SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

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

For the fiscal year ended: September 29, 1996, Commission File No. 0-7647

HAWKINS CHEMICAL, INC.
(Exact Name of Registrant as specified in its Charter)

MINNESOTA	41-0771293
(State of Incorporation)	(I.R.S. Employer Identification No.)

3100 East Hennepin Avenue, Minneapolis, Minnesota	55413
(Address of Principal Executive Offices)	(Zip Code)

(612) 331-6910
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act: NONE
Securities registered pursuant to Section 12(g) of the Act:

Common Stock, Par Value $.05 per share
(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 twelve 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

The aggregate market value of voting stock held by nonaffiliates of the Registrant on November 30, 1996, was $50,280,041. For purposes of this calculation, all shares held by officers and directors of the Registrant and by the Trustees of the Registrant's Employee Stock Ownership Plan and Money Purchase Pension Plan were deemed to be shares held by affiliates.

The number of shares outstanding of the Registrant's only class of common stock on November 30, 1996, was 11,051,690.

THE EXHIBIT INDEX IS LOCATED AT PAGE 15.

DOCUMENTS INCORPORATED BY REFERENCE

The following portions of the Registrant's Annual Report to Shareholders for the year ended September 29, 1996 (which portions are filed as an exhibit to this Form 10-K in accordance with Item 601(b)(13)(ii) of Regulation S-K) and Proxy Statement for the 1997 Annual Meeting of Shareholders (to be filed with the Commission by January 7, 1997) are incorporated by the reference below as the Item of this Form 10-K indicated.

Part of Form 10-K	Portion of Annual Report

1. Part II, Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.	1. See caption entitled "Quarterly Stock Data."
2. Part II, Item 6. Selected Financial Data.	2. See caption entitled "Selected Financial Data."
3. Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	3. See caption entitled "Management's Discussion and Analysis of Results of Operations and Financial Condition."
4. Part II, Item 8. Financial Statements and Supplementary Data.	4. See Consolidated Balance Sheets, Statements of Income & Retained Earnings, Statements of Cash Flows, Independent Auditors' Report, and Notes to Consolidated Financial Statements.
	Portion of Proxy Statement
5. Part III, Item 10. Directors and Executive Officers of the Registrant.	5. See caption entitled "Election of Directors."
6. Part III, Item 11. Executive Compensation.	6. See caption entitled "Compensation of Executive Officers and Directors."
7. Part III, Item 12. Security Ownership of Certain Beneficial Owners and Management.	7. See caption entitled "Security Ownership of Management and Beneficial Ownership."

8. Part III, Item 13. Certain Relationships and Related Transactions.	8. See captions entitled "Election of Directors" and "Related Party Transactions."

PART I

ITEM 1. BUSINESS.

(a) GENERAL DEVELOPMENT OF THE BUSINESS. The Registrant was incorporated under the laws of the State of Minnesota in 1955. In the past year the Registrant has not changed its form of organization or mode of conducting business and has not acquired or disposed of any material amount of assets other than in the ordinary course of business.

(b) FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS. Because the business of the Registrant is conducted in only one industry segment, no breakdown of revenue, operating profit, or assets attributable to industry segments is presented.

(c) NARRATIVE DESCRIPTION OF THE BUSINESS.

(i) PRODUCTS AND MARKETS. The Registrant's business is conducted throughout the nine-state area of Minnesota, Wisconsin, Iowa, North Dakota, South Dakota, Montana, Nebraska, Michigan and Wyoming, through its four subsidiaries and four divisions described below:

(A) THE LYNDE COMPANY. This wholly owned subsidiary is a compounder and distributor of chemicals for swimming pool maintenance. Sales for Lynde to its range of commercial, industrial and municipal customers are handled by the Registrant's Sales Division (discussed below). Lynde's territory covers the nine-state area discussed above.

(B) FEED-RITE CONTROLS, INC. This wholly owned subsidiary specializes in providing water and waste-water treatment equipment and chemicals and in testing water samples in Minnesota, Wisconsin, Iowa, North Dakota, South Dakota and Nebraska.

(C) MON-DAK CHEMICAL, INC. This wholly owned subsidiary is a regional distributor of the Registrant's products and of laundry, dry cleaning, and janitorial supplies in Montana, Wyoming, and the Dakotas.

(D) DAKOTA CHEMICAL, INC. This wholly owned subsidiary also is a regional distributor of the Registrant's products, including water and waste-water treatment equipment and chemicals, in Iowa, Minnesota, Nebraska, and the Dakotas.

(E) HAWKINS TERMINAL DIVISION. This division receives, stores and distributes various chemicals in bulk, including liquid caustic soda, phosphoric acid and aqua ammonia; manufactures sodium hypochlorite (bleach); repackages liquid chlorine; and performs custom

blending of certain chemicals for customers according to customer formulas. Approximately 80% of the business of the Hawkins Terminal Division is related to liquid caustic soda. Hawkins Terminal Division operates a liquid caustic soda barge terminal to receive shipments during the period the Mississippi River is open to barge traffic (approximately March 1 through December 1). During the remainder of the year, the Division relies on stockpiles, as well as supplies shipped in by railroad tank car. Pursuant to operating agreements it has with other chemical companies, the Registrant also receives, stores and ships liquid caustic soda and other chemicals at both the Hawkins Terminal 1 location and the Terminal 2 site which is located across the river and downstream from Terminal 1.

Since 1963, flooding of the Mississippi River has required the Hawkins Terminal Division to temporarily shift its operations out of its buildings twice. No substantial interruptions to sales resulted from the floods because railroad tank cars have been successfully used as an alternative means of supply. Although the use of tank cars has resulted in additional costs, results of operations have not been materially impacted. No assurance can be given that flooding will not reoccur or that there will not be substantial damage or interruption to the business of the Registrant's Hawkins Terminal Division in the future.

(F) ARROWHEAD CHEMICAL DIVISION. This division distributes industrial chemicals, water and waste-water treatment equipment and chemicals, and laundry, dry cleaning, and janitorial supplies in northern Minnesota, northern Wisconsin, and the upper peninsula of Michigan.

(G) INDUSTRIAL CHEMICAL AND EQUIPMENT DIVISION. This division was created in October 1993 when the Registrant acquired the assets of Industrial Chemical & Equipment Co. It specializes in sales to the plating and electronic industries, and relies on a specially trained sales staff which works directly with customers on their plating and other processes. John H. Michel, the former President of Industrial Chemical & Equipment Co. manages this division.

(H) SALES DIVISION. In addition to handling sales for The Lynde Company and the Hawkins Terminal Division, the Sales Division is a sales distribution center for industrial chemicals, laboratory chemicals and laboratory supplies. Bulk industrial chemicals are generally repackaged and sold in smaller quantities to the Registrant's customers. Sales are concentrated primarily in western Wisconsin, Minnesota, northern Iowa and North and South Dakota. Among the principal chemicals handled by the Sales Division are water purification and pollution control chemicals (such as chlorine) and industrial chemicals (such as anhydrous ammonia, aluminum sulphate, hydrofluosilicic acid, soda ash, phosphates, muriatic acid, aqua ammonia, sulfuric acid and liquid caustic soda).

(ii) STATUS OF NEW PRODUCTS. The Registrant began shipping its Cheese-Phos-Registered Trademark- product (discussed below) in late calendar

1995. Sales of this product in fiscal 1996 were not material to the Registrant's results of operations for the period.

(iii) RAW MATERIALS. The Registrant has approximately 450 suppliers, including many of the major chemical producers in the United States, of which approximately 20 account for a majority of the purchases made by the Registrant. The Registrant typically has written distributorship agreements or supply contracts with its suppliers that are renewed from time to time. Although there is no assurance that any contract or understanding with any supplier will not be terminated in the foreseeable future, most of the basic chemicals purchased by the Registrant can be obtained from alternative sources should existing relationships be terminated.

