporation's business.

Backlog of Orders

The Corporation manufactures primarily for stock and fills customer orders from finished goods inventories. While at any given time there may be some backlog of orders, such backlog is not material in respect to total sales, nor are the changes from time to time significant.

Research and Development

The Corporation engages in considerable research activities which principally involve development of new products, improvement of the quality of existing products, and improvement and modernization of production processes. The Corporation also carries out development and evaluation of new processing techniques for both current and proposed product lines.

Regulation

The Corporation's domestic plants are subject to inspection by the Food and Drug Administration and various other governmental agencies, and its products must comply with regulations under the Federal Food, Drug and Cosmetic Act and with various comparable state statutes regulating the manufacturing and marketing of food products.

Environmental Considerations

In the past the Corporation has made investments based on compliance with environmental laws and regulations. Such expenditures have not been material with respect to the Corporation's capital expenditures, earnings or competitive position.

Employees

As of December 31, 1993, the Corporation had approximately 14,300 full-time and 1,600 part-time employees, of whom approximately 6,300 were covered by collective bargaining agreements. The Corporation considers its employee relations to be good.

Item 2. PROPERTIES

The following is a list of the Corporation's principal manufacturing properties. The Corporation owns each of these properties.

UNITED STATES
- Hershey, Pennsylvania - Confectionery Products (3 principal plants)
- Oakdale, California - Confectionery Products
- Stuarts Draft, Virginia - Confectionery Products
- Winchester, Virginia - Pasta Products

CANADA
- Smiths Falls, Ontario - Confectionery and Snack Nut Products

In addition to the locations indicated above, the Corporation owns or leases several other less significant properties used for manufacturing confectionery and pasta products, sales, distribution and administrative functions.

The Corporation's plants are efficient and well maintained. These plants generally have adequate capacity and can accommodate seasonal demands, changing product mixes and certain additional growth. The largest plant is located in Hershey, Pennsylvania. Many additions and improvements have been made to this facility over the years and the plant's manufacturing equipment includes equipment of the latest type and technology.

Item 3. LEGAL PROCEEDINGS

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

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Information concerning the principal United States trading market for, market prices of and dividends on the Corporation's Common Stock and Class B Common Stock, and the approximate number of stockholders, may be found in the section "Market Prices and Dividends" on pages 18 and 19 of the Corporation's 1993 Annual Report to Stockholders, which information is incorporated herein by reference and reproduced herein as Exhibit 13.

Item 6. SELECTED FINANCIAL DATA

The following information, for the five years ended December 31, 1993, found in the section "Eleven-Year Consolidated Financial Summary" on page 40 of the Corporation's 1993 Annual Report to Stockholders, is incorporated herein by reference and reproduced herein as Exhibit 13: Net Sales; Income from Continuing Operations before accounting changes; Income Per Share from Continuing Operations before accounting changes (excluding Notes g and h); Dividends Paid on Common Stock (and related Per Share amounts); Dividends Paid on Class B Common Stock (and related Per Share amounts); Long-term Portion of Debt; and Total Assets.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The section "Management's Discussion and Analysis", found on pages 16 through 19, 21, 23, and 25 of the Corporation's 1993 Annual Report to Stockholders, is incorporated herein by reference and reproduced herein as Exhibit 13.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following audited consolidated financial statements of the Corporation and its subsidiaries are found at the indicated pages in the Corporation's 1993 Annual Report to Stockholders, and such financial statements, along with the report of the independent public accountants thereon, are incorporated herein by reference and reproduced herein as Exhibit 13.

1. Consolidated Statements of Income for the years ended December 31, 1993, 1992 and 1991. (Page 20)

2. Consolidated Statements of Cash Flows for the years ended December 31, 1993, 1992 and 1991. (Page 22)

3. Consolidated Balance Sheets as of December 31, 1993 and 1992. (Page 24)

4. Consolidated Statements of Stockholders' Equity for the years ended December 31, 1993, 1992 and 1991. (Page 26)

5. Notes to Consolidated Financial Statements (Pages 27 through 37), including "Quarterly Data (Unaudited)." (Page 37)

6. Report of Independent Public Accountants. (Page 38)

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The names, ages, positions held with the Corporation, periods of service as a director, principal occupations, business experience, and other directorships of nominees for director of the Corporation are set forth in the section "Election of Directors" in the Corporation's Proxy Statement for its 1994 Annual Meeting of Stockholders. This information is incorporated herein by reference.

Executive Officers of the Corporation as of March 1, 1994

Name	Age	Positions Held During the Last Five Years
CORPORATE		
K. L. Wolfe	55	Chairman of the Board and Chief Executive Officer (1993); President and Chief Operating Officer (1985)
R. A. Zimmerman(1)	61	Retired Chairman of the Board and Chief Executive Officer (1993); Chairman of the Board and Chief Executive Officer (1985)
J. P. Viviano	55	President and Chief Operating Officer (1993); President, Hershey Chocolate U.S.A., a division of Hershey Foods Corporation (1985)
W. F. Christ	53	Senior Vice President and Chief Financial Officer (1994); President, Hershey International, a division of Hershey Foods Corporation (1988)
C. L. Duncan	54	Vice President, Research and Development (1981)
T. C. Fitzgerald	54	Vice President and Treasurer (1990); Treasurer (1985)
S. A. Lambly	53	Vice President, Human Resources (1989)
W. Lehr, Jr.	53	Vice President and Secretary (1994); Senior Vice President and Secretary and Associate General Counsel (Securities) (1988)
R. M. Reese	44	Vice President and General Counsel (1993); Assistant General Counsel (1987)
J. B. Stiles	42	Vice President and Corporate Controller (1990); Controller and Chief Accounting Officer (1987)
B. L. Zoumas	51	Vice President, Science and Technology (1992); Vice President, Technical, Hershey Chocolate U.S.A. (1990); Vice President, Science and Technology (1981)
DIVISION		
J. F. Carr	49	President, Hershey International (1994); Vice President, Marketing, Hershey Chocolate U.S.A. (1984)
M. F. Pasquale	46	President, Hershey Chocolate U.S.A. (1994); Senior Vice President and Chief Financial Officer (1988)

Executive Officers of the Corporation

Name	Age	Positions Held During the Last Five Years
R. W. Meyers	50	President, Hershey Canada Inc., a subsidiary of Hershey Foods Corporation (1990); Acting President, Hershey Canada Inc. (1989)
C. M. Skinner	60	President, Hershey Pasta Group, a division of Hershey Foods Corporation (1984)
R. Brace	50	Vice President, Manufacturing, Hershey Chocolate U.S.A. (1987)
F. Cerminara	45	Vice President, Commodities Procurement, Hershey Chocolate U.S.A. (1994); Vice President, Corporate Development and Commodities (1988)
D. N. Eshleman(2)	39	General Manager, Hershey Grocery, a division of Hershey Foods Corporation (1994); Director, Marketing, Hershey Chocolate U.S.A. (1988)
M. H. Holmes(2)	49	Vice President and General Manager, Chocolate Confection, Hershey Chocolate U.S.A. (1994); General Manager, Grocery, Hershey Chocolate U.S.A. (1989)
M. T. Matthews	47	Vice President, Sales, Hershey Chocolate U.S.A. (1989)

(1) Mr. Zimmerman retired on December 31, 1993.

(2) Messrs. Eshleman's and Holmes' positions prior to 1994 were not executive officer positions.

There are no family relationships among any of the above named officers of the Corporation.

Corporate Officers and Division Presidents are generally elected each year at the organization meeting of the Board of Directors following the Annual Meeting of Stockholders in April.

Item 11. EXECUTIVE COMPENSATION

Information concerning compensation of the five most highly compensated executive officers of the Corporation individually, and compensation of directors, is set forth in the sections "1993 Executive Compensation" and "Compensation of Directors" in the Corporation's Proxy Statement for its 1994 Annual Meeting of Stockholders. This information is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information concerning ownership of the Corporation's voting securities by certain beneficial owners, individual nominees for directors, and by management, including the five most highly compensated executive officers, is set forth in the section "Voting Securities" in the Corporation's Proxy Statement for its 1994 Annual Meeting of Stockholders. This information is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information concerning "Certain Relationships and Related Transactions" is set forth in the section "Certain Transactions and Relationships" in the Corporation's Proxy Statement for its 1994 Annual Meeting of Stockholders. This information is incorporated herein by reference.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

Item 14(a)(1): Financial Statements

The audited consolidated financial statements of the Corporation and its subsidiaries and the Report of Independent Public Accountants thereon, as required to be filed with this report, are set forth in Item 8 of this report and are incorporated therein by reference to specific pages of the Corporation's 1993 Annual Report to Stockholders and reproduced herein as Exhibit 13.

Item 14(a)(2): Financial Statement Schedules

The following consolidated financial statement schedules of the Corporation and its subsidiaries for the years ended December 31, 1993, 1992 and 1991 are filed herewith on the indicated pages in response to Item 14(d):

1. Schedule V--Property, Plant and Equipment (Page 15)

2. Schedule VI--Accumulated Depreciation of Property, Plant and Equipment (Page 16)

3. Schedule VIII--Valuation and Qualifying Accounts (Page 17)

4. Schedule IX--Short-Term Borrowings (Page 18)

Other schedules have been omitted as not applicable or required, or because information required is shown in the consolidated financial statements or notes thereto.

Financial statements of the parent corporation only are omitted because the Corporation is primarily an operating corporation and there are no significant restricted net assets of consolidated and unconsolidated subsidiaries.

Item 14(a)(3): Exhibits

The following items are attached or incorporated by reference in response to Item 14(c):

(3) Articles of Incorporation and By-laws

The Corporation's Restated Certificate of Incorporation, as amended, is incorporated by reference from Exhibit No. 3 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended April 3, 1988. The By-laws, as amended on December 3, 1991, are incorporated by reference from Exhibit No. 3 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1991.

(4) Instruments defining the rights of security holders, including indentures

The Corporation has issued certain long-term debt instruments, no one class of which creates indebtedness exceeding 10% of the total assets of the Corporation and its subsidiaries on a consolidated basis. These classes consist of the following:

a. 8.45% to 9.92% Medium-Term Notes due 1994-1998

b. 8.8% Debentures due 2021

c. Other Obligations

The Corporation will furnish copies of the above debt instruments to the Commission upon request.

In 1993 the Corporation called and redeemed its 9.5% Sinking Fund Debentures due 2009 and its 9.125% Sinking Fund Debentures due 2016.

(10) Material contracts

a. "After Eight, Kit Kat, and Rolo License Agreement" (License Agreement) between Hershey Foods Corporation and Rowntree Mackintosh Confectionery Limited is incorporated by reference from Exhibit No. 10(a) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1980. The License Agreement was amended in 1988 and the Amendment Agreement is incorporated by reference from Exhibit No. 19 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended July 3, 1988. The License Agreement was assigned by Rowntree Mackintosh Confectionery Limited to Societe des Produits Nestle SA as of January 1, 1990. The Assignment Agreement is incorporated by reference from Exhibit No. 19 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1990.

b. Peter Paul/York Domestic Trademark & Technology License Agreement between Hershey Foods Corporation and Cadbury Schweppes Inc. (now Cadbury Beverages Inc.) dated August 25, 1988, is incorporated by reference from Exhibit No. 2(a) to the Corporation's Current Report on Form 8-K dated September 8, 1988.

c. Cadbury Trademark & Technology License Agreement among Hershey Foods Corporation and Cadbury Schweppes Inc. (now Cadbury Beverages Inc.) and Cadbury Limited dated August 25, 1988, is incorporated by reference from Exhibit No. 2(a) to the Corporation's Current Report on Form 8-K dated September 8, 1988.

Executive Compensation Plans:

d. The "1987 Key Employee Incentive Plan" (the "Plan") is incorporated by reference from Exhibit No. 10(b) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1987. The Plan was amended in 1991, and the amendment is incorporated by reference from Exhibit No. 10 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 1991. The Plan was further amended in 1992, and the amendment is incorporated by reference from Exhibit No. 19 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1991.

e. Hershey Foods Corporation's "Supplemental Executive Retirement Plan" is incorporated by reference from Exhibit No. 10(c) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1982.

f. Hershey Foods Corporation's "Non-Management Director Retirement Plan" is incorporated by reference from Exhibit No. 19 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 29, 1992.

g. Hershey Foods Corporation's "Deferral Plan for Non-Management Directors" is incorporated by reference from Exhibit No. 10 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1992.