(iv) PATENTS, TRADEMARKS, LICENSES, FRANCHISES, AND CONCESSIONS. There are no patents, trademarks, licenses, franchises or concessions that are currently material to the successful operation of the Registrant's business. The Registrant has, however, obtained a patent on a liquid form of sodium phosphate for use in the processed food industry, as described below; the patent was granted on October 17, 1995, and will expire on November 8, 2013.

Process Cheese producers are increasingly moving away from dry forms of sodium ortho phosphates to liquid versions. The advantages of the liquid form include delivery by pumping, greater measurement accuracy and consistency in finished product, and the elimination of undissolved chemical, dust, and the disposal of empty chemical bags. The major drawback of the liquid sodium phosphates currently being used in the cheese processing industry, however, is that they must be stored at between 130 and 160 degrees Fahrenheit to prevent crystallization. Expensive heat storage and steam heated piping is necessary to maintain required temperatures. Back-up generators must also be installed as safeguards against product cooling and solidifying in case of a plant power outage.

The Registrant's patented Cheese-Phos-Registered Trademark- liquid sodium phosphate, which can be stored at room temperature, offers all the advantages of a liquid sodium phosphate product, but eliminates the need for high-heat delivery systems. Although it is not currently possible to project the effect of Cheese-Phos-Registered Trademark- on the Registrant's results of operations for future periods, this product could add materially to the Registrant's revenues and profits.

(v) SEASONAL ASPECTS. The sale of water treatment chemicals used in swimming pools and municipal water treatment facilities tends to reach a higher level during the summer months, which are part of the Registrant's third and fourth fiscal quarters.

(vi) WORKING CAPITAL ITEMS. As a bulk distributor of chemicals, the Registrant is required to carry significant amounts of inventory to meet rapid delivery requirements of customers.
Working capital requirements vary on a seasonal basis as a result of the seasonality of the water treatment chemical business.

(vii) DEPENDENCE ON LIMITED NUMBER OF CUSTOMERS. No one customer represents more than approximately 4% of the Registrant's sales, but the loss of the four largest customers could have a material adverse effect on the Registrant's results of operations.

(viii) BACKLOG. Backlog is not material to an understanding of the Registrant's business.

(ix) GOVERNMENT CONTRACTS. No material portion of Registrant's business is subject to renegotiation of profits or termination of contracts at the election of any state or federal governmental subdivision or agency.

(x) COMPETITIVE CONDITIONS. Registrant operates in a competitive industry and competes with producers, distributors and sales agents offering chemicals equivalent to all of the products handled by the Registrant. Many such producers and distributors have substantially more business and are substantially larger than the Registrant. No one competitor, however, is dominant in Registrant's market. Price and service are the principal methods of competition in the industry.

(xi) RESEARCH AND DEVELOPMENT. Registrant does not have a formal research and development function; employees are assigned to research and development problems as the need arises. During the past fiscal year, expenditures for research and development were negligible and not material to Registrant's business.

(xii) ENVIRONMENTAL MATTERS. The Registrant is primarily a compounder and distributor, rather than a manufacturer, of chemical products. As such, compliance with current federal, state and local provisions regarding discharge of materials into the environment, or otherwise relating to the protection of the environment, is not anticipated to have any material effect upon the capital expenditures, earnings or competitive position of the Registrant. Registrant does not currently anticipate making any material capital expenditures for environmental control facilities during fiscal year 1997.

(xiii) EMPLOYEES. The number of persons employed by the Registrant and its subsidiaries as of September 29, 1996 was 145.

(d) FINANCIAL INFORMATION ABOUT FOREIGN AND DOMESTIC OPERATIONS AND EXPORT SALES. Because the Registrant deals in only one geographic area of the United States, no breakdown of revenue, profitability or assets attributable to different geographic areas is meaningful to an understanding of Registrant's business.

ITEM 2. PROPERTIES.

The Registrant's principal location consists of approximately seven acres of land in Minneapolis, Minnesota, with five buildings containing a total of 125,000 square feet of office and warehouse space. The Registrant's principal office, out of which the Sales Division operates, is located in one of these buildings, at 3100 East Hennepin Avenue. The other buildings are used by the Registrant and its Lynde and Feed-Rite Controls subsidiaries, and the Industrial Chemical & Equipment division. The Registrant's warehouse facilities in Minneapolis have been retrofitted with sprinklers for fire protection; this process was completed in the second quarter of calendar 1996. The Registrant carries insurance covering the replacement of property damaged by fire or flood.

Information about the Registrant's other principal facilities is presented below. These facilities, as well as those described above, are adequate and suitable for the purposes they serve. Unless noted, each facility is owned and is fully utilized by the Registrant or one of its subsidiaries.

Subsidiary or Division	Location	Primary Use	Approximate Square Feet
Feed-Rite Controls	Fargo, ND(1)	Office and Warehouse	22,800
	Fond du Lac, WI(2)	Warehouse	20,300
	Slater, IA	Warehouse	8,000
Mon-Dak Chemical	Washburn, ND	Office and Warehouse	14,000
	Billings, MT	Office and Warehouse	6,000
Dakota Chemical	Aberdeen, SD	Warehouse	8,000
	Sioux Falls, SD(3)	Warehouse	18,000
	Rapid City, SD	Warehouse	3,600

Hawkins Terminal Division	St. Paul, MN(4)	Office, Warehouse and Garage	32,000
Arrowhead Chemical	Superior, WI	Office and Warehouse	17,000

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(1) This facility is occupied by Feed-Rite Controls (17,800 square feet) and leased to a third party (5,000 square feet).

(2) In addition to the space in this building being used by Feed-Rite Controls, 10,000 square feet of space is being leased by the Registrant to third parties.

(3) The Sioux Falls facility is occupied by Dakota Chemical (12,000 square feet) and leased to a third party (6,000 square feet).

(4) The Hawkins Terminal Division operation, located at two sites on opposite sides of the Mississippi River, is made up of three buildings, nine outside storage tanks with a total capacity of approximately 8,900,000 gallons for the storage of liquid caustic soda, as well as numerous smaller tanks for storing and mixing chemicals. The land on which the Hawkins Terminal Division buildings and storage tanks are located is leased by the Registrant from the Port Authority of the City

of St. Paul, Minnesota for a basic rent plus an amount based on the tonnage unloaded at both sites each year. The applicable leases run until December 31, 1998, at which time the Registrant has an option to renew the leases for an additional five-year period on the same terms and conditions. Thereafter, the Registrant has options for three additional successive five-year renewal periods (extending until 2018) for which the rent may be adjusted pursuant to the rental renegotiation provisions contained in the leases.

On January 1, 1996, the Registrant sold a 52,000 square foot building in St. Paul, Minnesota, pursuant to a contract for deed. This office and warehouse facility was formerly used in connection with the operation of Tessman Seed, Inc., a wholly owned subsidiary of the Registrant. Substantially all of the assets of Tessman Seed were sold by the Registrant during fiscal 1995.

On May 31, 1996, the Registrant acquired a 35,000 square foot building adjacent to its Minneapolis facilities. This facility will be used primarily as warehouse space and will be put into use during the first half of calendar 1997.

The Registrant and its subsidiaries also own several trucks, tractors, trailers, and vans.

ITEM 3. LEGAL PROCEEDINGS.

As of the date of this filing, neither the Registrant nor any of its subsidiaries was involved in any pending legal proceeding to which the Registrant or its subsidiaries was a party or of which any property of the Registrant or its subsidiaries was the subject other than ordinary routine litigation incidental to their business, except as follows:

LYNDE COMPANY WAREHOUSE FIRE. On March 1, 1995, the Company and its subsidiary The Lynde Company were named as defendants in an action entitled DONNA M. COOKSEY, ET AL. V. HAWKINS CHEMICAL, INC. AND THE LYNDE COMPANY. This proceeding is pending in state district court in Hennepin County, Minnesota. The plaintiffs are seeking damages for personal injury, other damages alleged to have been caused by the alleged release of hazardous substances as a result of a fire at an office/warehouse facility used by The Lynde Company and punitive damages. The plaintiffs are also seeking to have the lawsuit certified as a class action. The Company has denied liability and intends to vigorously defend itself and its subsidiary in this matter.

Discovery has proceeded in this lawsuit and the plaintiffs have made a motion for certification as a class action. The Company's response to the class certification motion is due in January of 1997. No hearing on the plaintiffs' motion has been scheduled. It is not possible at this time to predict what effect liability imposed upon the Company, if any, will have on the results of operations or financial condition of the Company.

The Company's primary and umbrella insurers have denied a tender of the defense of the COOKSEY lawsuit and have denied any obligation to indemnify the Company for damages claimed by third parties in connection with the fire. This denial is based on a "Total Pollution Exclusion" which purports to exclude coverage for bodily injury and other losses

caused by a release of pollutants, even if such release is caused by a hostile, unintended fire. On July 7, 1995, the Company commenced suits against The North River Insurance Company and the Westchester Fire Insurance Company, the primary and umbrella insurers, respectively. These actions were filed in the United States District Court for the District of Minnesota. The suits sought declaratory relief consisting of a finding that the Company has coverage under both the primary and umbrella policies. The defendant insurers filed general denials of the allegations contained in the Company's complaint.

The federal magistrate hearing the cases found in favor of the Company on the issue of indemnification with respect to both insurers (North River on June 27, 1996, and Westchester on July 15, 1996). The insurers subsequently moved for review of the magistrate's decision by the District Court, which affirmed the magistrate's decisions in their entirety on October 7, 1996. The insurers have indicated that they intend to appeal the District Court's decision to the Eighth Circuit Court of Appeals. It is not possible, therefore, to determine at this time what recovery, if any, may be obtained by the Company.

Because the Company's insurers have denied tender of the defense of the COOKSEY lawsuit, the Company has incurred significant legal fees and expenses in fiscal 1996 and will continue to do so in future periods. The actual legal fees and expenses, and liability or settlement costs, if any, which will ultimately be borne by the Company as a result of the COOKSEY matter are highly dependent on a variety of technical legal issues as well as the ultimate result of the litigation regarding insurance coverage.

During fiscal 1995, the Company recorded $750,000 to cover its currently expected settlement costs; as of September 29, 1996, the Registrant has paid $626,800 in settlement costs related to the COOKSEY lawsuit. The Registrant estimates, based on facts currently available to its Management, that this reserve will be sufficient to cover the Registrant's probable exposure for settlement costs in connection with the COOKSEY lawsuit. It is possible, however, that future developments may make additional reserves prudent and necessary in future periods.

The Registrant became self-insured with respect to products liability claims in December 1985 with the establishment of a $1,000,000 trust fund, found as a separate line item on the balance sheet, to fund this self-insurance program. No claims covered by this program have been made to date. As of October 1, 1989, the Registrant again secured product liability insurance of $1,000,000, although the trust fund is currently in place as an umbrella over this insurance coverage.

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

No matter was submitted to a vote of security holders during the fourth quarter.

PART II

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

See the Registrant's Annual Report for the year ended September 29, 1996, referenced on page 2 of this Form 10-K.

ITEM 6. SELECTED FINANCIAL DATA.

See the Registrant's Annual Report for the year ended September 29, 1996, referenced on page 2 of this Form 10-K.

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

See the Registrant's Annual Report for the year ended September 29, 1996, referenced on page 2 of this Form 10-K.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

See the Registrant's Annual Report for the year ended September 29, 1996, referenced on page 2 of this Form 10-K.

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

No changes in accountants or disagreements between the Registrant and its accountants regarding accounting principles or financial statement disclosures have occurred during the Registrant's two most recent fiscal years or any subsequent interim period.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

See the Registrant's Proxy Statement for the 1997 Annual Meeting of Shareholders to be filed with the Commission by January 7, 1997, referenced on page 2 of this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION.

See the Registrant's Proxy Statement for the 1997 Annual Meeting of Shareholders to be filed with the Commission by January 7, 1997, referenced on page 2 of this Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

See the Registrant's Proxy Statement for 1997 Annual Meeting of Shareholders to be filed with the Commission by January 7, 1997, referenced on page 2 of this Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

See the Registrant's Proxy Statement for the 1997 Annual Meeting of Shareholders to be filed with the Commission by January 7, 1997, referenced on page 2 of this Form 10-K.

PART IV

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

(A) FINANCIAL STATEMENTS, FINANCIAL STATEMENT SCHEDULES, AND EXHIBITS.

1. The following consolidated financial statements of Hawkins Chemical,

Inc. and subsidiaries, together with the Independent Auditors' Report, found under appropriate headings in the Registrant's 1996 Annual Report to Shareholders, are hereby incorporated by reference in this Annual Report on Form 10-K.

Consolidated Balance Sheets at September 29, 1996 and October 1, 1995

Consolidated Statements of Income and Retained Earnings for the Years Ended September 29, 1996, October 1, 1995 and October 2, 1994.

Consolidated Statements of Cash Flows for the Years Ended September 29, 1996, October 1, 1995 and October 2, 1994.

Notes to Consolidated Financial Statements

Independent Auditors' Report

2. The additional financial data listed below is included as a schedule to this Annual Report on Form 10-K and should be read in conjunction with the consolidated financial statements presented in Part II, Item 8. Schedules not included with this additional financial data have been omitted because they are not required or the required information is included in the financial statements or the notes.

Schedule for the Years Ended September 29, 1996, October 1, 1995 and October 2, 1994:

II - Valuation and Qualifying Accounts

Condensed financial information of the Registrant is not presented because no restrictions exist on the transfer of funds or assets between the Registrant and its subsidiaries.

3. (a) EXHIBITS.

The following exhibits are included with this Annual Report on Form 10-K (or incorporated by reference) as required by Item 601 of Regulation S-K.

3.1 Amended and Second Restated Articles of Incorporation as amended through February 28, 1989 (Incorporated by reference to Exhibit 3D to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1989).

3.2 Second Amended and Superseding By-Laws as amended through February 15, 1995 (incorporated by reference to Exhibit 3.2 to the Registrant's Annual Report on Form 10-K for the year ended October 1, 1995).

4 See Exhibits 3.1 and 3.2 above.

13* Portions of Annual Report to Security Holders for period ended September 29, 1996.

21* Subsidiaries of Registrant.

23* Independent Auditors' Consent and Report on Schedule.

27* Financial Data Schedule

* Denotes previously unfiled documents.

(b) REPORTS ON FORM 8-K.

None.

SIGNATURES

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

HAWKINS CHEMICAL, INC.

By /s/ Dean L. Hahn

Dean L. Hahn, Chairman
of the Board of Directors

Dated: December 29, 1996.

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

By /s/ Dean L. Hahn Dean L. Hahn, Chief Executive Officer, Director	Dated: December 29, 1996
By /s/ Howard J. Hawkins Howard J. Hawkins, Chairman Emeritus, Director	Dated: December 29, 1996
By /s/ Donald L. Shipp Donald L. Shipp, President, Director	Dated: December 29, 1996
By /s/ Howard M. Hawkins Howard M. Hawkins, Treasurer Chief Financial and Accounting Officer, Director	Dated: December 29, 1996
By /s/ Carl J. Ahlgren Carl J. Ahlgren, Director	Dated: December 29, 1996
By /s/ Norman P. Anderson Norman P. Anderson, Director	Dated: December 29, 1996
By /s/ John S. McKeon John S. McKeon, Director	Dated: December 29, 1996
By /s/ John R. Hawkins John R. Hawkins, Director	Dated: December 29, 1996
By /s/ S. Albert Diez Hanser S. Albert Diez Hanser, Director	Dated: December 29, 1996
By /s/ Duane M. Jergenson Duane M. Jergenson, Director	Dated: December 29, 1996

SCHEDULE II

HAWKINS CHEMICAL, INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED SEPTEMBER 29, 1996, OCTOBER 1, 1995 AND OCTOBER 2, 1994