(12) Computation of ratio of earnings to fixed charges statement

A computation of ratio of earnings to fixed charges for the years ended December 31, 1993, 1992, 1991, 1990, and 1989 is attached as Exhibit No. 12.

(13) Annual report to security holders

The financial section of the Corporation's 1993 Annual Report to Stockholders is attached as Exhibit No. 13.

(21) Subsidiaries of the Registrant

A list setting forth subsidiaries of the Corporation is attached as Exhibit No. 21.

Item 14(b):Reports on Form 8-K

No reports on Form 8-K have been filed during the last quarter of the period covered by this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Corporation has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HERSHEY FOODS CORPORATION
(Registrant)

Date: March 7, 1994 By W. F. CHRIST

(W. F. Christ, Senior Vice President and Chief Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Corporation and in the capacities and on the date indicated.

Signature	Title	Date
K. L. WOLFE (K. L. Wolfe)	Chief Executive Officer and Director	March 7, 1994
W. F. CHRIST (W. F. Christ)	Chief Financial Officer	March 7, 1994
J. B. STILES (J. B. Stiles)	Chief Accounting Officer	March 7, 1994
J. P. VIVIANO (J. P. Viviano)	Director	March 7, 1994
H. O. BEAVER, JR. (H. O. Beaver, Jr.)	Director	March 7, 1994
T. C. GRAHAM (T. C. Graham)	Director	March 7, 1994
B. GUITON (B. Guiton)	Director	March 7, 1994
J. C. JAMISON (J. C. Jamison)	Director	March 7, 1994
S. C. MOBLEY (S. C. Mobley)	Director	March 7, 1994
F. I. NEFF (F. I. Neff)	Director	March 7, 1994

Signature	Title	Date
R. J. PERA (R. J. Pera)	Director	March 7, 1994
J. M. PIETRUSKI (J. M. Pietruski)	Director	March 7, 1994
V. A. SARNI (V. A. Sarni)	Director	March 7, 1994
H. R. SHARBAUGH (H. R. Sharbaugh)	Director	March 7, 1994

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULES

To Hershey Foods Corporation:

We have audited, in accordance with generally accepted auditing standards, the consolidated financial statements included in Hershey Foods Corporation's 1993 annual report to stockholders incorporated by reference in this Form 10-K, and have issued our report thereon dated January 28, 1994. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The schedules listed in Item 14(a)(2) on page 9 are the responsibility of the Corporation's management and are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN & CO.

New York, N.Y.
January 28, 1994

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated January 28, 1994, included or incorporated by reference in this Form 10-K for the year ended December 31, 1993, into the Corporation's previously filed Registration Statements on Forms S-8 or S-3 (File No. 33-12718, File No. 33-35062, File No. 33-45431, File No. 33-45556 and File No. 33-51089).

ARTHUR ANDERSEN & CO.

New York, N.Y.
March 7, 1994

Schedule V

HERSHEY FOODS CORPORATION AND SUBSIDIARIES

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT

For the Years Ended December 31, 1993, 1992 and 1991
(in thousands of dollars)

Description	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other Changes	Balance at End of Period
Year Ended December 31, 1993:					
Land	$ 40,163	$ 1,338	$ -	$ 6,738	$ 48,239
Buildings	385,545	23,061	(879)	22,472	430,199
Machinery and equipment.	1,371,729	187,222	(29,825)	34,200	1,563,326
Total Property, Plant and Equipment.	$1,797,437	$ 211,621	$(30,704)	$ 63,410(a)	$ 2,041,764
Year Ended December 31, 1992:					
Land	$ 37,911	$ 2,983	$ -	$ (731)	$ 40,163
Buildings	384,117	6,760	(3,117)	(2,215)	385,545
Machinery and equipment.	1,159,268	240,052	(17,526)	(10,065)	1,371,729
Total Property, Plant and Equipment.	$1,581,296	$ 249,795	$(20,643)	$ (13,011)(b)	$ 1,797,437
Year Ended December 31, 1991:					
Land	$ 31,117	$ 23	$ (442)	$ 7,213	$ 37,911
Buildings	280,897	102,829	(3,896)	4,287	384,117
Machinery and equipment.	1,011,629	123,219	(10,841)	35,261	1,159,268
Total Property, Plant and Equipment.	$1,323,643	$ 226,071	$(15,179)	$ 46,761 (c)	$ 1,581,296

(a) Represents primarily the acquisitions of Sperlari S.r.l. and Overspecht B.V. and the impact of translation of foreign currency financial statements.

(b) Represents primarily the impact of translation of foreign currency financial statements.

(c) Represents primarily the acquisitions of Gubor Schokoladen GmbH and Gubor Schokoladenfabrik GmbH, Hershey Mexico, S.A. de C.V., and certain assets of Dairymen, Inc.

HERSHEY FOODS CORPORATION AND SUBSIDIARIES

SCHEDULE VI - ACCUMULATED DEPRECIATION
OF PROPERTY, PLANT AND EQUIPMENT
For the Years Ended December 31, 1993, 1992 and 1991

(in thousands of dollars)

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Retirements or Sales	Other Changes	Balance at End of Period
Year Ended December 31, 1993:					
Buildings	$ 74,417	$ 10,896	$ (262)	$ (276)	$ 84,775
Machinery and equipment.	427,031	89,228	(20,205)	31	496,085
Total Accumulated Depreciation	$ 501,448	$ 100,124	$(20,467)	$ (245)	$580,860
Year Ended December 31, 1992:					
Buildings	$ 68,279	$ 9,048	$ (1,680)	$(1,230)	$ 74,417
Machinery and equipment.	367,351	75,386	(12,615)	(3,091)	427,031
Total Accumulated Depreciation	$ 435,630	$ 84,434	$(14,295)	$(4,321)	$ 501,448
Year Ended December 31, 1991:					
Buildings	$ 60,943	$ 7,955	$ (765)	$ 146	$ 68,279
Machinery and equipment.	310,606	64,780	(8,291)	256	367,351
Total Accumulated Depreciation	$ 371,549	$ 72,735	$ (9,056)	$ 402	$ 435,630

Depreciation and Amortization

The annual provisions for depreciation have been computed principally in accordance with the following ranges of rates:

Buildings and improvements. . . . . 3% to 7%
Machinery and equipment . . . . 7% to 33%

Schedule VIII

HERSHEY FOODS CORPORATION AND SUBSIDIARIES

SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS

For the Years Ended December 31, 1993, 1992 and 1991
1991

(in thousands of dollars)

Description	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts(a)	Deductions from Reserves	Balance at End of Period
Year Ended December 31, 1993: Reserves deducted in the balance sheet from the assets to which they apply:					
Accounts Receivable - Trade	$10,437	$3,371	$107	$(1,436)	$12,479
Year Ended December 31, 1992: Reserves deducted in the balance sheet from the assets to which they apply:					
Accounts Receivable - Trade	$9,476	$4,812	$113	$(3,964)	$10,437
Year Ended December 31, 1991: Reserves deducted in the balance sheet from the assets to which they apply:					
Accounts Receivable - Trade	$9,553	$1,477	$136	$(1,690)	$ 9,476

(a) Includes recoveries of amounts previously written off.

Schedule IX

HERSHEY FOODS CORPORATION AND SUBSIDIARIES

SCHEDULE IX - SHORT-TERM BORROWINGS

For the Years Ended December 31, 1993, 1992 and 1991

(in thousands of dollars)

Category of Short-Term Borrowings	Balance at End of Period	Weighted Average Interest Rate	Maximum Amount Outstanding During the Period	Average Amount Outstanding During the Period (a)	Weighted Average Interest Rate During the Period (b)
Year Ended December 31, 1993:					
Domestic:					
Commercial paper	$299,366	3.3%	$394,321	$300,259	3.3%
Bank borrowings.	-	-	68,464	5,811	3.3
Foreign borrowings	37,920	7.6	41,604	20,361	8.7
All categories	$337,286	3.8	$418,935	$326,431	3.6%
Year Ended December 31, 1992:					
Domestic:					
Commercial paper	$250,895	3.4%	$351,216	$231,998	3.6%
Bank borrowings.	-	-	82,000	35,399	4.7
Foreign borrowings	8,150	8.7	17,594	10,754	11.7
All categories	$259,045	3.7%	$443,144	$278,151	4.1%
Year Ended December 31, 1991:					
Domestic:					
Commercial paper	$ 53,452	5.1%	$259,473	$113,268	6.2%
Bank borrowings.	-	-	32,000	1,907	6.4
Foreign borrowings	4,168	8.9	9,055	3,715	7.9
All categories	$ 57,620	5.4%	$263,580	$118,890	6.2%

(a) Average borrowings represent daily averages for domestic borrowings and month-end averages for foreign borrowings.

(b) The weighted average interest rate was computed by dividing interest expense by average short-term borrowings for each category.

HERSHEY FOODS CORPORATION ANNUAL REPORT ON FORM 10-K

Index to Exhibits

Exhibit No.	
12	- Computation of ratio of earnings to fixed charges statement
13	- Financial section of 1993 Annual Report to Stockholders
21	- Subsidiaries of the Registrant

EXHIBIT 12

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
For the Years Ended December 31, 1993, 1992, 1991, 1990, and 1989
(in thousands of dollars except for ratios)
(Unaudited)

	1993	1992	1991	1990	1989
Earnings:					
Income from continuing operations before income taxes and accounting changes	$510,875(a)	$400,988	$363,457	$361,518(c)	$289,922
Add (Deduct):					
Interest on indebtedness	30,224	29,708	29,269	26,319	23,508
Portion of rents representative of the interest factor(b)	8,175	7,987	7,785	6,939	6,678
Amortization of debt expense	84	165	284	270	429
Amortization of capitalized interest	2,684	1,988	1,390	1,147	679
Adjustment for equity companies(c)	-	628	262	(1,258)	(3,558)
Adjustment for majority-owned subsidiary(d)	-	17	(116)	(397)	(48)
Earnings as adjusted.	$552,042	$441,481	$402,331	$394,538	$317,610
Fixed Charges:					
Interest on indebtedness.	$30,224	$29,708	$29,269	$26,319	$23,508
Portion of rents representative of the interest factor(b) . .	8,175	7,987	7,785	6,939	6,678
Amortization of debt expense.	84	165	284	270	429
Capitalized interest.	4,646	12,055	10,386	5,875	6,594
Adjustment for 50% equity company(e).	-	-	21	47	88
Total fixed charges.	$43,129	$49,915	$47,745	$39,450	$37,297
Ratio of earnings to fixed charges	12.80	8.84	8.43	10.00	8.52

NOTES:

(a) Includes a gain of $80.6 million on the sale of the Corporation's 18.6% investment interest in Freia Marabou a.s.

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

(c) Adjustment for equity companies includes the eliminations from income of both undistributed earnings and losses of companies in which at least 20% but less than 50% equity is owned. In May 1990, the Corporation sold its equity interest in AB Marabou resulting in a non-recurring gain of $60.5 million. In April 1992, the Corporation sold its equity interest in its Brazilian joint venture.

(d) In December 1992, the Corporation purchased the remaining shares of Hershey Japan. Prior to the acquisition, the Corporation owned 51% of Hershey Japan.

(e) In October 1991, the Corporation purchased the shares of Nacional de Dulces, S.A. de C.V., subsequently renamed Hershey Mexico, S.A. de C.V. (Hershey Mexico), owned by its joint venture partner, Grupo Carso, S.A. de C.V. Prior to the acquisition, the Corporation owned 50% of the outstanding stock of Hershey Mexico.

FINANCIAL HIGHLIGHTS

(in thousands of dollars except shares and per share amounts)

	1993	1992	Percent Change
Net sales	$3,488,249	$3,219,805	+8
Income before cumulative effect of accounting changes	297,233(a)	242,598	+23
Net cumulative effect of accounting changes	(103,908)	-	-
Net income	193,325	242,598	-20
Income per share(b):			
Before accounting changes	3.31(a)	2.69	+23
Net cumulative effect of accounting changes	(1.16)	-	-
Net income	2.15	2.69	-20
Cash dividends paid per share:			
Common Stock	1.140	1.030	+11
Class B Common Stock	1.035	.935	+11
Cash dividends paid	100,499	91,444	+10
Capital additions	211,621	249,795	-15
Stockholders' equity at year-end	1,412,344	1,465,279	-4
Net book value per share at year-end	16.12	16.25	-1
Price per share of Common Stock at year-end	49	47	+4
Outstanding shares at year-end(b)	87,613,236	90,186,336	-3

(a) Income before cumulative effect of accounting changes and income per share before accounting changes for 1993 included an after-tax gain of $40.6 million and $.45 per share, respectively, on the sale of the Corporation's investment interest in Freia Marabou a.s.