DESCRIPTION	BALANCE AT BEGINNING OF YEAR	ADDITIONS CHARGED TO COSTS AND EXPENSES	ADDITIONS CHARGED TO OTHER ACCOUNTS	DEDUCTIONS WRITE-OFFS	BALANCE AT END OF YEAR
Reserve deducted from asset to which it applies - allowance for doubtful accounts:					
YEAR ENDED: September 29, 1996	$347,871	$ 68,046	$ ---	$71,915	$344,002
YEAR ENDED: October 1, 1995	$115,661	$200,499	$62,879	$31,168	$347,871
YEAR ENDED: October 2, 1994	$ 92,269	$ 71,610	$ ---	$48,218	$115,661
Reserve deducted from asset to which it applies - allowance for inventory market valuation:					
YEAR ENDED: September 29, 1996	$ ---	$ ---	$ ---	$ ---	$ ---
YEAR ENDED: October 1, 1995	$ ---	$ ---	$ ---	$ ---	$ ---
YEAR ENDED: October 2, 1994	$1,470,000	$ ---	$ ---	$1,470,000	$ ---

INDEX TO EXHIBITS

Exhibit No.	Description of Exhibit
3.1	Amended and Second Restated Articles of Incorporation as amended through February 28, 1989 (Incorporated by reference to Exhibit 3D to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1989).
3.2	Second Amended and Superseding By-Laws as amended through February 15, 1995 (incorporated by reference to Exhibit 3.2 to the Registrant's Annual Report on Form 10-K for the year ended October 1, 1995)
4	See Exhibits 3.1 and 3.2 above.

13*	Portions of Annual Report to Security Holders for period ended September 29, 1996
21*	Subsidiaries of Registrant.
23*	Independent Auditors' Consent and Report on Schedule.
27*	Financial Data Schedule.

* Denotes previously unfiled documents.

CONSOLIDATED FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEETS

	SEPTEMBER 29, 1996	October 1, 1995
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 8,932,125	$ 9,906,107
Investments (fair value approximates cost)	10,504,603	7,968,761
Trade receivables - less allowance for doubtful accounts: 1996, $344,002; 1995, $347,871	9,740,285	10,512,260
Notes receivable	170,988	208,943
Inventories	8,584,034	8,663,959
Prepaid expenses and other	924,457	1,647,660
Total Current Assets	38,856,492	38,907,690
PROPERTY, PLANT AND EQUIPMENT		
Land	673,733	639,368
Buildings and improvements	13,242,152	11,551,741
Machinery and equipment	4,392,562	3,995,496
Transportation equipment	4,803,768	
4,395,306		
Office furniture and equipment	1,471,737	1,399,789
	24,583,952	21,981,700
Less accumulated depreciation	11,396,274	10,542,805
Property, Plant and Equipment, net	13,187,678	11,438,895
OTHER ASSETS		
Intangible assets - less accumulated amortization: 1996, $307,602; 1995, $242,805	817,559	882,356
Insurance trust	1,670,132	1,598,219
Notes receivable - noncurrent	1,797,707	715,045
Other	157,788	148,609

Total Other Assets	4,443,186	3,344,229
TOTAL ASSETS	$56,487,356	$53,690,814
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable - trade	$ 6,709,434	$ 8,691,204
Current portion of long-term debt	56,008	52,344
Dividends payable	884,135	736,804
Accrued payroll and employee benefits	2,617,670	2,117,478
Container deposits	1,684,362	1,633,359
Other accruals	521,362	1,334,742
Total Current Liabilities	12,472,971	14,565,931
LONG-TERM DEBT	572,453	628,461
DEFERRED INCOME TAXES	426,800	377,800
COMMITMENTS AND CONTINGENCIES (NOTES 6, 7 AND 8)		
SHAREHOLDERS' EQUITY		
Common stock - authorized: 15,000,000 shares of $.05 par value; issued: 1996 - 11,051,690 shares; 1995 - 10,525,772 shares	552,585	526,289
Additional paid-in capital	38,679,630	34,235,623
Retained earnings	3,782,917	3,356,710
Total Shareholders' Equity	43,015,132	38,118,622
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$56,487,356	$53,690,814

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

 HAWKINS CHEMICAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

	SEPTEMBER 29, 1996	October 1, 1995	October 2, 1994
Net sales	$80,886,062	$83,332,624	$71,423,471
Cost of sales	62,789,554	65,555,938	55,284,721
Gross profit	18,096,508	17,776,686	16,138,750
Selling, general and administrative expenses	8,853,319	8,580,805	8,259,281
Unusual and nonrecurring		750,000	
Income from operations	9,243,189	8,445,881	7,879,469
Other income (deductions)			
Interest income	995,012	930,580	575,731
Interest expense	(53,170)	(55,341)	(67,135)
Miscellaneous	262,020	167,243	19,545
Total other income, net	1,203,862	1,042,482	528,141
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	10,447,051	9,488,363	8,407,610
Provision for income taxes from continuing operations	3,970,641	3,764,400	3,363,200
INCOME FROM CONTINUING OPERATIONS	6,476,410	5,723,963	5,044,410
Income (loss) from operations of Tessman Seed, Inc.(less applicable income taxes (benefits) of ($46,500) and $18,200, respectively)		(69,905)	27,323
Loss on disposal of assets of Tessman Seed, Inc. (less applicable income tax benefit of $214,200)		(321,266)	
Income (loss) from discontinued operations		(391,171)	27,323
NET INCOME	6,476,410	5,332,792	5,071,733
Retained earnings, beginning of year	3,356,710	7,424,930	6,593,703
Stock dividend	(4,470,303)	(7,413,464)	(3,073,505)
Cash dividend (1996 - $.16 per share; 1995 - $.20 per share; 1994 - $.12 per share)	(1,729,200)	(2,174,448)	(1,278,164)
Income tax savings from dividends paid on ESOP shares	149,300	186,900	111,163
RETAINED EARNINGS, END OF YEAR	$ 3,782,917	$ 3,356,710	$ 7,424,930
Weighted Average Number of Shares Outstanding	11,051,690	11,051,690	11,051,690

EARNINGS PER SHARE:			
Continuing operations	$.59	$.52	$.46
Discontinued operations		(.04)	
Net	$.59	$.48	$.46

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	SEPTEMBER 29, 1996	October 1, 1995	October 2, 1994
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$6,476,410	$5,332,792	$5,071,733
Loss on disposal of assets of Tessman Seed, Inc.		321,266	
Loss (gain) on discontinued operations of Tessman Seed, Inc.		69,905	(27,323)
Unusual and nonrecurring charge		415,000	
Reconciliation to cash flows:			
Depreciation	1,412,431	1,303,981	1,194,054
Amortization	64,797	64,797	64,797
Change in LIFO inventory reserve	(469,622)	852,658	2,125,188
Change in inventory market value reserve			(1,470,000)
Deferred income taxes	230,511	(28,800)	603,312
Earnings on insurance trust and other assets	(81,093)	(82,036)	(80,755)
Gain (loss) from property disposals	(160,212)	(4,821)	20,294
Changes in operating accounts providing/(requiring) cash:			
Accounts receivable	771,975	(1,002,452)	(809,851)
Inventories	549,547	(1,672,026)	(2,476,256)
Accounts payable	(1,981,770)	2,944,584	1,108,147
Accrued liabilities	(262,185)	280,617	217,820
Other	690,994	(49,627)	(367,043)
Change in net assets of discontinued operations		66,166	646,184
Net Cash Provided by Operating Activities	7,241,783	8,812,004	5,820,301
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant, and equipment	(4,299,071)	(3,650,719)	(1,762,952)
Purchase of investments	(3,183,787)	(2,282,044)	(3,657,533)
Sale of investments	647,945	890,026	
Acquisition of Industrial Chemical			(1,772,706)
Proceeds from property disposals	198,069	494,670	39,481
Cash received on sale of assets and business of Tessman Seed, Inc.		220,726	
Payments received on notes receivable	55,293		
Net Cash Used in Investing Activities	(6,581,551)	(4,327,341)	(7,153,710)
CASH FLOWS FROM FINANCING ACTIVITIES			
Debt repayment	(52,344)	(48,919)	
Cash dividends paid	(1,581,870)	(1,437,644)	(1,278,164)
Net Cash Used in Financing Activities	(1,634,214)	(1,486,563)	(1,278,164)
Net (Decrease) Increase in Cash and Cash Equivalents	(973,982)	2,998,100	(2,611,573)
Cash and Cash Equivalents at Beginning of Year	9,906,107	6,908,007	9,519,580
CASH AND CASH EQUIVALENTS AT END OF YEAR	$8,932,125	$9,906,107	$6,908,007
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Note receivable on sale of Tessman Seed, Inc.		$1,044,714	
Note receivable on sale of land and building	$1,100,000		
Cash paid during the year for:			
Interest	$56,834	$58,389	$16,054
Income taxes	$3,942,596	$2,717,611	$3,461,361

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS - Hawkins Chemical, Inc. and its subsidiaries are engaged in the wholesale trade of chemicals and chemical feeding and control equipment and the formulating and blending of specialty chemicals.

BASIS OF CONSOLIDATION - The financial statements include the consolidated accounts of Hawkins Chemical, Inc. and its wholly owned subsidiaries (the Company). All significant inter-company transactions and balances have been eliminated. The Company's fiscal year is a 52/53-week year ending on the Sunday closest to September 30.

CASH EQUIVALENTS - For the purpose of these statements, cash equivalents include all liquid debt instruments (primarily cash funds and certificates of deposits) purchased with an original maturity of three months or less. Cash equivalents are carried at fair value, which approximates cost.

INVESTMENTS - Investments classified as available-for-sale consist of insurance contracts and marketable securities (primarily municipal bonds and annuity contracts) carried at fair value which approximates cost.

Effective October 3, 1994, the Company adopted Statement of Financial Accounting Standards SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." This statement requires all investments classified as available-for-sale in equity securities that have readily determinable fair values and all investments in debt securities to be accounted for and reported at fair value. Prior to 1995, the Company accounted for investments at lower of cost or market which approximated fair value. The adoption of SFAS No. 115 resulted in no cumulative effect on operations, and the prior years' consolidated financial statements were not restated.

INVENTORIES - Inventories, consisting primarily of finished goods, are valued at the lower of cost or net realizable value, with cost being determined using the last-in, first-out (LIFO) method for Hawkins Chemical, Inc. and most subsidiaries. The majority of the inventories for two subsidiaries are valued using the first-in, first-out (FIFO) cost method (see Note 3).

PROPERTY, PLANT AND EQUIPMENT - Property is stated at cost and depreciated over the lives of the assets using both straight-line and declining-balance methods. Estimated lives are: 10 to 50 years for buildings and improvements; 3 to 15 years for machinery and equipment; 3 to 10 years for transportation equipment; and 3 to 10 years for office furniture and equipment.

INTANGIBLES - The excess of cost of investments in subsidiaries over equity in net assets of $245,145 is being amortized over forty years. Additionally, goodwill associated with the purchase of Industrial Chemical & Equipment in the amount of $880,016 is being amortized over 15 years.

INSURANCE TRUST - From October 1, 1985 through September 30, 1989, the Company was self-insured for the risk of losses from product liability. The Company deposited amounts in a self-insurance trust account to fund any losses (none have been incurred since 1985). Since October 1989, the Company has had insurance coverage for product liability for up to $1,000,000 in claims made annually.

INCOME TAXES - The Company adopted Financial Accounting Standards SFAS No. 109, "Accounting for Income Taxes," effective the beginning of fiscal 1994. This statement requires recognition of deferred assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and the tax basis of assets and liabilities using enacted tax rates in effect for the years in which the differences are expected to reverse.

REVENUE RECOGNITION - The Company recognizes revenues upon shipment of the product.

EARNINGS PER SHARE - The earnings per share computation is based on the weighted average number of common shares outstanding during the year. The average number of common shares, earnings per share and cash dividends per share for the years ended October 1, 1995 and October 2, 1994 have been restated to reflect the 1996 stock dividend (see Note 4).

CONCENTRATION OF CREDIT RISK - Financial instruments which potentially subject the Company to a concentration of credit risk principally consist of cash, short-term investments and trade receivables. The Company sells its principal products to a large number of customers in many different industries. To reduce credit risk, the Company routinely assesses the financial strength of its customers. The Company invests its excess cash balances in certificates of deposit at a single financial institution. At September 29, 1996, the Company had certificates of deposits in excess of federally insured limits of approximately $5,864,000.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

RISK AND UNCERTAINTIES - There are no concentrations of business transacted with a particular customer or supplier nor concentrations of revenue from a particular service or geographic area that would severely impact the Company in the near term.

ACCOUNTING PRONOUNCEMENTS - In October 1995, the Financial Accounting Standards Board issued SFAS No. 123, "Accounting for Stock-Based Compensation," which requires adoption of the disclosure provisions and/or the adoption of the recognition and measurement provisions for nonemployee transactions no later than December 15, 1995. The Company does not believe the adoption of SFAS No. 123 will have a material impact on the financial statements.
In October 1996, the American Institute of Certified Public Accountants issued Statement of Position 96-1, "Environmental Remediation Liabilities." The statement is effective for fiscal years beginning after December 15, 1996. While the Company is currently defending certain legal and administrative proceedings in connection with landfill sites in which products distributed by the Company were ultimately disposed of by other parties (see Note 8), management does not believe this statement will have a significant impact on the financial statements.

NOTE 2 - PENSION, PROFIT-SHARING
AND EMPLOYEE STOCKOWNERSHIP PLANS

The Company has a defined contribution pension plan covering substantially all of its non-union employees. Pension expense for the years ended September 29, 1996, October 1, 1995 and October 2, 1994 was $425,398, $363,498 and $331,990, respectively. The Company's cost for the pension plan is determined as 7% of each employee's covered compensation. Amounts charged to pension expense and contributed to union multi-employer pension plans (not included in the above amounts) were not material. It is the Company's policy to fund all pension costs accrued.

The Company has an employee stock ownership plan and a profit-sharing plan covering substantially all of its non-union employees. Contributions are made at the discretion of the Board of Directors subject to a maximum amount allowed under the Internal Revenue Code. Contributions for the years ended September 29, 1996, October 1, 1995 and October 2, 1994 were $824,955, $793,244 and $740,379, respectively. The Company does not currently offer any post-retirement benefits or deferred stock compensation plans.

NOTE 3 - INVENTORIES

Inventories consist of the following:

	9/29/96	10/1/95
Finished goods (FIFO Basis)	$ 9,957,665	$10,507,212
LIFO reserve	(1,373,631)	(1,843,253)
Net inventory	$ 8,584,034	$ 8,663,959

Inventories valued under the LIFO method were approximately $7,652,000 and $7,736,000, respectively. The balance of the inventory was valued under the FIFO method.

In fiscal 1996, the LIFO reserve decreased by $469,622. As a result, the ending LIFO cost was less than the ending cost determined using the first-in, first-out (FIFO) method by $1,373,631. The decrease in the LIFO reserve was caused by a significant decrease in the cost of a single, large-volume component of inventory. One of the Company's subsidiaries liquidated LIFO inventory layers that were at lower costs than current costs. The impact of the liquidation on cost of sales was approximately $25,000.

NOTE 4 - COMMON STOCK

	Common Stock Shares	Common Stock Amount	Add'l Paid-in Capital
Balance, October 3, 1993	9,113,862	$ 455,693	$23,819,250
5% stock dividend	455,334	22,767	3,050,738
Balance, October 2, 1994	9,569,196	478,460	26,869,988
10% stock dividend	956,576	47,829	7,365,635
Balance, October 1, 1995	10,525,772	526,289	34,235,623
5% stock dividend	525,918	26,296	4,444,007
Balance, September 29,1996	11,051,690	$ 552,585	$38,679,630

The stock dividends in 1996, 1995 and 1994 were accounted for by transferring the fair value of the issued stock from retained earnings to the categories of permanent capitalization as common stock (par value) and additional paid-in capital.