(b) Income per share has been computed based on weighted average outstanding shares of 89,757,135 for 1993 and 90,186,336 for 1992. Excluding treasury stock, outstanding shares as of December 31, 1993, consisted of 72,359,957 shares of Common Stock and 15,253,279 shares of Class B Common Stock.

The following information was presented in a graph in the Corporation's printed Annual Report to stockholders:

(dollars in millions)	1989	1990	1991	1992	1993
Net Sales	$2,421	$2,716	$2,899	$3,220	$3,488

The following information was presented in a graph in the Corporation's printed Annual Report to stockholders:

(dollars in millions)	1989	1990	1991	1992	1993
Income Before Accounting Changes and Non-recurring Gains	$ 171	$ 196	$ 220	$ 243	$ 256
Gain on Business Restructuring, Net	-	20	-	-	-
Gain on Sale of Investment Interest	-	-	-	-	41
Income Before Cumulative Effect of Accounting Changes	$ 171	$ 216	$ 220	$ 243	$ 297

HERSHEY FOODS CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS - FINANCIAL REVIEW

Summary of Consolidated Operating Results

The Corporation achieved increased sales in 1993 and 1992. Net sales during this two-year period increased at a compound annual rate of 10%, primarily reflecting volume growth from new product introductions, existing confectionery and pasta products, international acquisitions, and modest confectionery and pasta price increases. Consolidated net sales during the last half of 1993 were heavily influenced by volume growth from new domestic confectionery products, acquisitions and promotional activities. These factors more than offset the effects of sluggish demand for existing brands in most of the Corporation's domestic and international markets which began late in the first quarter of 1993 and has continued to sporadically affect sales and income into early 1994.

Effective January 1, 1993, the Corporation adopted Statements of Financial Accounting Standards No. 106 "Employers' Accounting for Post-retirement Benefits Other Than Pensions" (FAS No. 106) and No. 109 "Accounting for Income Taxes" (FAS No. 109) by means of catch-up adjustments. The net charge associated with these changes in accounting had the effect of decreasing net income by approximately $103.9 million, or $1.16 per share.

In March 1993, the Corporation recorded a pre-tax gain of $80.6 million on the sale of its 18.6% investment interest in Freia Marabou a.s (Freia) which had the effect of increasing net income by $40.6 million.

In March 1992, Hershey Chocolate U.S.A. increased the wholesale price of its line of packaged candy products by approximately 5%, the first increase since 1984. This product line represented approximately 15% of the Corporation's annual sales in 1992. The price increase was intended to cover the rising costs of certain raw materials, petroleum-based packaging materials, fuel and employee benefits.

Income, excluding the 1993 catch-up adjustments for accounting changes and the impact of the after-tax gain on the sale of the Freia investment, increased at a compound annual rate of 8% during the two-year period. This increase was a result of the growth in sales and an improved gross profit margin, partially offset by higher selling, marketing and administrative expenses and an increase in the effective income tax rate.

Summary of Financial Position and Liquidity

The Corporation's financial position remained strong during 1993. The capitalization ratio (total short-term and long-term debt as a percent of stockholders' equity, short-term and long-term debt) was 27% as of December 31, 1993 and 1992. The ratio of current assets to current liabilities was 1.1:1 as of December 31, 1993 and 1.3:1 as of December 31, 1992. The decrease in the current ratio reflects the sale of the Corporation's $179.1 million investment in Freia, and short-term borrowings for acquisitions and a share repurchase program, partially offset by the early repayment of long-term debt, which was classified as current as of December 31, 1992.

Historically, the Corporation's major source of financing has been cash generated from operations. Generally, seasonal working capital needs peak during the summer months and have been met by issuing commercial paper.

During the three-year period ended December 31, 1993, the Corporation's cash and cash equivalents decreased by $10.7 million. Total debt, including debt assumed, increased by $218.6 million during this same period reflecting the financing needs for several business acquisitions and a share repurchase program.

The Corporation anticipates that capital expenditures will be in the range of $200 million per annum during the next several years as a result of capacity expansion to support new products and continued modernization of existing facilities. As of December 31, 1993, the Corporation's principal capital commitments included manufacturing capacity expansion and modernization.

The following information was presented in a graph in the Corporation's printed Annual Report to stockholders:

(dollars in millions)	1989	1990	1991	1992	1993
Capital Additions	$ 162	$ 179	$ 226	$ 250	$ 212

Gross proceeds from the sale of the Corporation's Freia investment interest in the amount of $259.7 million were received in April 1993 and a portion thereof was used for the early repayment of long-term debt.

In the second quarter of 1993, the Corporation's Board of Directors approved a share repurchase program to acquire from time to time through open market or privately negotiated transactions up to $200 million of its Common Stock. During 1993, a total of 2,573,100 shares of Common Stock were acquired under the share repurchase program, of which 264,000 shares were retired and the remaining 2,309,100 shares were held as treasury stock as of December 31, 1993.

As of December 31, 1993, $100 million of debt securities remained available for issuance under a Form S-3 Registration Statement which was declared effective in June 1990. In November 1993, the Corporation filed another Form S-3 Registration Statement under which it may offer, on a delayed or continuous basis, up to $400 million of additional debt securities. Proceeds from any offering of the $500 million of debt securities available under these shelf registrations may be used to reduce existing commercial paper borrowings, finance capital additions, and fund the share repurchase program and future business acquisitions.

In 1991, the Corporation established an employee stock ownership trust (ESOP) to serve as the primary vehicle for the Corporation's contributions to its existing employee savings and stock investment plan for participating domestic salaried and hourly employees. The ESOP was funded by a 7.75% loan of $47.9 million from the Corporation. The proceeds from this loan were used to purchase 1,193,816 shares of the Corporation's Common Stock which it had previously acquired through open market purchases.

Acquisitions and Divestiture

Operating results during the period were impacted by the following:

- October 1993 - Completed the purchase of the outstanding shares of Overspecht B.V. (OZF Jamin) for approximately $20.2 million, plus the assumption of approximately $13.4 million in debt. OZF Jamin manufactures chocolate and non-chocolate confectionery products, cookies, biscuits and ice cream for distribution primarily to customers in the Netherlands and Belgium.

- September 1993 - Completed the acquisition of the Italian confectionery business of Heinz Italia S.p.A. (Sperlari) for approximately $130.0 million. Sperlari is a leader in the Italian non-chocolate confectionery market and manufactures and distributes a wide range of confectionery products, including sugar candies and traditional products for special occasions such as nougat and gift boxes. Products are marketed under the Sperlari, Dondi, Scaramellini and other brands.

- March 1993 - Acquired certain assets of the Cleveland area Ideal Macaroni and Weiss Noodle companies (Ideal/Mrs. Weiss) for approximately $14.6 million.

- April 1992 - Completed the sale of Hershey do Brasil Participacoes Ltda., a holding company which owned a 41.7% equity interest in Petybon S.A., to the Bunge & Born Group for approximately $7.0 million. Petybon S.A., located in Brazil, is a producer of pasta, biscuits and margarine products.

- October 1991 - Purchased the shares of Nacional de Dulces, S.A. de C.V. (subsequently renamed Hershey Mexico, S.A. de C.V.) owned by its joint venture partner, Grupo Carso, S.A. de C.V. Prior to this transaction, the Corporation owned 50% of the stock. Hershey Mexico produces, imports and markets chocolate products for the Mexican market under the HERSHEY'S brand name.

- May 1991 - Acquired from Dairymen, Inc. certain assets of its ultra-high temperature fluid milk-processing business (aseptically-packaged drink business), including a Savannah, Georgia manufacturing facility.

- May 1991 - Completed the acquisition of the Gubor Schokoladen GmbH and Gubor Schokoladenfabrik GmbH (Gubor) chocolate business from H. Bahlsens Keksfabrik KG. Gubor, which operates two manufacturing plants in Germany, produces and markets high-quality assorted pralines and seasonal chocolates under the GUBOR brand name. The transaction was effective as of January 1, 1991.

The following information was presented in a graph in the Corporation's printed Annual Report to stockholders:

Contribution to Net Sales of Businesses Acquired (dollars in millions)	1991	1992	1993

Existing Businesses	$2,790	$3,068	$3,262
Acquired Businesses	109	152	226
Total Net Sales	$2,899	$3,220	$3,488

A further discussion of these acquisitions and divestiture can be found in Note 2 to the consolidated financial statements.

Other Items

The Corporation's net sales, net income and cash flows are affected by business acquisitions, new product introductions, the timing of promotional activities and price increases. These factors generally benefited financial results in 1993. However, sluggish demand for existing brands and an increasingly seasonal sales bias resulted in a decline in net sales and net income in the second quarter of 1993 and, to the extent these conditions continue, has the potential to similarly impact financial results as the Corporation enters 1994.

The most significant raw material used in the production of the Corporation's chocolate and confectionery products is cocoa beans. Generally, the Corporation has been able to offset the effects of increases in the cost of this raw material through selling price increases or reductions in product weights. Conversely, declines in the cost of cocoa beans have served as a source of funds to maintain selling price stability, enhance consumer value through increases in product weights, respond to competitive activity, develop new products and markets, and offset rising costs of other raw materials and expenses.

The cost of cocoa beans and the prices for the related commodity futures contracts historically have been subject to wide fluctuations attributable to a variety of factors, including the effect of weather on crop yield, other imbalances between supply and demand, currency exchange rates and speculative influences. During the past decade, the market prices of cocoa beans and cocoa futures trended lower as a result of the worldwide cocoa bean crop exceeding demand during most years. However, cocoa crops for the most recent three years fell somewhat short of demand resulting in supply deficits.

Prices in 1993 were relatively stable because of the excess stocks produced earlier in the decade, but may begin to trend upward in 1994 as stocks decline further. The Corporation's costs during 1994 will not necessarily reflect market price fluctuations because of its forward purchasing practices, premiums and discounts reflective of relative values, varying delivery times, and supply and demand for specific varieties and grades of cocoa beans.

The major raw material used in the manufacture of pasta products is semolina milled from durum wheat. The Corporation purchases semolina from commercial millers and is also engaged in custom milling arrangements to obtain sufficient quantities of high-quality semolina. A decrease in plantings and adverse weather conditions in the Midwest reduced the quantity and quality of the 1993 durum wheat crop, resulting in substantial cost increases. Supplies are expected to remain tight and prices may continue at the recent high levels pending the outcome of the new crop harvest in the fall of 1994.

Capital Structure

The Corporation has two classes of stock outstanding, Common Stock and Class B Common Stock (Class B Stock). The Common Stock and the Class B Stock generally vote together without regard to class on matters submitted to stockholders, including the election of directors, with the Common Stock having one vote per share and the Class B Stock having ten votes per share. However, the Common Stock, voting separately as a class, is entitled to elect one-sixth of the Board of Directors. With respect to dividend rights, the Common Stock is entitled to cash dividends 10% higher than those declared and paid on the Class B Stock.

The Corporation's Common Stock is listed on the New York Stock Exchange (NYSE), which has a rule generally prohibiting dual classes of common stock. The Corporation's dual class structure has been grandfathered under this rule. In February 1994, the NYSE released for public comment a new uniform voting rights policy proposed by the Chairman of the Securities and Exchange Commission and agreed to by the American Stock Exchange and the National Association of Securities Dealers. The policy would provide that the voting rights of existing holders of publicly traded common stock cannot be disparately reduced or restricted through any corporate action or issuance. Under the proposed policy the Corporation's and other listed companies' existing dual class structures would be grandfathered.

Market Prices and Dividends

The following information was presented in a graph in the Corporation's printed Annual Report to stockholders:

	1989	1990	1991	1992	1993
Dividends Paid Per Share					

of Common Stock
(dollars)

Regular	$.74	$.84	$.94	$1.03	$1.14
Special	-	.15	-	-	-
Total Dividends	$.74	$.99	$.94	$1.03	$1.14

Cash dividends paid on the Corporation's Common Stock and Class B Stock were $100.5 million in 1993 and $91.4 million in 1992. The annual dividend rate on the Common Stock is $1.20 per share, an increase of 11% over the 1992 rate of $1.08 per share. The 1993 dividend represented the 19th consecutive year of Common Stock dividend increases.

On February 8, 1994, the Corporation's Board of Directors declared a quarterly dividend of $.30 per share of Common Stock payable on March 15, 1994, to stockholders of record as of February 25, 1994. It is the Corporation's 257th consecutive Common Stock dividend. A quarterly dividend of $.2725 per share of Class B Stock was also declared.

Hershey Foods Corporation's Common Stock is listed and traded principally on the NYSE under the ticker symbol "HSY." Approximately 29.3 million shares of the Corporation's Common Stock were traded during 1993.

The closing price of the Common Stock on December 31, 1993 was $49. The Class B Stock is not publicly traded. There were 32,859 stockholders of record of the Common Stock and the Class B Stock as of December 31, 1993.

The following table shows the dividends paid per share of Common Stock and Class B Stock and the price range of the Common Stock for each quarter of the past two years:

	Dividends Paid Per Share		Common Stock Price Range*	
	Common Stock	Class B Stock	High	Low
1993				
1st Quarter	$ .270	$ .2450	$55-7/8	$46-1/2
2nd Quarter	.270	.2450	54-5/8	45-3/4
3rd Quarter	.300	.2725	51-7/8	43-1/2
4th Quarter	.300	.2725	54-3/4	48-5/8
Total	$ 1.140	$1.0350		
1992				
1st Quarter	$ .245	$ .2225	$45-1/4	$39-7/8
2nd Quarter	.245	.2225	42-1/8	38-1/4
3rd Quarter	.270	.2450	45-1/2	41-5/8
4th Quarter	.270	.2450	48-3/8	43-1/2
Total	$ 1.030	$ .9350		

* NYSE-Composite Quotations for Common Stock by calendar quarter.

Operating Return on Average Stockholders' Equity

The following information was presented in a graph in the Corporation's printed Annual Report to stockholders:

(percent)	1989	1990	1991	1992	1993
Operating Return on Average Stockholders' Equity from Continuing Operations	16.1	16.6	17.0	17.3	17.8
Gain on Business Restructuring, Net	-	1.7	-	-	-
Catch-up adjustment for Accounting Changes and Gain on Sale of Investment Interest	-	-	-	-	(4.4)
Operating Return on Average Stockholders' Equity	16.1	18.3	17.0	17.3	13.4

The Corporation's operating return on average stockholders' equity was 17.8% in 1993. Over the most recent five-year period, the return has ranged from 16.1% in 1989 to 17.8% in 1993. For the purpose of calculating operating return on average stockholders' equity, earnings is defined as net income, excluding the after-tax gain on business restructuring in 1990, and both the catch-up adjustment for accounting changes and the after-tax gain on the sale of the investment in Freia in 1993.

Operating Return on Average Invested Capital

The following information was presented in a graph in the Corporation's printed Annual Report to stockholders:

(percent)	1989	1990	1991	1992	1993
Operating Return on Average Invested Capital from Continuing Operations	13.2	13.4	13.8	14.4	15.0
Gain on Business Restructuring, Net	-	1.2	-	-	-
Catch-up Adjustment for Accounting Changes and Gain on Sale of Investment Interest	-	-	-	-	(3.5)
Operating Return on Average Invested Capital	13.2	14.6	13.8	14.4	11.5

The Corporation's operating return on average invested capital was 15.0% in 1993. Over the most recent five-year period, the return has ranged from 13.2% in 1989 to 15.0% in 1993. Average invested capital consists of the annual average of beginning and ending balances of long-term debt, deferred income taxes and stockholders' equity. For the purpose of calculating operating return on average invested capital, earnings is defined as net income, excluding the after-tax gains on business restructuring and the sale of the investment in Freia, the catch-up adjustment for accounting changes, and the after-tax effect of interest on long-term debt.

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

For the years ended December 31,	1993	1992	1991
Net Sales	$3,488,249	$3,219,805	$2,899,165
Costs and Expenses:			
Cost of sales	1,995,502	1,833,388	1,694,404
Selling, marketing and administrative	1,035,519	958,189	814,459
Total costs and expenses	3,031,021	2,791,577	2,508,863
Gain on Sale of Investment Interest	80,642	-	-
Income before Interest, Income Taxes and Accounting Changes	537,870	428,228	390,302
Interest expense, net	26,995	27,240	26,845
Income before Income Taxes and Accounting Changes	510,875	400,988	363,457
Provision for income taxes	213,642	158,390	143,929
Income before Cumulative Effect of Accounting Changes	297,233	242,598	219,528
Net cumulative effect of accounting changes	(103,908)	-	-
Net Income	$ 193,325	$ 242,598	$ 219,528
Income Per Share:			
Before accounting changes	$ 3.31	$ 2.69	$ 2.43
Net cumulative effect of accounting changes	(1.16)	-	-
Net income	$ 2.15	$ 2.69	$ 2.43
Cash Dividends Paid Per Share:			
Common Stock	$ 1.140	$ 1.030	$ .940
Class B Common Stock	1.035	.935	.850

The notes to consolidated financial statements are an integral part of these statements.

HERSHEY FOODS CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS - RESULTS OF OPERATIONS

Net Sales

Net sales rose $268.4 million or 8% in 1993 and $320.6 million or 11% in 1992. The increase in 1993 primarily reflected volume growth from new products and business acquisitions, and pasta selling price increases, which more than offset the effects of sluggish demand for existing brands in most of the Corporation's domestic and international markets. The increase in 1992 was due to volume growth from existing brands, sales of new products, confectionery price increases and the consolidation of Hershey Mexico, the remaining shares of which were acquired in late 1991.

Costs and Expenses

Cost of sales as a percent of net sales decreased from 58.4% in 1991 to 56.9% in 1992 but increased to 57.2% in 1993. The decrease in gross margin in 1993 reflected higher manufacturing costs related to new products, incremental manufacturing, shipping and depreciation costs associated with the completion and start-up of new manufacturing and distribution facilities, and recurring expenses associated with a change in accounting for post-retirement benefits. These higher costs and expenses were partially offset by lower costs for certain major raw materials and pasta price increases. The increase in gross margin in 1992 was primarily due to lower costs for certain major raw materials, confectionery price increases, and manufacturing efficiencies.

Selling, marketing and administrative costs increased in 1993 primarily as a result of higher promotion expenses, associated with the sales volume growth and the introduction of new products, and incremental selling expenses related to business acquisitions. Selling, marketing and administrative costs increased in 1992, primarily as a result of higher promotion and advertising expenses related to sales volume growth and the introduction of new products.

Gain on Sale of Investment Interest

In March 1993, the Corporation sold its 18.6% investment interest in Freia to Kraft General Foods Holdings Norway, Inc. and recorded a pre-tax gain of $80.6 million. This gain had the effect of increasing net income by $40.6 million.

Interest Expense, Net

Net interest expense decreased by $.2 million in 1993 as lower long-term interest expense, reflecting lower debt balances, and higher interest income more than offset a decrease in capitalized interest. Interest income increased due in part to interim investments of a portion of the proceeds from the sale of the investment in Freia. Capitalized interest was below the prior year reflecting the completion of major long-term construction projects in late 1992 and early 1993 and a corresponding reduction in expenditures qualifying for interest capitalization in 1993.

Net interest expense was $.4 million higher in 1992 than 1991, due to higher levels of short-term borrowings, offset partially by lower short-term interest rates, lower long-term interest expense, and an increase in capitalized interest.
The increase in short-term debt was a result of the Corporation's May 1992 purchase of its 18.6% investment interest in Freia and interim borrowings to finance capital additions. Long-term interest expense was below 1991 reflecting repayments of long-term debt. A cumulative increase in capital expenditures resulted in significantly higher capitalized interest in 1992 versus 1991.

Provision for Income Taxes

The Corporation's effective income tax rate was 41.8%, 39.5% and 39.6% in 1993, 1992 and 1991, respectively. The increase in 1993 was largely a result of the relatively high income taxes associated with the gain on the sale of the Corporation's Freia investment and an increase in the Federal statutory income tax rate as provided for in the Revenue Reconciliation Act of 1993, which reduced net income by $5.5 million. The effective income tax rate was lower in 1992 than in 1991 as a tax benefit associated with the sale of the Corporation's equity interest in its Brazilian joint venture more than offset the full-year impact in 1992 of a mid-1991 increase in the Pennsylvania corporate income tax rate.

Net Cumulative Effect of Accounting Changes

Effective January 1, 1993, the Corporation adopted FAS No. 106

and FAS No. 109 by means of catch-up adjustments. These changes in accounting had the effect of decreasing net income by approximately $103.9 million or $1.16 per share.

Net Income

Net income decreased by 20% in 1993. Excluding the impact of the after-tax gain on the 1993 sale of the Freia investment and the 1993 catch-up adjustments for accounting changes, income increased $14.1 million or 6% in 1993. Net income increased $23.1 million or 11% in 1992. Income as a percent of net sales, after excluding the 1993 net cumulative effect of accounting changes and the after-tax gain on the sale of the investment interest in Freia, was 7.4% in 1993, 7.5% in 1992, and 7.6% in 1991.

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

For the years ended December 31,	1993	1992	1991
Cash Flows Provided from (Used by) Operating Activities			
Net income	$ 193,325	$ 242,598	$ 219,528
Adjustments to reconcile net income to net cash provided from operations:			
Net cumulative effect of accounting changes	103,908	-	-
Depreciation and amortization	113,064	97,087	85,413
Deferred income taxes	11,047	21,404	20,654
Gain on sale of investment interest	(80,642)	-	-
Changes in assets and liabilities, net of effects from business acquisitions:			
Accounts receivable -- trade	(100,957)	(13,841)	(6,404)
Inventories	32,347	(20,262)	(43,949)
Accounts payable	(12,809)	(10,715)	4,070
Other assets and liabilities	110,259	(20,707)	94,270
Other, net	9,399	649	(26,242)
Net Cash Provided from Operating Activities	378,941	296,213	347,340
Cash Flows Provided from (Used by) Investing Activities			
Capital additions	(211,621)	(249,795)	(226,071)
Business acquisitions	(164,787)	-	(44,108)
Sale (purchase) of investment interest	259,718	(179,076)	-
Other, net	(1,947)	6,581	(1,510)
Net Cash (Used by) Investing Activities	(118,637)	(422,290)	(271,689)
Cash Flows Provided from (Used by) Financing Activities			
Net increase in short-term debt	67,485	201,425	56,489
Long-term borrowings	1,130	1,259	23,620
Repayment of long-term debt	(104,792)	(32,173)	(27,861)
Loan to ESOP	-	-	(47,902)
Proceeds from sale of Common Stock to ESOP	-	-	47,902
Cash dividends paid	(100,499)	(91,444)	(83,401)
Repurchase of Common Stock	(131,783)	-	-
Net Cash Provided from (Used by) Financing Activities	(268,459)	79,067	(31,153)
Increase (Decrease) in Cash and Cash Equivalents	(8,155)	(47,010)	44,498
Cash and Cash Equivalents as of January 1	24,114	71,124	26,626
Cash and Cash Equivalents as of December 31	$ 15,959	$ 24,114	$ 71,124
Interest Paid	$ 32,073	$ 29,515	$ 24,468
Income Taxes Paid	171,586	151,490	119,038

The notes to consolidated financial statements are an integral part of these statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CASH FLOWS

Summary

Over the past three years, cash provided from operating activities and the net cash from the purchase and subsequent sale of the Corporation's investment interest in Freia exceeded cash requirements for capital additions and dividend payments by $140.3 million. Total debt, including debt assumed, increased during the period by $218.6 million, reflecting the financing needs for several business acquisitions and a share repurchase program. Cash and cash equivalents decreased by $10.7 million during the period.

The Corporation's income and, consequently, cash provided from operations during the year is affected by seasonal sales patterns, the timing of new product introductions, business acquisitions and price increases. Chocolate, confectionery and grocery seasonal and holiday-related sales have typically been highest during the third and fourth quarters of the year, representing the principal seasonal effect. Generally, the Corporation's seasonal working capital needs peak during the summer months and have been met by issuing commercial paper.

Operating Activities

During the past three years, depreciation and amortization have increased significantly as a result of continuous investment in capital additions and business acquisitions. Cash requirements for accounts receivable and inventories have tended to fluctuate during the three-year period based on sales during December and inventory management practices. The change in cash required for or provided from other assets and liabilities between the years was primarily related to commodities transactions, the timing of payments for accrued liabilities, including income taxes, and a corporate-owned life insurance program.