NOTE 5 - INCOME TAXES

The provisions for income taxes are as follows:

	1996	1995	1994
Continuing Operations:			
Federal - current	$3,011,755	$2,972,203	$2,040,755
States - current	799,010	820,997	719,133
Deferred	159,876	(28,800)	603,312
Total (benefit) provision	$3,970,641	$3,764,400	$3,363,200
Discontinued Operations:			
Federal - current		$(190,300)	$13,300
States - current		(70,400)	4,900
Total (benefit) provision		$(260,700)	$18,200

A reconciliation of the provision for income taxes, based on income from continuing operations, to the applicable federal statutory income tax rate is as follows:

	1996	1995	1994
Statutory federal income tax (35%)	$3,656,468	$3,320,927	$2,942,663
Effect of graduated rate	(104,471)	(94,884)	(84,076)
State income taxes, net of federal deduction	549,531	520,955	380,829
Tax-exempt income	(97,325)	(90,925)	(28,610)
Other, net	(33,562)	108,327	152,394
Total	$3,970,641	$3,764,400	$3,363,200

The tax effects of items comprising the Company's net deferred tax asset (liability) are as follows:

	1996	1995
Current deferred taxes:		
Accruals and reserves	$ 160,255	$ 323,624
Inventory capitalization	274,369	257,326
Bad debt reserves	127,578	137,103
Other	21,798	47,458

Total*	$ 584,000	$ 765,511

Noncurrent deferred taxes:

Property basis differences	$ (426,800)	$(377,800)

*Included in prepaid expenses and other on the consolidated balance sheets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM DEBT
Long-term debt at September 29, 1996 and October 1, 1995 is summarized as follows:

	1996	1995
Note payable, due in annual installments to 2002	$ 628,461	$ 680,805
Less current portion	56,008	52,344
Total	$ 572,453	$ 628,461

Long-term debt maturities for the five fiscal years subsequent to 1996 are: 1997 - $56,008, 1998 - $59,928, 1999 - $89,123, 2000 - $95,362, 2001 - $102,037, and thereafter $226,003.

NOTE 7 - LEASES
The Company has various operating leases for land and buildings on which some of its operations are located. Total rental expense for the years ended September 29, 1996, October 1, 1995 and October 2, 1994 was $60,955, $41,042 and $87,196, respectively. Future minimum lease payments due under operating leases with an initial term of one year or more at September 29, 1996 were: 1997 - $34,385; 1998 - $34,385; 1999 - $8,596.

NOTE 8 - CONTINGENCIES
The Company is subject to various federal, state and local provisions regarding discharge of materials into the environment or otherwise relating to the protection of the environment. The Company is currently defending certain legal and administrative proceedings in connection with landfill sites in which products distributed by the Company were ultimately disposed of by other parties. While the outcome of such matters is particularly difficult to predict, management does not expect that these matters will have a material adverse effect on the consolidated financial condition of the Company or results of operations.

During 1995, the Company had a fire in the office/warehouse of The Lynde Company, a wholly owned subsidiary. The building, inventory, financial records and office equipment destroyed in the fire were fully insured. Included in prepaids and other assets at October 1, 1995 the Company had $572,351 recorded for reimbursements due from the insurance company related to the items destroyed. Subsequent to October 1, 1995 this amount has been received from the insurance company. The Company's operations were not materially impacted by the event as operations were able to be relocated to other facilities.

The unusual and nonrecurring charge of $750,000 was recorded in 1995 to cover estimated settlement costs to be incurred by the Company in connection with a lawsuit filed against the Company as a result of the fire. As of September 29, 1996, the Company had paid $626,800 in settlement and legal costs related to the fire. At September 29, 1996, management estimates that the Company will incur additional costs related to the lawsuit. The remaining reserve represents management's best estimate of those additional costs. Based on two favorable lower court rulings, management believes that all or a portion of the settlement costs incurred to date related to the Lynde fire may be recoverable from their insurers. The Company's insurers have indicated that they intend to appeal the lower courts' decisions to the Eighth Circuit Court of Appeals. It is not possible, therefore, to determine at this time what recovery, if any, may be obtained by the Company and no amount has been recorded at September 29, 1996.

NOTE 9 - DISCONTINUED OPERATIONS

Effective March 1, 1995, the Company sold the inventory, equipment and operations of Tessman Seed, Inc., which sold a wide range of horticulture and pest control products. As a result of the sale, the Company recorded a loss on the disposal of $321,166, net of a tax benefit of $214,200, to write down Tessman's assets to the amount realized.

Operating results of Tessman Seed, Inc., for the years ended October 1, 1995 and October 2, 1994 were as follows:

	1995	1994
Operating revenues	$931,105	$4,580,703
Costs and expenses	1,047,510	4,535,180

At October 1, 1995, there were no assets or liabilities related to Tessman Seed remaining.

The inventory, equipment and operations of Tessman were sold for $1,144,714. At closing Hawkins received $100,000 and a note receivable for the balance (see Note 10).

NOTE 10 - NOTES RECEIVABLE

At September 29, 1996 and October 1, 1995, the net balances outstanding on the note receivable from the sale of Tessman Seed was $883,988 and $923,988, respectively. On March 1, 1996, the balance of the note receivable was refinanced at the request of the borrower. The note receivable is currently due in ten equal installments of $146,466 with interest at 8%.

During 1996, the Company sold the building that was formerly rented to the Company's discontinued subsidiary (see Note 9). The Company realized a gain of $142,028 on the sale. The Company received a $1,100,000 note receivable and cash of $108,188 at the time of the sale. The note receivable is secured by the building and is due in monthly installments of $9,201 including interest at 8% through January 1, 2004, when the remaining balance of $849,985 is due. At September 29, 1996, the balance outstanding was $1,084,706.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Hawkins Chemical, Inc.:

We have audited the accompanying consolidated balance sheets of Hawkins Chemical, Inc. and its subsidiaries (the Company) as of September 29, 1996 and October 1, 1995 and the related consolidated statements of income and retained earnings and of cash flows for each of the three years in the period ended September 29, 1996. These financial statements are the responsibility of the Company'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, such consolidated financial statements present fairly, in all material respects, the financial position of Hawkins Chemical, Inc. and its subsidiaries at September 29, 1996 and October 1, 1995 and the results of their operations and their cash flows for each of the three years in the period ended September 29, 1996 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP
Minneapolis, Minnesota
December 3, 1996

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE INFORMATION CONTAINED IN THIS ANNUAL REPORT INCLUDES FORWARD-LOOKING STATEMENTS AS DEFINED IN SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THESE FORWARD-LOOKING STATEMENTS INVOLVE A NUMBER OF RISKS AND UNCERTAINTIES, INCLUDING DEMAND FROM MAJOR CUSTOMERS, COMPETITION, CHANGES IN PRODUCT OR CUSTOMER MIX OR REVENUES, CHANGES IN PRODUCT COSTS AND OPERATING EXPENSES, AND OTHER FACTORS DISCLOSED THROUGHOUT THIS ANNUAL REPORT AND THE COMPANY'S OTHER FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION. THE ACTUAL RESULTS THAT THE COMPANY ACHIEVES MAY DIFFER MATERIALLY FROM ANY FORWARD-LOOKING STATEMENTS DUE TO SUCH RISKS AND UNCERTAINTIES. THE COMPANY UNDERTAKES NO OBLIGATION TO REVISE ANY FORWARD-LOOKING STATEMENT IN ORDER TO REFLECT EVENTS OR CIRCUMSTANCES THAT MAY ARISE AFTER THE DATE OF THIS REPORT. READERS ARE URGED TO CAREFULLY REVIEW AND CONSIDER THE VARIOUS DISCLOSURES MADE BY THE COMPANY IN THIS REPORT AND IN THE COMPANY'S OTHER REPORTS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION THAT ATTEMPT TO ADVISE INTERESTED PARTIES OF THE RISKS AND UNCERTAINTIES THAT MAY AFFECT THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

OVERALL SUMMARY

Net sales in fiscal 1996 decreased 2.9% to $80,886,062 from $83,332,624 in fiscal 1995 (exclusive of Tessman Seed, Inc., which was sold on March 1, 1995 and treated as discontinued operations). Net income in fiscal 1996 increased 21.4% to $6,476,410 from $5,332,792 in fiscal 1995. Net earnings per share in fiscal 1996 were $.59 compared to $.48 per share in fiscal 1995 (1995 includes a loss of $.04 per share from the sale of Tessman Seed). Return on shareholders' equity was 16.0% for 1996, compared to 14.6% for 1995. The book value per share at September 29, 1996 was $3.89 compared to $3.45 one year ago.