Investing Activities

Investing activities included capital additions, several business acquisitions, and the purchase and subsequent sale of an 18.6% investment interest in Freia in 1992 and 1993, respectively. The income taxes paid in 1993 on the Freia gain were included in operating activities. Capital additions during the past three years included the purchase of manufacturing equipment, construction of new manufacturing and office facilities and expansion of existing facilities. Businesses acquired during the past three years included OZF Jamin, Sperlari and Ideal/Mrs. Weiss in 1993, and Gubor, the aseptically-packaged drink business and Hershey Mexico in 1991. Cash used for business acquisitions represented the purchase price paid and consisted of the current assets, property, plant and equipment, and intangibles acquired, net of liabilities assumed.

Financing Activities

Financing activities included debt borrowings and repayments, payment of dividends, the repurchase of Common Stock in 1993, and ESOP transactions in 1991. During the past three years, short-term borrowings in the form of commercial paper or bank borrowings were used to fund seasonal working capital requirements, business acquisitions, the purchase of the Freia investment interest and a share repurchase program. A portion of the proceeds received from the sale of the Freia investment was used to repay long-term debt in 1993. In February 1991, the Corporation issued $100 million of Debentures under its Form S-3 Registration Statement which was declared effective in June 1990. A portion of the proceeds from issuance of the Debentures was used to repay $76.7 million of domestic commercial paper borrowings which were classified as long-term debt as of December 31, 1990.

During the second quarter of 1993, the Corporation's Board of Directors approved a share repurchase program to acquire from time to time through open market or privately negotiated transactions up to $200 million of Common Stock. During 1993, a total of 2,573,100 shares were repurchased at an average price of $51 per share.

During 1991, the Corporation established an ESOP to serve as the primary vehicle for the Corporation's contributions to its existing employee savings and stock investment plan for participating domestic salaried and hourly employees. The ESOP was funded by a 7.75% loan of $47.9 million from the Corporation. The proceeds from this loan were used to purchase, at a market price of $40-1/8 per share, 1,193,816 shares of the Corporation's Common Stock which it had previously acquired through open market purchases.

HERSHEY FOODS CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands of dollars)

December 31,	1993	1992
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 15,959	$ 24,114
Accounts receivable--trade	294,974	173,646
Inventories	453,442	457,179
Deferred income taxes	85,548	46,451
Prepaid expenses and other	39,073	59,515
Investment interest	-	179,076
Total current assets	888,996	939,981
Property, Plant and Equipment, Net	1,460,904	1,295,989
Intangibles Resulting from Business Acquisitions	473,408	399,768
Other Assets	31,783	37,171
Total assets	$2,855,091	$2,672,909
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 125,658	$ 127,175
Accrued liabilities	301,989	240,816
Accrued income taxes	35,603	5,682
Short-term debt	337,286	259,045
Current portion of long-term debt	13,309	104,224
Total current liabilities	813,845	736,942
Long-term Debt	165,757	174,273
Other Long-term Liabilities	290,401	92,950
Deferred Income Taxes	172,744	203,465
Total liabilities	1,442,747	1,207,630
Stockholders' Equity:		
Preferred Stock, shares issued: none in 1993 and 1992	-	-
Common Stock, shares issued: 74,669,057 in 1993 and 74,929,057 in 1992	74,669	74,929
Class B Common Stock, shares issued: 15,253,279 in 1993 and 15,257,279 in 1992	15,253	15,257
Additional paid-in capital	51,196	52,129
Cumulative foreign currency translation adjustments	(13,905)	2,484
Unearned ESOP compensation	(41,515)	(44,708)
Retained earnings	1,445,609	1,365,188
Treasury--Common Stock shares, at cost: 2,309,100 in 1993 and none in 1992	(118,963)	-
Total stockholders' equity	1,412,344	1,465,279
Total liabilities and stockholders' equity	$2,855,091	$2,672,909

The notes to consolidated financial statements are an integral part of these balance sheets.

MANAGEMENT'S DISCUSSION AND ANALYSIS - FINANCIAL CONDITION

Assets

Total assets increased $182.2 million or 7% as of December 31, 1993, primarily as a result of capital additions and intangibles from business acquisitions, offset somewhat by a decrease in current assets.

Current assets decreased by $51.0 million as a result of the sale of the $179.1 million investment interest in Freia, which was classified as a current asset as of December 31, 1992. This decrease was partially offset by increases in accounts receivable, resulting from inclusion of the accounts receivable of acquired businesses and the timing and payment terms associated with sales occurring toward the end of the year, and current deferred income taxes.

The $164.9 million net increase in property, plant and equipment included $65.6 million of assets acquired through business acquisitions. Capital additions totaled $211.6 million in 1993, while depreciation amounted to $100.1 million.

The increase in intangibles resulting from business acquisitions as of December 31, 1993, principally reflected the preliminary accounting for 1993 business acquisitions partially offset by amortization of intangibles.

Liabilities

Total liabilities increased by $235.1 million or 19% as of December 31, 1993, primarily due to higher long-term liabilities associated with the adoption of FAS No. 106 and higher current liabilities.

Current liabilities increased by $76.9 million principally as a result of liabilities assumed as part of business acquisitions and increases in accrued liabilities related to marketing promotions, benefits, compensation, and timing of income tax payments. A decline in current portion of long-term debt more than offset an increase in short-term debt. Current portion of long-term debt decreased by $90.9 million, reflecting the early retirement of $95.2 million of long-term debt which had been classified as current as of December 31, 1992. The increase in short-term debt was a result of commercial paper borrowings to finance capital additions and the share repurchase program.

The deferred income tax liability as of December 31, 1993 was provided using the liability method as required by FAS No. 109, which was adopted by the Corporation effective January 1, 1993. The decrease of $30.7 million reflected the impact of adopting FAS No. 109 and deferred income tax benefits associated with the adoption of FAS No. 106.

Stockholders' Equity

Total stockholders' equity declined by 4% in 1993 primarily due to the repurchase of Common Stock. Total stockholders' equity has increased at a compound annual rate of 9% over the past ten years.

HERSHEY FOODS CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands of dollars)

	Preferred Stock	Common Stock	Class B Common Stock	Additional Paid-in Capital	Cumulative Foreign Currency Translation Adjustments	Unearned ESOP Compen- sation	Retained Earnings	Treasury Common Stock	Total Stockholders' Equity
Balance as of January 1, 1991	$ -	$74,910	$15,276	$49,249	$ 26,195	$ -	$1,077,907	$ -	$1,243,537
Net income							219,528		219,528
Dividends:									
Common Stock, $.940 per share							(70,426)		(70,426)
Class B Common Stock, $.850 per share							(12,975)		(12,975)
Foreign currency translation adjustments					229				229
Conversion of Class B Common Stock into Common Stock		11	(11)						-
Incentive plan transactions				(446)					(446)
Employee stock ownership trust transactions				3,706		(47,902)			(44,196)
Balance as of December 31, 1991	-	74,921	15,265	52,509	26,424	(47,902)	1,214,034	-	1,335,251
Net income							242,598		242,598
Dividends:									
Common Stock, $1.030 per share							(77,174)		(77,174)
Class B Common Stock, $.935 per share							(14,270)		(14,270)
Foreign currency translation adjustments					(23,940)				(23,940)
Conversion of Class B Common Stock into Common Stock		8	(8)						-
Incentive plan transactions				(741)					(741)
Employee stock ownership trust transactions				361		3,194			3,555
Balance as of December 31, 1992	-	74,929	15,257	52,129	2,484	(44,708)	1,365,188	-	1,465,279
Net income							193,325		193,325
Dividends:									
Common Stock, $1.140 per share							(84,711)		(84,711)
Class B Common Stock, $1.035 per share							(15,788)		(15,788)
Foreign currency translation adjustments					(16,389)				(16,389)
Conversion of Class B Common Stock into Common Stock		4	(4)						-
Incentive plan transactions				(1,269)					(1,269)
Employee stock ownership trust transactions				487		3,193			3,680
Repurchase of Common Stock		(264)		(151)			(12,405)	(118,963)	(131,783)
Balance as of December 31, 1993	$ -	$74,669	$15,253	$51,196	$(13,905)	$(41,515)	$1,445,609	$(118,963)	$1,412,344

The notes to consolidated financial statements are an integral part of these statements.

HERSHEY FOODS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies employed by the Corporation are discussed below and in other notes to the consolidated financial statements. Certain reclassifications have been made to prior year amounts to conform to the 1993 presentation.

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries after elimination of intercompany accounts and transactions. Investments in affiliated companies are accounted for using the equity method.

Cash Equivalents

All highly liquid debt instruments purchased with a maturity of three months or less are classified as cash equivalents.

Commodities Futures and Options Contracts

In connection with the purchasing of major commodities (principally cocoa and sugar) for anticipated manufacturing requirements, the Corporation enters into commodities futures and options contracts as deemed appropriate to reduce the risk of future price increases. These futures and options contracts are accounted for as hedges and, accordingly, gains and losses are deferred and recognized in cost of sales as part of the product cost.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of buildings, machinery and equipment is computed using the straight-line method over the estimated useful lives.

Intangibles Resulting from Business Acquisitions

Intangible assets resulting from business acquisitions principally consist of the excess of the acquisition cost over the fair value of the net assets of businesses acquired (goodwill). Goodwill is amortized on a straight-line basis over 40 years. Other intangible assets are amortized on a straight-line basis over their estimated useful lives.

Accumulated amortization of intangible assets resulting from business acquisitions was $73.4 million and $61.2 million as of December 31, 1993 and 1992, respectively.

Foreign Currency Translation

Results of operations for international entities are translated using the average exchange rates during the period. For international entities operating in non-highly inflationary economies, assets and liabilities are translated to U.S. dollars using the exchange rates in effect at the balance sheet date. Resulting translation adjustments are recorded in a separate component of stockholders' equity, "Cumulative Foreign Currency Translation Adjustments."

Foreign Exchange Contracts

The Corporation enters into foreign exchange contracts to hedge transactions denominated in international currencies and to hedge payment of intercompany transactions with its non-domestic subsidiaries. Gains and losses are accounted for as part of the underlying transactions. In entering into these contracts the Corporation has assumed the risk which might arise from the possible inability of counterparties to meet the terms of their contracts. The Corporation does not expect any losses as a result of counterparty defaults.

As of December 31, 1993, the Corporation had contracts maturing in 1994 and 1995 to purchase $39.1 million in foreign currency at contracted forward rates, primarily British sterling and Canadian dollars, and to sell $3.6 million in foreign currency at contracted forward rates. As of December 31, 1992, the Corporation had contracts maturing in 1993 and 1994 to purchase

$57.2 million in foreign currency at contracted forward rates, primarily Canadian dollars and British sterling, and to sell at $238.9 million in foreign currency at contracted forward rates, related to Norwegian kroner to be received from the sale of the Corporation's investment interest in Freia Marabou a.s (Freia) as discussed below.

License Agreements

The Corporation has entered into license agreements under which it has access to proprietary technology and manufactures and/or markets and distributes certain products. The rights under these agreements are extendable on a long-term basis at the Corporation's option subject to certain conditions, including minimum sales levels. License fees and royalties, payable under the terms of the agreements, are expensed as incurred.

2. ACQUISITIONS AND DIVESTITURE

In October 1993, the Corporation completed the purchase of the outstanding shares of Overspecht B.V. (OZF Jamin) for approximately $20.2 million, plus the assumption of approximately $13.4 million in debt. OZF Jamin manufactures chocolate and non-chocolate confectionery products, cookies, biscuits and ice cream for distribution primarily to customers in the Netherlands and Belgium.

In September 1993, the Corporation completed the acquisition of the Italian confectionery business of Heinz Italia S.p.A. (Sperlari) for approximately $130.0 million. Sperlari is a leader in the Italian non-chocolate confectionery market and manufactures and distributes a wide range of confectionery products, including sugar candies and traditional products for special occasions such as nougat and gift boxes. Products are marketed under the Sperlari, Dondi, Scaramellini and other brands.

In March 1993, the Corporation acquired certain assets of the Cleveland area Ideal Macaroni and Weiss Noodle companies for approximately $14.6 million.

In October 1991, the Corporation purchased the shares of Nacional de Dulces, S.A. de C.V. (NDD) owned by its joint venture partner, Grupo Carso, S.A. de C.V., for $10.0 million. Prior to the acquisition, the Corporation owned 50% of the outstanding stock of NDD. Subsequent to the acquisition, NDD was renamed Hershey Mexico, S.A. de C.V. (Hershey Mexico). Hershey Mexico produces, imports and markets chocolate products for the Mexican market under the HERSHEY'S name.

In May 1991, the Corporation purchased certain assets of Dairymen, Inc.'s ultra-high temperature fluid milk-processing business, including a Savannah, Georgia manufacturing facility for $2.2 million, plus the assumption of $8.5 million in debt.

Also in May 1991, the Corporation completed the acquisition of the Gubor Schokoladen GmbH and Gubor Schokoladenfabrik GmbH (Gubor) chocolate business from H. Bahlsens Keksfabrik KG for $31.9 million, plus the assumption of $9.0 million in debt. Gubor manufactures and markets high-quality assorted pralines and seasonal chocolates in Germany. The acquisition was effective as of January 1, 1991.

In accordance with the purchase method of accounting, the purchase prices of the acquisitions summarized above were allocated to the underlying assets and liabilities at the date of acquisition based on their estimated respective fair values which may be revised at a later date. Total liabilities assumed, including debt, were $54.0 million in 1993 and $40.4 million in 1991. Results subsequent to the dates of acquisition are included in the consolidated financial statements. Had the results of these acquisitions been included in consolidated results for the entire length of each period presented, the effect would not have been material.

In April 1992, the Corporation completed the sale of Hershey do Brasil Participacoes Ltda., a holding company which owned a 41.7% equity interest in Petybon S.A., to the Bunge & Born Group for approximately $7.0 million. Petybon S.A., located in Brazil, is a producer of pasta, biscuits and margarine products. The sale resulted in a modest pre-tax gain and a reduction in the effective income tax rate of .8% for 1992.

3. GAIN ON SALE OF INVESTMENT INTEREST

In May 1992, the Corporation completed the acquisition of an 18.6% investment interest in Freia for $179.1 million. The investment was accounted for under the cost method in 1992. In October 1992, the Corporation tendered its investment interest in response to a Kraft General Foods Holdings Norway, Inc. (KGF) bid to acquire Freia subject to certain conditions, including approval by the Norwegian government.

KGF received approval of its ownership and, in March 1993, the Corporation recorded a pre-tax gain of $80.6 million on the sale of its Freia investment. This gain had the effect of increasing net income by $40.6 million. Gross proceeds from the sale in the amount of $259.7 million were received in April 1993.

4. INTEREST EXPENSE

Interest expense, net consisted of the following:

For the years ended December 31, (in thousands of dollars)	1993	1992	1991
Long-term debt and lease obligations	$23,016	$30,435	$32,252
Short-term debt	11,854	11,328	7,403
Capitalized interest	(4,646)	(12,055)	(10,386)
Gross interest expense	30,224	29,708	29,269
Interest income	(3,229)	(2,468)	(2,424)
Interest expense, net	$26,995	$27,240	$26,845

5. SHORT-TERM DEBT

Generally, the Corporation's short-term borrowings are in the form of commercial paper or bank loans with an original maturity of three months or less. The Corporation maintained lines of credit arrangements with domestic and international commercial banks, under which it could borrow in various currencies up to $560 million as of December 31, 1993 and up to $377 million as of December 31, 1992 at the lending banks' prime commercial interest rates or lower. These lines of credit, which may be used to support commercial paper borrowings, may be terminated at the option of the Corporation. The Corporation had combined domestic commercial paper borrowings and short-term international bank loans against these lines of credit of $337.3 million and $259.0 million as of December 31, 1993 and 1992, respectively.

Lines of credit were supported by commitment fee arrangements. The fees were generally 1/8% per annum of the commitment. There were no significant compensating balance agreements which legally restricted these funds.

As a result of maintaining a consolidated cash management system, the Corporation maintains overdraft positions at certain banks. Such overdrafts, which were included in accounts payable, were $17.2 million and $22.0 million as of December 31, 1993 and 1992, respectively.

6. LONG-TERM DEBT

Long-term debt consisted of the following:

December 31, (in thousands of dollars)	1993	1992
Medium-term Notes, 8.45% to 9.92%, due 1994-1998	$ 55,400	$ 55,400
9.5% Sinking Fund Debentures due 2009	-	42,000
9.125% Sinking Fund Debentures due 2016	-	50,000
8.8% Debentures due 2021	100,000	100,000
Other obligations, net of unamortized debt discount	23,666	31,097
Total long-term debt	179,066	278,497
Less -- current portion	13,309	104,224
Long-term portion	$165,757	$174,273

As of December 31, 1992, current portion of long-term debt included $95.2 million of debt which, in 1993, the Corporation retired early using a portion of the proceeds from the sale of its investment interest in Freia.

Aggregate annual maturities during the next five years are: 1994, $13.3 million; 1995, $7.8 million; 1996, $2.1 million; 1997, $15.9 million; and 1998, $25.5 million. The Corporation's debt is principally unsecured and of equal priority. None of the debt is convertible into stock of the Corporation. The Corporation is in compliance with all covenants included in the related debt agreements.

7. INCOME TAXES

Effective January 1, 1993, the Corporation adopted Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" (FAS No. 109), which requires the use of the liability method of accounting for deferred income taxes. This change in accounting as of January 1, 1993, which was recorded as a catch-up adjustment, increased net income by $8.2 million or $.09 per share.

The provision for income taxes, which included the effect of an increase in the Federal statutory income tax rate as provided for in the Revenue Reconciliation Act of 1993 but excluded the FAS No. 109 catch-up adjustment, was as follows:

For the years ended December 31, (in thousands of dollars)	1993	1992	1991
Current:			
Federal	$141,541	$104,223	$ 96,074
State	37,358	30,968	25,128
International	23,696	1,795	2,073
Current provision for income taxes	202,595	136,986	123,275
Deferred:			
Federal	2,949	11,770	12,618
State	1,764	4,579	6,111
International	6,334	5,055	1,925
Deferred provision for income taxes	11,047	21,404	20,654
Total provision for income taxes	$213,642	$158,390	$143,929

The tax effects of the significant temporary differences which comprised the deferred tax assets and liabilities were as follows:

December 31, 1993 (in thousands of dollars)	Deferred Income Tax Assets	Deferred Income Tax (Liabilities)	Net Deferred Income Tax Assets (Liabilities)
Current:			
Post-retirement benefit obligations	$ 3,478	$ -	
Accrued expenses and other reserves	70,678	-	
Other	16,555	(5,163)	
Total current deferred income taxes	90,711	(5,163)	$ 85,548
Non-current:			
Depreciation	-	(214,566)	
Post-retirement benefit obligations	78,190	-	
Accrued expenses and other reserves	24,800	-	
Other	10,744	(71,912)	
Total non-current deferred income taxes	113,734	(286,478)	(172,744)
Total deferred income taxes	$204,445	$(291,641)	$ (87,196)

The following table reconciles the Federal statutory income tax rate with the Corporation's effective income tax rate:

For the years ended December 31,	1993	1992	1991
Federal statutory tax rate	35.0%	34.0%	34.0%
Increase (reduction) resulting from:			
State income taxes, net of Federal income benefits	6.2	6.0	5.5
Sale of investment interest	1.5	-	-
Non-deductible acquisition costs	0.6	0.9	1.0
Sale of equity interest	-	(0.8)	-
Corporate-owned life insurance	(1.0)	(1.0)	(1.1)
Other, net	(0.5)	0.4	0.2
Effective income tax rate	41.8%	39.5%	39.6%

8. RETIREMENT PLANS

The Corporation and its subsidiaries sponsor several defined benefit retirement plans covering substantially all employees. Plans covering most domestic salaried and hourly employees provide retirement benefits based on individual account balances which are increased annually by pay-related and interest credits. Plans covering certain non-domestic employees provide retirement benefits based on career average pay, final pay, or final average pay as defined within the provisions of the individual plans. The Corporation also participates in several multi-employer retirement plans which provide defined benefits to employees covered under certain collective bargaining agreements.

The Corporation's policy is to fund domestic pension liabilities in accordance with the minimum and maximum limits imposed by the Employee Retirement Income Security Act of 1974 and Federal income tax laws, respectively. Non-domestic pension liabilities are funded in accordance with applicable local laws and regulations. Plan assets are invested in a broadly diversified portfolio consisting primarily of domestic and international common stocks and fixed income securities.

Pension expense included the following components:

For the years ended December 31, (in thousands of dollars)	1993	1992	1991
Service cost	$ 27,835	$ 22,858	$ 20,056
Interest cost on projected benefit obligations	26,423	24,098	22,148
Investment return on plan assets	(46,232)	(12,331)	(53,627)
Net amortization and deferral	18,519	(15,245)	30,161
Corporate sponsored plans	26,545	19,380	18,738
Multi-employer plans	612	580	1,231
Other	678	630	645
Total pension expense	$ 27,835	$ 20,590	$ 20,614

The funded status and amounts recognized in the consolidated balance sheets for the retirement plans were as follows:

(in thousands of dollars)	December 31, 1993 Assets Exceeded Accumulated Benefits	December 31, 1993 Accumulated Benefits Exceeded Assets	December 31, 1992 Assets Exceeded Accumulated Benefits	December 31, 1992 Accumulated Benefits Exceeded Assets
Actuarial present value of:				
Vested benefit obligations	$144,608	$204,861	$1,643	$319,635
Accumulated benefit obligations	$155,838	$221,867	$1,987	$344,091
Actuarial present value of projected benefit obligations	$185,926	$231,972	$3,255	$375,715
Plan assets at fair value	166,727	181,813	2,566	305,255
Plan assets less than projected benefit obligations	19,199	50,159	689	70,460
Net gain (loss) unrecognized at date of transition	(5,440)	4,381	79	(1,306)
Prior service cost and amendments not yet recognized in earnings	94	(11,556)	(6)	(12,815)
Unrecognized net loss from past experience different than that assumed	(7,171)	(13,948)	(708)	(29,664)
Minimum liability adjustment	-	14,866	-	18,999
Accrued pension liability	$ 6,682	$ 43,902	$ 54	$ 45,674

The projected benefit obligations for the plans were determined principally using a discount rate of 7.0% as of December 31, 1993 and 1992. For both 1993 and 1992 the assumed long-term compensation increase rate and the assumed long-term rate of return on plan assets were primarily 6.0% and 9.5%, respectively.

9. POST-RETIREMENT BENEFITS

The Corporation and its subsidiaries provide certain health care and life insurance benefits for retired employees subject to pre-defined limits. Substantially all of the Corporation's domestic employees become eligible for these benefits at retirement with a pre-defined benefit being available at an early retirement date. The post-retirement medical benefit is contributory for pre-Medicare retirees and for most post-Medicare retirees retiring on or after February 1, 1993. Retiree contributions are based upon a combination of years of service and age at retirement. The post-retirement life insurance benefit is non-contributory.

Effective January 1, 1993, the Corporation adopted Statement of Financial Accounting Standards No. 106 "Employers' Accounting for Post-retirement Benefits Other Than Pensions" (FAS No. 106) which requires that the cost of post-retirement benefits be accrued during employees' working careers. The Corporation elected to adopt FAS No. 106 by means of a catch-up adjustment which had the effect of decreasing net income by $112.2 million, or $1.25 per share, after a deferred tax benefit of $76.3 million.

Prior to 1993, the Corporation accounted for such benefits as an expense as paid. Expense recognized under FAS No. 106 during 1993 incrementally reduced net income by $5.9 million and consisted of the following components (in thousands of dollars):

Service cost	$ 3,997
Interest cost on projected benefit obligations	12,897
Amortization	(280)
Total	$16,614

Obligations are unfunded and the actuarial present value of accumulated post-retirement benefit obligations recognized in the consolidated balance sheet as of December 31, 1993 was as follows (in thousands of dollars):

Retirees	$ 87,765
Fully eligible active plan participants	31,852
Other active plan participants	65,069
Total	184,686
Plan amendments	5,746

Unrecognized net gain from past experience different than that assumed	7,976
Accrued post-retirement benefits	$198,408

The accumulated post-retirement benefit obligations were determined using a discount rate of 7.5% as of December 31, 1993. The assumed average health care cost trend rate used in measuring the accumulated post-retirement benefit obligations as of December 31, 1993 was principally 12% in 1993, gradually declining to approximately 7% over ten years. A one percentage point increase in the average health care cost trend rate would increase the accumulated post-retirement benefit obligations as of December 31, 1993 by $18.3 million and the sum of the service and interest costs by $2.2 million.