RESULTS OF OPERATIONS

The general economic environment in our markets has improved slightly with the overall improvement in the economy. While this improvement had a favorable impact on earnings, management will continue to focus efforts on programs aimed at improving profitability and controlling costs.

NET SALES

For the year ended September 29, 1996, sales decreased $2,446,562, a 2.9% decrease from 1995, due mainly to management's decision to discontinue sales to mass merchandisers by The Lynde Company subsidiary, as that business involved high volumes and high inventory levels with a low and decreasing profit margin. Also contributing to the sales decrease was a slight decrease in the selling price of a single, large-volume product and extremely cold weather conditions during the second quarter of this fiscal year, which caused some customers to have limited operations or to close down temporarily, thereby decreasing their volumes. The above decreases were partially offset by volume increases in most of the Company's divisions and subsidiaries.

For the year ended October 1, 1995, sales increased $11,909,153, a 17% increase from 1994, due to increased volumes in all of the Company's divisions and subsidiaries and to an increase in the selling price of the same single, large-volume product mentioned above, which is normally subject to price fluctuations. Also contributing to the sales increase was the warmer weather, which increased the demand in the Company's subsidiaries supplying the water treatment industry. Because of the diversity of products and product lines of Hawkins Chemical, Inc. and its divisions and subsidiaries, any future decreases in sales due to adverse weather conditions should not have a material impact on consolidated operating income.

GROSS MARGINS

Gross margin, as a percentage of sales, was 22.4% in 1996, 21.3% in 1995 and 22.6% in 1994. The 1996 increase was due mainly to discontinuing the lower margin sales to mass merchandisers previously mentioned and, to a lesser extent, better profit margins on a few product lines. The 1995 decrease from 1994 was mainly attributable to the increased cost of the single, large-vol-

ume product mentioned above. The price of the single, large-volume product is not expected to change dramatically in the foreseeable future and margins, therefore, are expected to remain relatively stable. The Company has also generally been able to, and expects to continue to, adjust its selling prices as the cost of materials and other expenses change, thereby maintaining relatively stable gross margins.

The Company's caustic soda operations are located on the Mississippi River, enabling the Company to receive caustic soda through barge transportation. When the river has flooded in the past, the Company has been able to receive caustic soda by tank cars. Although the use of tank cars has resulted in additional costs, results of operations have not been materially impacted. Based on this experience, the Company does not expect future flooding to have a material impact on the Company's financial condition or results of operations.

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general, and administrative expenses increased 3.2% and 3.9% in 1996 and 1995, respectively. The 1996 and 1995 increases over the previous year were due mainly to increased costs of operation and approximates the inflation rate.

UNUSUAL AND NONRECURRING CHARGE

The unusual and nonrecurring charge of $750,000 was recorded in 1995 to cover settlement costs which may be incurred by the Company in connection with its defense of a lawsuit filed against the Company. The lawsuit alleges that the plaintiffs sustained damages resulting from a fire at an office/warehouse facility used by The Lynde Company, a wholly owned subsidiary of the Company. As of September 29, 1996, the Company had paid $626,800 in settlement and legal costs relating to the fire. Management expects to incur additional legal and settlement costs in future periods in connection with this suit. The remaining reserve represents management's best estimate of those additional costs. Management believes that all or a portion of the costs associated with this suit may be recoverable from the Company's insurers. It is possible, however, that future developments may make additional reserves prudent and necessary in future periods.

The Company's primary and umbrella insurers have denied coverage of any liability which might arise in connection with this lawsuit and have rejected the tender of the defense of the lawsuit. The Company has commenced lawsuits against its insurers, seeking a finding that the Company's liability exposure and defense costs are covered by the applicable policies. During the summer of 1996, the federal magistrate hearing the cases found in favor of the Company on the issue of indemnification with respect to both insurers. The insurers subsequently moved for review of the magistrate's decision by the Federal District Court, which affirmed the magistrate's decisions in their entirety on October 7, 1996. The insurers have indicated that they intend to appeal the District Court's decision to the Eighth Circuit Court of Appeals. It is not possible, therefore, to determine at this time what recovery, if any, may be obtained by the Company.

OTHER INCOME

Interest income was up 7% in 1996 as compared to 1995 due to more cash available for investment. Interest income was up 62% in 1995 as compared to 1994 due to more cash available for investment and a higher rate of return on cash investments. Interest expense decreased in 1996 and 1995 as compared to the previous year. Most of the interest expense is the result of the Company issuing a note payable to the seller in connection with the acquisition of the assets of Industrial Chemical & Equipment Company. Other miscellaneous income (deductions) increased in 1996 as compared to 1995 due to the gain on the sale of a building that the Company no longer needed. The 1995 increase over 1994 was due to the loss on an investment and a decrease in rental income.

The Company is currently defending certain legal and administrative proceedings in connection with three landfill sites in which products distributed by the Company and certain excess materials were allegedly disposed of by the Company.

While the outcome of

such matters is particularly difficult to predict, recent developments lead management to reasonably believe that the Company will not incur additional liability with respect to the landfill sites beyond settlement payments made in previous periods.

PROVISION FOR INCOME TAXES
The effective income tax rate was 38.0% for the year ended September 29, 1996, 39.7% for the year ended October 1, 1995 and 40% for the year ended October 2, 1994. The decreases are due mainly to an increase in tax-free income on investments in municipal bonds.

INFLATION
Inflation has not had a significant impact on the Company, as selling prices have generally been adjusted as the cost of materials and other expenses have changed. On occasion, however, slight fluctuations in the cost of the single, large-volume product described above have not been reflected in the selling price of that product.

DISCONTINUED OPERATIONS
Effective March 1, 1995, the Company sold the inventory, equipment and operations of Tessman Seed. As a result of the sale transaction, the Company recorded a loss on the disposal in the second quarter of 1995 of $321,266, net of a tax benefit totaling $214,200, to writedown Tessman's assets to the amount realized. Revenues for Tessman were $931,105 and $4,980,703 for fiscal 1995 and 1994, respectively.

FINANCIAL CONDITION

LIQUIDITY
Cash provided by operations in fiscal 1996 was $7,241,783 compared with $8,812,004 in fiscal 1995 and $5,820,301 in 1994. The decrease in fiscal 1996, as compared to 1995, was due primarily to decreases in accounts payable related to differences in timing of cash payments related to year-end purchases, which was partially offset by an increase in cash collections related to trade receivables.

The increase in cash provided by operations in fiscal 1995 over 1994 was due primarily to increases in accounts payable and net income, which were partially offset by increases in accounts receivable and net inventory. For a more detailed discussion of the increase in net income, see the Results of Operations section of this discussion and analysis. Accounts receivable decreased in 1996 as compared to 1995 due to a decrease in sales dollars.

Cash and cash investments increased by $1,561,860 to $19,436,728 at the end of fiscal 1996. The Company is investing excess cash primarily in conservative investments. Cash equivalents consist of bank certificates of deposit and investments consist of investment contracts with high-rated, stable insurance companies and marketable securities consisting of municipal bonds carried at fair value which approximates cost. Cash equivalents and cash investments are highly liquid and are available upon demand with a minor penalty.