As part of its long-range financing plans, the Corporation, in 1989, implemented a corporate-owned life insurance program covering most of its domestic employees. After paying employee death benefits, proceeds from this program will be available for general corporate purposes and may be used to offset future employee benefits costs, including retiree medical benefits. The Corporation's investment in corporate-owned life insurance policies was recorded net of policy loans in other assets, and interest accrued on the policy loans was included in accrued liabilities as of December 31, 1993. Net life insurance expense, including interest expense, was included in selling, marketing and administrative expenses.

10. EMPLOYEE STOCK OWNERSHIP TRUST

In 1991, the Corporation established an employee stock ownership trust (ESOP) to serve as the primary vehicle for the Corporation's contributions to its existing employee savings and stock investment plan for participating domestic salaried and hourly employees. The ESOP was funded by a 15-year 7.75% loan of $47.9 million from the Corporation. The proceeds from this loan were used to purchase, at a market price of $40 1/8 per share, 1,193,816 shares of the Corporation's Common Stock which it had previously acquired through open market purchases.

During 1993 and 1992, the ESOP received a combination of dividends on unallocated shares and contributions from the Corporation equal to the amount required to meet its principal and interest payments under the loan. Simultaneously, the ESOP allocated to participants 79,588 shares of Common Stock each year. As of December 31, 1993 the ESOP held 152,406 of allocated shares and 1,034,640 of unallocated shares.

The Corporation recognized net compensation expense equal to the shares allocated multiplied by the original cost of $40 1/8 per share less dividends received by the ESOP on unallocated shares. Compensation expense related to the ESOP for 1993 and 1992 was $2.0 million and $2.3 million, respectively. Dividends paid on unallocated ESOP shares were $1.2 million in 1993 and $.9 million in 1992. The unearned ESOP compensation balance of $41.5 million as of December 31, 1993 represented deferred compensation expense to be recognized by the Corporation in future years as additional shares are allocated to participants.

11. CAPITAL STOCK AND NET INCOME PER SHARE

As of December 31, 1993, the Corporation had 530,000,000 authorized shares of capital stock. Of this total, 450,000,000 shares were designated as Common Stock, 75,000,000 shares as Class B Common Stock (Class B Stock), and 5,000,000 shares as Preferred Stock, each class having a par value of one dollar per share. As of December 31, 1993, a combined total of 89,922,336 shares of both classes of common stock had been issued of which 87,613,236 shares were outstanding. No shares of the Preferred Stock were issued or outstanding during the three-year period ended December 31, 1993.

The Common Stock and the Class B Stock generally vote together without regard to class on matters submitted to stockholders, including the election of directors, with the Common Stock having one vote per share and the Class B Stock having ten votes per share. However, the Common Stock, voting separately as a class, is entitled to elect one-sixth of the Board of Directors. With respect to dividend rights, the Common Stock is entitled to cash dividends 10% higher than those declared and paid on the Class B Stock.

Class B Stock can be converted into Common Stock on a share-for-share basis at any time. During 1993, 1992 and 1991, a total of 4,000, 7,775, and 11,350 shares, respectively, of Class B Stock were converted into Common Stock.

Hershey Trust Company, as Trustee for Milton Hershey School (Hershey Trust), as institutional fiduciary for estates and trusts unrelated to Milton Hershey School, and as direct owner of investment shares, held a total of 21,398,312 shares of the Common Stock, and as Trustee

for Milton Hershey School, held 15,153,003 shares of the Class B Stock as of December 31, 1993, and was entitled to cast approximately 77% of the total votes of both classes of the Corporation's common stock. Hershey Trust must approve the issuance of shares of Common Stock or any other action which would result in the Hershey Trust not continuing to have voting control of the Corporation.

During the second quarter of 1993, the Corporation's Board of Directors approved a share repurchase program to acquire from time to time through open market or privately negotiated transactions up to $200 million of Common Stock. During 1993, a total of 2,573,100 shares were repurchased at an average price of $51 of which 264,000 shares were retired and the remaining 2,309,100 shares were held as treasury stock as of December 31, 1993. Of the total purchased, 2,000,000 shares were acquired from Hershey Trust for approximately $103.1 million.

Net income per share has been computed based on the weighted average number of shares of the Common Stock and the Class B Stock outstanding during the year. Average shares outstanding were 89,757,135 for 1993 and 90,186,336 for 1992 and 1991.

12. INCENTIVE PLAN

The long-term portion of the 1987 Key Employee Incentive Plan (Plan) provides for grants or awards to senior executives and key employees of one or more of the following: performance stock units, non-qualified stock options (stock options), stock appreciation rights and restricted stock units. The Plan also provides for the deferral of performance stock unit awards by participants.

As of December 31, 1993, a total of 190,855 contingent performance stock units and restricted stock units had been granted for potential future distribution, primarily related to three-year cycles ending December 31, 1993, 1994 and 1995. Deferred performance stock units and accumulated dividend amounts totaled 255,288 shares as of December 31, 1993.

Stock options are granted at exercise prices of not less than 100% of the fair market value of a share of Common Stock at the time the option is granted and are exercisable for periods no longer than ten years from the date of grant. Each option may be used to purchase one share of Common Stock. No compensation expense is recognized under the stock options portion of the Plan.

No stock appreciation rights had been granted or awarded as of December 31, 1993.

Stock option activity was as follows:

	Shares under Options	
	Number of Shares	Option Price per Share
Outstanding -- January 1, 1991	834,960	$23-3/4 to 35-3/8
Granted	59,800	$36-1/4
Exercised	(30,135)	$23-3/4 to 28
Cancelled	(7,500)	$35-3/8
Outstanding -- December 31, 1991	857,125	$23-3/4 to 36-1/4
Granted	939,000	$41-1/8 to 44-3/4
Exercised	(69,650)	$23-3/4 to 35-3/8
Cancelled	(9,500)	$44-3/4
Outstanding -- December 31, 1992	1,716,975	$25-3/8 to 44-3/4
Granted	116,600	$47 to 53
Exercised	(82,850)	$25-3/8 to 35-3/8
Cancelled	(20,300)	$44-3/4
Outstanding -- December 31, 1993	1,730,425	$25-3/8 to 53

13. SUPPLEMENTAL INCOME STATEMENT INFORMATION

Supplemental income statement information is provided in the table below. These costs were expensed in the year incurred.

For the years ended December 31, (in thousands of dollars)	1993	1992	1991
Promotion	$444,546	$398,577	$325,465
Advertising	130,009	137,631	117,049
Maintenance and repairs	85,845	79,563	72,192
Depreciation expense	100,124	84,434	72,735
Rent expense	24,524	23,960	23,288
Research and development	26,151	24,203	22,770

Rent expense pertains to all operating leases which were principally related to certain administrative buildings, distribution facilities and transportation equipment. Future minimum rental payments under non-cancellable operating leases with a remaining term in excess of one year as of December 31, 1993, were: 1994, $12.3 million; 1995, $12.0 million; 1996, $11.4 million; 1997, $11.1 million; 1998, $10.7 million; 1999 and beyond, $102.8 million.

Amounts for taxes other than payroll and income taxes, amortization of intangibles resulting from business acquisitions, and royalties were less than 1% of net sales.

14. SUPPLEMENTAL BALANCE SHEET INFORMATION

Accounts Receivable - Trade

In the normal course of business, the Corporation extends credit to customers which satisfy pre-defined credit criteria. The Corporation believes that it has little concentration of credit risk due to the diversity of its customer base. Receivables, as shown on the consolidated balance sheets, were net of allowances and anticipated discounts of $12.5 million and $10.4 million as of December 31, 1993 and 1992, respectively.

Inventories

The Corporation values the majority of its inventories under the last-in, first-out (LIFO) method and the remaining inventories at the lower of first-in, first-out (FIFO) cost or market. LIFO cost of inventories valued using the LIFO method was $310.6 million as of December 31, 1993 and $350.4 million as of December 31, 1992 and all inventories were stated at amounts that did not exceed realizable values. Total inventories were as follows:

December 31, (in thousands of dollars)	1993	1992
Raw materials	$209,570	$243,243
Goods in process	37,261	30,965
Finished goods	265,616	231,313
Inventories at FIFO	512,447	505,521
Adjustment to LIFO	(59,005)	(48,342)
Total inventories	$453,442	$457,179

Property, Plant and Equipment

Property, plant and equipment balances included construction in progress of $171.1 million and $196.9 million as of December 31,1993 and 1992, respectively. Major classes of property, plant and equipment were as follows:

December 31, (in thousands of dollars)	1993	1992
Land	$ 48,239	$ 40,163
Buildings	430,199	385,545
Machinery and equipment	1,563,326	1,371,729
Property, plant and equipment, gross	2,041,764	1,797,437
Accumulated depreciation	580,860	501,448
Property, plant and equipment, net	$1,460,904	$1,295,989

Accrued Liabilities

Accrued liabilities were as follows:

December 31, (in thousands of dollars)	1993	1992
Payroll and other compensation	$ 81,909	$ 63,088
Advertising and promotion	89,819	72,735
Other	130,261	104,993
Total accrued liabilities	$301,989	$240,816

Other Long-term Liabilities

Other long-term liabilities were as follows:

December 31, (in thousands of dollars)	1993	1992
Accrued post-retirement benefits	$189,959	$ -
Other	100,442	92,950
Total other long-term liabilities	$290,401	$92,950

15. SEGMENT INFORMATION

The Corporation operates in a single consumer foods line of business, encompassing the domestic and international manufacture, distribution and sale of chocolate, confectionery, grocery and pasta products.

Operations in Canada and Europe represent the majority of the Corporation's international business. Historically, transfers of product between geographic areas have not been significant. Net sales, income before interest, income taxes and accounting changes, and identifiable assets by geographic segment were as follows:

For the years ended December 31, (in thousands of dollars)	1993	1992	1991
Net sales:			
Domestic	$3,080,329	$2,871,438	$2,566,448
International	407,920	348,367	332,717
Total	$3,488,249	$3,219,805	$2,899,165
Income before interest, income taxes and accounting changes:			
Domestic	$ 446,565	$ 419,317	$ 381,549
International	10,663	8,911	8,753
Gain on sale of investment interest	80,642	-	-
Total	$ 537,870	$ 428,228	$ 390,302
Identifiable assets as of December 31:			
Domestic	$2,281,766	$2,353,230	$2,003,425
International	573,325	319,679	338,397
Total	$2,855,091	$2,672,909	$2,341,822

16. QUARTERLY DATA (Unaudited)

Summary quarterly results were as follows:

(in thousands of dollars except per share amounts)

Year 1993	First	Second	Third	Fourth
Net sales	$897,788	$618,430	$935,662	$1,036,369
Gross profit	387,019	254,834	390,846	460,048
Income before cumulative effect of accounting changes	105,055	26,025	73,971	92,182
Net cumulative effect of accounting changes	(103,908)	-	-	-
Net income	1,147(a)	26,025	73,971	92,182
Income per share(b):				
Before accounting changes	1.16	.29	.82	1.04
Net cumulative effect of accounting changes	(1.15)	-	-	-
Net income	.01	.29	.82	1.04
Weighted average shares outstanding	90,186	90,186	90,124	88,489

Year 1992	First	Second	Third	Fourth
Net sales	$800,967	$621,840	$827,475	$969,523
Gross profit	337,529	266,791	352,792	429,305
Net income	58,924	34,475	66,880	82,319
Net income per share	.65	.39	.74	.91
Weighted average shares outstanding	90,186	90,186	90,186	90,186

(a) Net income for the first quarter and year 1993 included the net cumulative effect of accounting changes for post-retirement benefits and income taxes of $(103.9) million and an after-tax gain on the sale of the investment interest in Freia of $40.6 million. Net income per share was similarly impacted.

(b) Quarterly income per share amounts for 1993 do not total to annual amounts due to the changes in weighted average shares outstanding during the year.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

Hershey Foods Corporation is responsible for the financial statements and other financial information contained in this report. The Corporation believes that the financial statements have been prepared in conformity with generally accepted accounting principles appropriate under the circumstances to reflect in all material respects the substance of applicable events and transactions. In preparing the financial statements, it is necessary that management make informed estimates and judgments. The other financial information in this annual report is consistent with the financial statements.