On March 1, 1995, the inventory, equipment and operations of the Company's Tessman Seed subsidiary was sold for $1,144,714. At closing Hawkins received $100,000 and a note receivable for the balance. The note receivable is due over the next ten years plus interest at 8%.

CAPITAL RESOURCES
Capital expenditures in fiscal years 1996, 1995 and 1994 were $4,299,071, $3,650,719 and $1,762,952, respectively. Building improvements and additions accounted for $2.9 million and transportation equipment accounted for $.8 million of the total capital expenditures in fiscal 1996. The building additions included a new 1.5 million gallon storage tank at the Company's Mississippi River terminal operations and installing sprinkling systems in the warehouses at the Minneapolis location.

OUTLOOK
Management does not anticipate the need for stock or debt issuances in the short or long term, as cash, investments, and cash flows from operations have been

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MANAGEMENT'S DISCUSSION AND ANALYSIS

than adequate to fund working capital, capital investment and dividend needs. If the need for additional financing arises, however, management will consider issuance of debt or equity if such financing can be obtained on favorable terms. Although management continually looks for companies to acquire and for ways to modernize its warehouse facilities and equipment, no material commitments for acquisitions or capital expenditures currently exist.

Other than as discussed above, management is not aware of any matters or trends that have materially affected the results of operations for fiscal 1996 that are not expected to have either short or long-term implications, nor is it aware of any trends or other matters that have not materially affected results in fiscal 1996 but are expected to have a material effect on future periods.

ACCOUNTING PRONOUNCEMENTS
Effective October 3, 1994, the Company adopted SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." This statement requires all investments classified as available-for-sale in equity securities that have readily determinable fair values and all investments in debt securities to be accounted for and reported at fair value. The adoption of SFAS No. 115 resulted in no cumulative effect on results of operations, and the prior years' consolidated financial statements were not restated.

In October 1995, the Financial Accounting Standards Board issued SFAS No. 123, "Accounting for Stock-Based Compensation," which requires adoption of the disclosure provisions and/or the adoption of the recognition and measurement provisions for nonemployee transactions no later than December 15, 1995. The Company currently does not expect the adoption of SFAS No. 123 to have a material impact on the financial statements.

In October 1996, the American Institute of Certified Public Accountants issued Statement of Position 96-1, "Environmental Remediation Liabilities." The statement is effective for fiscal years beginning after December 15, 1996. While the Company is currently defending certain legal and administrative proceedings in connection with landfill sites in which products distributed by the Company were ultimately disposed of by other parties (see Note 8), management does not believe this statement will have a significant impact on the financial statements.

SELECTED FINANCIAL DATA

Year Ended September	1996	1995	1994	1993	1992
Sales from continuing operations	$ 80,886,062	$ 83,332,624	$ 71,423,471	$ 60,913,575	$ 57,675,805
Income from continuing operations	6,476,410	5,723,963	5,044,410	4,793,064	4,056,931
Earnings per common share from continuing operations	.59	.52	.46	.43	.37
Cash dividends declared per common share	.16	.20	.12	.09	.07
Total assets	56,487,356	53,690,814	45,974,984	38,962,586	34,684,997
Long-term debt	572,453	628,461	680,805		

SECURITIES MARKET MAKERS - Cantor, Fitzgerald and Co., New York, NY; Dain Bosworth, Inc., Minneapolis, MN; Diversified Capital Markets,Columbus, OH; Herzog, Heine, Geduld, Inc., New York, NY; John G. Kinnard and Company, Inc., Minneapolis, MN; Piper Jaffray, Inc., Minneapolis, MN; S.J. Wolfe and Co., Dayton, OH; Troster Singer Corp., Jersey City, NJ

SUMMARY OF OPERATIONS BY QUARTER

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Total Year	
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)	1996	1995	1996	1995	1996	1995	1996	1995	1996	1995
Net Sales	$17,423	$16,494	$18,439	$18,903	$22,275	$26,519	$22,749	$21,417	$80,886	$83,333
Gross Profit	3,764	3,638	3,853	3,974	5,458	5,290	5,022	4,875	18,097	17,777
Income - Continuing Operations	1,242	1,173	1,218	898	2,015	1,898	2,002	1,755	6,476	5,724
Loss - Discontinued Operations		(57)		(334)						(391)
Net Income	1,242	1,116	1,218	564	2,015	1,898	2,002	1,755	6,476	5,333
Earnings Per Share:										
Continuing Operations	.11	.11	.11	.08	.18	.17	.18	.16	.59	.52
Discontinued Operations		(.01)		(.03)						(.04)
Net	.11	.10	.11	.05	.18	.17	.18	.16	.59	.48

SHAREHOLDER INFORMATION

QUARTERLY STOCK DATA

1996 Quarter	High	Low
1st	8 3/4	6 7/8
2nd	9	7 3/8
3rd	9	7 3/4
4th	8 1/8	7 1/8

1995 Quarter	High	Low
1st	6 5/8	5 5/8
2nd	7 1/2	5 5/8
3rd	7 1/8	6
4th	7 5/8	6 1/2

The common stock of Hawkins Chemical, Inc. is as quoted on the NASDAQ National Market System. The price information represents closing sale prices reported in the NASDAQ/NMS Monthly Statistical Report. There were 871 common shareholder accounts on September 29, 1996. The prices are adjusted to reflect the 5% stock dividend that occurred on March 29, 1996 and the 10% stock dividend on March 31, 1995.

A cash dividend of $.07 per share was paid in the first quarter of fiscal 1996 and $.08 per share was paid in the third quarter of fiscal 1996. A cash dividend of $.08 per share was declared in the fourth quarter of fiscal 1996 and paid in the first quarter of fiscal 1997. A cash dividend of $.13 per share was paid during the third quarter of fiscal 1995 (see Notes to Consolidated Financial Statements).

STOCK EXCHANGE

Hawkins Chemical, Inc. common stock is traded on the NASDAQ National Market System under the symbol HWKN.

FORM 10-K AVAILABLE

Hawkins Chemical, Inc. will provide to each person whose proxy is solicited, upon the written request by such person, a copy of its Annual Report on Form 10-K as filed with the Securities and Exchange Commission, including financial statements and schedules. Such request should be directed to Hawkins Chemical, Inc., Attention: Corporate Secretary, 3100 East Hennepin Avenue, Minneapolis, Minnesota 55413.

REGISTRAR AND TRANSFER AGENT

Norwest Shareowner Services

P.O. Box 64854
St. Paul, MN 55164-0854
(800) 468-9716
(612) 450-4064

CORPORATE OFFICES

3100 East Hennepin Avenue
Minneapolis, Minnesota 55413
(800) 328-5460
(612) 331-6910
http://www.hawkinschemical.com

ANNUAL MEETING

The annual meeting of the shareholders of Hawkins Chemical, Inc. will be held February 12, 1997, at the Sheraton Minneapolis Metrodome, 1330 Industrial Boulevard, Minneapolis, Minnesota, at 3:00 p.m.

EXHIBIT 21

All of the following are wholly owned subsidiaries of the Registrant:

Subsidiary	State in which organized
The Lynde Company	Minnesota
Feed-Rite Controls, Inc.	Minnesota
Mon-Dak Chemical, Inc.	North Dakota
Dakota Chemical, Inc.	South Dakota

The financial statements of The Lynde Company, Feed-Rite Controls, Inc., Mon-Dak Chemical, Inc., and Dakota Chemical, Inc. are consolidated with those of the Registrant.

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT AND REPORT ON SCHEDULE

We consent to the incorporation by reference in Registration Statement No. 33-41323 of Hawkins Chemical, Inc. and subsidiaries (the Company) on Form S-8 of our report dated December 3, 1996 incorporated by reference in the Annual Report on Form 10-K for the Company for the year ended September 29, 1996.

Our audits of the consolidated financial statements referred to in our aforementioned report also included the financial statement schedule of the Company listed in Item 14(a)(2). This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
December 20, 1996

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