The Corporation maintains a system of internal accounting controls designed to provide reasonable assurance that financial records are reliable for purposes of preparing financial statements and that assets are properly accounted for and safeguarded. The concept of reasonable assurance is based on the recognition that the cost of the system must be related to the benefits to be derived. The Corporation believes its system provides an appropriate balance in this regard. The Corporation maintains an Internal Audit Department which reviews the adequacy and tests the application of internal accounting controls.

The financial statements have been audited by Arthur Andersen & Co., independent public accountants, whose appointment was ratified by stockholder vote at the stockholders' meeting held on April 26, 1993. Their report expresses an opinion that the Corporation's financial statements are fairly stated in conformity with generally accepted accounting principles, and they have indicated to us that their examination was performed in accordance with generally accepted auditing standards which are designed to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The Audit Committee of the Board of Directors of the Corporation, consisting solely of outside directors, meets regularly with the independent public accountants, internal auditors and management to discuss, among other things, the audit scopes and results. Arthur Andersen & Co. and the internal auditors both have full and free access to the Audit Committee, with and without the presence of management.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors
of Hershey Foods Corporation:

We have audited the accompanying consolidated balance sheets of Hershey Foods Corporation (a Delaware Corporation) and subsidiaries as of December 31, 1993 and 1992, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1993, appearing on pages 20, 22, 24, 26 and 27 through 36. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hershey Foods Corporation and subsidiaries as of December 31, 1993 and 1992, and the results of their operations and cash flows for each of the three years in the period ended December 31, 1993 in conformity with generally accepted accounting principles.

As discussed in Notes 7 and 9 to the consolidated financial statements, effective January 1, 1993, the Corporation changed its methods of accounting for income taxes and post-retirement benefits other than pensions.

/s/Arthur Andersen & Co.
New York, N.Y.
January 28, 1994

HERSHEY FOODS CORPORATION
ELEVEN-YEAR CONSOLIDATED FINANCIAL SUMMARY

(all dollar and share amounts in thousands except market price and per share statistics)	10-Year Compound Growth Rate		1993	1992	1991	1990	1989
Summary of Operations(a)							
Net Sales	10.5%	$	3,488,249	3,219,805	2,899,165	2,715,609	2,420,988
Cost of Sales	9.0%	$	1,995,502	1,833,388	1,694,404	1,588,360	1,455,612
Selling, Marketing and Administrative	14.4%	$	1,035,519	958,189	814,459	776,668	655,040
Gain on Business Restructuring, Net		$	-	-	-	35,540	-
Gain on Sale of Investment Interest		$	80,642	-	-	-	-
Interest Expense, Net	6.3%	$	26,995	27,240	26,845	24,603	20,414
Income Taxes	11.8%	$	213,642	158,390	143,929	145,636	118,868
Income from Continuing Operations Before Accounting Changes	13.9%	$	297,233	242,598	219,528	215,882	171,054
Net Cumulative Effect of Accounting Changes		$	(103,908)	-	-	-	-
Discontinued Operations		$	-	-	-	-	-
Net Income	6.8%	$	193,325	242,598	219,528	215,882	171,054
Income Per Share:							
From Continuing Operations Before Accounting Changes(b)	4.4%	$	3.31(g)	2.69	2.43	2.39(h)	1.90
Net Cumulative Effect of Accounting Changes		$	(1.16)	-	-	-	-
Net Income(b)	7.2%	$	2.15(g)	2.69	2.43	2.39(h)	1.90
Weighted Average Shares Outstanding (b)			89,757	90,186	90,186	90,186	90,186
Dividends Paid on Common Stock	9.4%	$	84,711	77,174	70,426	74,161(d)	55,431
Per Share (b)	12.0%	$	1.140	1.030	.940	.990(d)	.740
Dividends Paid on Class B Common Stock		$	15,788	14,270	12,975	13,596(d)	10,161
Per Share (b)		$	1.035	.935	.850	.890(d)	.665
Income from Continuing Operations Before: Interest,Income Taxes, and Accounting Changes as a Percent of Net Sales			13.1%(c)	13.3%	13.5%	12.9%(e)	12.8%
Accounting Changes as a Percent of Net Sales			7.4%(c)	7.5%	7.6%	7.2%(e)	7.1%
Depreciation	18.3%	$	100,124	84,434	72,735	61,725	54,543
Advertising	7.8%	$	130,009	137,631	117,049	146,297	121,182
Promotion	18.9%	$	444,546	398,577	325,465	315,242	256,237
Payroll	9.2%	$	469,564	433,162	398,661	372,780	340,129
Year-end Position and Statistics(a)							
Working Capital	(8.9%)	$	75,151	203,039	273,747	320,552	281,821
Capital Additions	11.4%	$	211,621	249,795	226,071	179,408	162,032
Total Assets	12.0%	$	2,855,091	2,672,909	2,341,822	2,078,828	1,814,101
Long-term Portion of Debt	4.5%	$	165,757	174,273	282,933	273,442	216,108
Stockholders' Equity	9.0%	$	1,412,344	1,465,279	1,335,251	1,243,537	1,117,050
Current Ratio			1.1:1	1.3:1	1.6:1	1.9:1	2.0:1
Capitalization Ratio			27%	27%	22%	19%	17%
Net Book Value Per Share (b)	9.8%	$	16.12	16.25	14.81	13.79	12.39
Operating Return on Average Stockholders' Equity			17.8%	17.3%	17.0%	16.6%	16.1%
Operating Return on Average Invested Capital			15.0%	14.4%	13.8%	13.4%	13.2%
Full-time Employees at Year-end			14,300	13,700	14,000	12,700	11,800
Stockholders' Data							
Outstanding Shares of Common Stock and Class B Common Stock at Year-end (b)			87,613	90,186	90,186	90,186	90,186
Market Price of Common Stock at Year-end (b)	16.7%	$	49	47	44 3/8	37 1/2	35 7/8
Range During Year (b)		$	55 7/8-43 1/2	48 3/8-38 1/4	44 1/2-35 1/8	39 5/8-28 1/4	36 7/8-24 3/4

Notes:

(a) All amounts for years prior to 1988 have been restated for discontinued operations, where applicable. Operating Return on Average Stockholders' Equity and Operating Return on Average Invested Capital have been computed using Net Income, excluding the 1988 gain and 1985 loss on disposal included in Discontinued Operations, the 1993 Net Cumulative Effect of Accounting Changes, and the after-tax impacts of the 1990 Gain on Business Restructuring, Net, and the 1993 Gain on Sale of the Investment Interest in Freia Marabou a.s (Freia).

(b) All shares and per share amounts, have been adjusted for the three-for-one stock split effective September 15, 1986 and the two-for-one stock split effective September 15, 1983.

(c) Calculated percent excludes the Gain on Sale of Investment Interest in Freia. Including the gain, Income from Continuing Operations Before Interest, Income Taxes and Accounting Changes as a Percent of Net Sales was 15.4% and Income from Continuing Operations Before Accounting Changes as a Percent of Net Sales was 8.5%

(d) Amounts included a special dividend for 1990 of $11.2 million or $.15 per share of Common Stock and $2.1 million or $.135 per share of Class B Common Stock.

HERSHEY FOODS CORPORATION
ELEVEN-YEAR CONSOLIDATED FINANCIAL SUMMARY

		1988	1987	1986	1985	1984	1983
(all dollar and share amounts in thousands except market price and per share statistics)							
Summary of Operations(a)							
Net Sales	$	2,168,048	1,863,816	1,635,486	1,526,584	1,423,396	1,280,379
Cost of Sales	$	1,326,458	1,149,663	1,032,061	982,370	934,817	844,488
Selling, Marketing and Administrative	$	575,515	468,062	387,227	345,299	309,587	270,472
Gain on Business Restructuring, Net	$	-	-	-	-	-	-
Gain on Sale of Investment Interest	$	-	-	-	-	-	-
Interest Expense, Net	$	29,954	22,413	8,061	10,240	8,325	14,602
Income Taxes	$	91,615	99,604	100,931	91,910	82,986	70,123
Income from Continuing Operations Before Accounting Changes	$	144,506	124,074	107,206	96,765	87,681	80,694
Net Cumulative Effect of Accounting Changes	$	-	-	-	-	-	-
Discontinued Operations	$	69,443	24,097	25,558	15,462	21,001	19,472
Net Income	$	213,949	148,171	132,764	112,227	108,682	100,166
Income Per Share:							
From Continuing Operations Before Accounting Changes(b)	$	1.60	1.38	1.15	1.03	.93	.86
Net Cumulative Effect of Accounting Changes	$	-	-	-	-	-	-
Net Income Per Share (b)	$	2.37	1.64	1.42	1.19	1.16	1.07
Weighted Average Shares Outstanding (b)		90,186	90,186	93,508	94,011	94,011	94,011
Dividends Paid on Common Stock	$	49,433	43,436	40,930	37,386	37,073	34,470
Per Share (b)	$	.660	.580	.520	.475	.413	.367
Dividends Paid on Class B Common Stock	$	9,097	8,031	7,216	6,556	1,607	-
Per Share (b)	$	.595	.525	.472	.428	.105	-
Income from Continuing Operations Before:							
Interest,Income Taxes, and Accounting Changes as a Percent of Net Sales		12.3%	13.2%	13.2%	13.0%	12.6%	12.9%
Accounting Changes as a Percent of Net Sales		6.7%	6.7%	6.6%	6.3%	6.2%	6.3%
Depreciation	$	43,721	35,397	31,254	28,348	22,725	18,594
Advertising	$	99,082	97,033	83,600	77,135	71,070	61,274
Promotion	$	230,187	171,162	122,508	105,401	94,921	78,773
Payroll	$	298,483	263,529	238,742	222,267	208,395	195,254
Year-end Position and Statistics(a)							
Working Capital	$	273,716	190,069(f)	174,147	225,345	187,642	191,435
Capital Additions	$	101,682	68,504	74,452	61,361	45,258	71,697
Total Assets	$	1,764,665	1,544,354	1,262,332	1,116,074	1,052,161	920,329
Long-term Portion of Debt	$	233,025	280,900	185,676	86,986	103,155	106,543
Stockholders' Equity	$	1,005,866	832,410	727,941	727,899	660,928	596,037
Current Ratio		1.8:1	1.7:1(f)	2.0:1	2.4:1	2.1:1	2.6:1
Capitalization Ratio		22%	27%	21%	12%	14%	16%
Net Book Value Per Share (b)	$	11.15	9.23	8.07	7.74	7.03	6.34
Operating Return on Average Stockholders' Equity		17.5%	19.0%	18.2%	17.2%	17.3%	17.8%
Operating Return on Average Invested Capital		13.3%	13.5%	13.5%	13.5%	13.5%	13.8%
Full-time Employees at Year-end		12,100	10,540	10,210	10,380	10,150	9,630
Stockholders' Data							
Outstanding Shares of Common Stock and Class B Common Stock at Year-end (b)		90,186	90,186	90,186	94,011	94,011	94,011
Market Price of Common Stock at Year-end (b)	$	26	24 1/2	24 5/8	17 1/8	12 7/8	10 1/2
Range During Year (b)	$	28 5/8-21 7/8	37 3/4-20 3/4	30-15 1/2	18 3/8-11 5/8	13 3/4-9 3/8	11 5/8-8 1/8

(e) Calculated percent excludes the Gain on Business Restructuring, Net. Including the gain, Income from Continuing Operations Before Interest and Income Taxes as a Percent of Net Sales was 14.2% and Income from Continuing Operations as a Percent of Net Sales was 7.9%

(f) Amounts exclude net assets of discontinued operations.

(g) Income Per Share from Continuing Operations Before Accounting Changes and Net Income Per Share for 1993 included a $.45 per share gain on the sale of the investment interest in Freia. Excluding the impact of this gain, Income Per Share from Continuing Operations Before Accounting Changes would have been $2.86.

(h) Income Per Share from Continuing Operations and Net Income Per Share for 1990 included a $.22 per share Gain on Business Restructuring, Net. Excluding the impact of this gain, Income Per Share from Continuing Operations Before Accounting Changes and Net Income Per Share would have been $2.17.

EXHIBIT 21

SUBSIDIARIES OF REGISTRANT

The following is a listing of Subsidiaries of the Corporation, their jurisdictions of incorporation, and the name under which they do business. Each is wholly owned. Certain subsidiaries are not listed since, considered in the aggregate as a single subsidiary, they would not constitute a significant subsidiary as of December 31, 1993.

Name of Subsidiary	Jurisdiction of Incorporation
Hershey Canada Inc.	Canada
Hershey Holding Corporation	Delaware
Sperlari S.r.l.	Italy