UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 1998

OR

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

For the transition period from _____________________ to ___________________

Commission file number 0-7647

HAWKINS CHEMICAL, INC.
(Exact name of registrant as specified in its charter)

MINNESOTA	41-0771293
(State or other jurisdiction of incorporation of organization)	(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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

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

Class	Outstanding at August 12, 1998
Common Stock, par value $.05 per share	11,603,895

HAWKINS CHEMICAL, INC. AND SUBSIDIARY

INDEX TO FORM 10-Q

PART I. FINANCIAL INFORMATION

Item I. Financial Statements

HAWKINS CHEMICAL, INC. AND SUBSIDIARY
CONSOLIDATED CONDENSED BALANCE SHEETS

	June 30, 1998 (Unaudited)	September 28, 1997 (Derived from audited financial statements)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,287,819	$ 8,065,021
Investments available-for-sale	14,391,033	11,980,078
Trade receivables-net	11,820,316	11,117,991
Notes receivable	263,680	222,946
Inventories	9,027,740	8,580,705
Other current assets	1,927,367	1,912,325
Total current assets	40,717,955	41,879,066
Property, plant and equipment-net	18,252,924	15,487,545
Notes receivable-non current	3,364,335	3,639,712
Other assets	2,678,724	2,646,293
Total	$ 65,013,938	$63,652,616
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable-trade	$ 5,875,656	$ 5,729,584
Current portion of long-term debt	89,123	59,928
Dividends payable	0	1,044,351
Other current liabilities	4,005,574	6,381,454
Total current liabilities	9,970,353	13,215,317
Long-term debt	423,402	512,525
Deferred income taxes	995,000	983,000
Commitments and contingencies		
Shareholders' equity:		
Common stock, par value $.05 per share; issued and outstanding, 11,603,895 shares at both dates	580,195	580,195
Additional paid-in capital	42,517,455	42,517,455
Retained earnings	10,527,533	5,844,124
Total shareholders' equity	53,625,183	48,941,774
Total	$ 65,013,938	$63,652,616

See accompanying Notes to Consolidated Condensed Financial Statements.

HAWKINS CHEMICAL, INC. AND SUBSIDIARY
CONSOLIDATED CONDENSED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended June 30		Nine Months Ended June 30	
	1998	1997	1998	1997
Net sales	$25,719,653	$23,866,512	$70,703,030	$64,476,068
Costs and expenses:				
Cost of sales	19,537,731	17,966,900	54,514,634	49,985,070
Selling, general and administrative	2,805,881	2,741,391	7,526,496	7,091,513
Total costs and expenses	22,343,612	20,708,291	62,041,130	57,076,583
Income from operations	3,376,041	3,158,221	8,661,900	7,399,485
Other income (deductions):				
Interest income	301,764	341,547	963,513	864,160
Interest expense	(11,181)	(11,958)	(32,722)	(35,620)
Gain on sale of The Lynde Company		1,324,827		1,324,827
Miscellaneous	16,823	65,211	50,608	153,472
Total other income (deductions)	307,406	1,719,627	981,399	2,306,839
Income before income taxes	3,683,447	4,877,848	9,643,299	9,706,324
Provision for income taxes	1,454,200	1,914,600	3,799,500	3,809,800
Net income	$ 2,229,247	$ 2,963,248	$ 5,843,799	$ 5,896,524
Weighted average number of common shares outstanding	11,603,895	11,603,895	11,603,895	11,603,895
Earnings per common share - basic and diluted	$0.19	$0.26	$0.50	$0.51

See accompanying Notes to Consolidated Condensed Financial Statements.

HAWKINS CHEMICAL, INC. AND SUBSIDIARY
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

	NINE MONTHS ENDED JUNE 30	
	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 5,843,799	$ 5,896,524
Depreciation and amortization	1,357,843	1,163,869
Deferred income taxes	122,000	432,500
Other	(79,715)	(54,894)
Changes in certain current assets and liabilities	(3,504,210)	(4,222,255)
Net cash provided by operating activities	3,739,717	3,215,744
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(4,075,939)	(2,660,706)
Purchases of investments	(2,410,955)	(368,068)
Payments received on note receivable	234,643	168,762
Cash received on sale of The Lynde Company		500,000
Net cash used in investing activities	(6,252,251)	(2,360,012)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash dividends paid	(2,204,740)	(1,881,407)
Debt repayment	(59,928)	(56,008)
Net cash used in financing activities	(2,264,668)	(1,937,415)
DECREASE IN CASH AND CASH EQUIVALENTS	(4,777,202)	(1,081,683)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,065,021	8,932,125
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 3,287,819	$ 7,850,442
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 45,502	$ 49,149
Cash paid for income taxes	$ 4,624,487	$ 3,060,771

See accompanying Notes to Consolidated Condensed Financial Statements.

1. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q and, accordingly, do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. These statements should be read in conjunction with the financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended September 28, 1997, previously filed with the Commission. In the opinion of management, the accompanying unaudited consolidated condensed financial statements contain all adjustments necessary to present fairly the Company's financial position and the results of its operations and cash flows for the periods presented. All adjustments made to the interim financial statements were of a normal recurring nature.

   Effective December 15, 1997, the Company adopted Statement of Financial Accounting Standards No. 128, "Earnings per Share," (SFAS No. 128). Earnings per common share presented for the three and nine months ended June 30, 1997 have been restated for the adoption of SFAS No. 128. The effect of adopting SFAS No. 128 at December 15, 1997, on earnings per common share for the three and nine months ended June 30, 1997 was not material.

   The other accounting policies followed by the Company are set forth in Note 1 to the Company's financial statements in the 1997 Hawkins Chemical, Inc. Annual Report which is incorporated by reference to Form 10-K filed with the Commission on December 29, 1997.

2. The results of operations for the period ended June 30, 1998 are not necessarily indicative of the results that may be expected for the full year.

3. Inventories, principally valued by the LIFO method, are less than current cost by approximately $1,380,000 at June 30, 1998. Inventory consists principally of finished goods. Inventory quantities fluctuate during the year. No material amounts of interim liquidation of inventory quantities have occurred that are not expected to be replaced by year-end.

4. On May 29, 1997, the Company sold the inventory and operations of The Lynde Company, a wholly owned subsidiary that specialized in swimming pool chemicals, effective March 1, 1997. Lynde had revenues of $725,500 and a net loss of $19,600 for the nine-month period ended June 30, 1997.

5. During 1995, the Company had a fire in the office/warehouse of The Lynde Company, a former wholly owned subsidiary. Through June 30, 1998, the Company has expensed approximately $2,550,000 ($20,000 in the nine months ended June 30, 1998) to cover estimated costs incurred by the Company in connection with a lawsuit filed against the Company as a result of the fire, of which approximately $2,400,000 has been paid. Based upon the settlement agreement, the Company will incur additional future obligations relating to the settlement of this lawsuit pursuant to a matrix and plan of distribution which is a part of the settlement. The Company is not able to estimate the extent of this potential exposure at this time, but it believes the final disposition of this matter will not have a material adverse effect on the Company's financial position, results of operations, or cash flows. Based on two favorable lower court rulings, management believes that all or a portion of such litigation expenses may be recoverable from the Company's insurers. The Company's insurers have appealed the lower court's decisions to the U.S. 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 June 30, 1998.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

CONTINUING OPERATIONS

Net sales increased $1,853,141 (7.8%) in the third quarter of this fiscal year as compared to the same quarter a year ago, and increased $6,226,962 (9.7%) in the first nine months of fiscal 1998 as compared to the same period in fiscal 1997. These increases were due to increased sales of pharmaceutical chemicals, food grade product chemicals and high purity electroplating products, an increase in the selling price of a single, large-volume product (caustic soda), and increased volumes in most product lines.

Gross margin, as a percentage of net sales, for the third quarter of this fiscal year was 24.0% compared to 24.7% for the same quarter one year ago, and 22.9% for the first nine months of this fiscal year, compared to 22.5% for the first nine months of fiscal 1997. The decrease in the third quarter as compared to the prior year was due mainly to increased costs of operations and to the increase in the cost and selling price of a single, large-volume product while maintaining a similar dollar profit margin. The increase in the gross margin percentage for the first nine months of this fiscal year as compared to the same period in fiscal 1997 was due to the sales increases mentioned above that were partially offset by increased costs of operations. The demand for this product does not fluctuate materially as the cost and selling price increase or decrease. By maintaining stable dollar margins, the gross margin percentage will generally decrease when the cost of the product is increasing and will increase when the cost of the product is decreasing. Also, because the Company uses the LIFO method for valuing inventories, when ending inventory units increase, an additional amount relating to increased units in ending inventory is charged to cost of operations. The Company has 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 dollar gross margins.

Selling, general and administrative expenses, as a percentage of net sales, for the third quarter of fiscal 1998 were 10.9% compared to 11.5% for the same quarter one year ago, and 10.6% for the first nine months of fiscal 1998 as compared to 11.0% for the first nine months of fiscal 1997. Stated as a percentage of the same period one year ago, the third quarter increase in such expenses was 2.4%, or $64,490, and the nine-month increase was 6.1%, or $434,983. These increases were mainly due to increased employee compensation and benefits, which comprises the majority of the selling, general and administrative expenditures. Of the remaining expenses in this category, no single item is more than 6% of the total. Most of these expenses are fixed in nature and fluctuate only slightly with sales.

Income from operations increased $217,820, or 6.9%, in the third quarter and $1,262,415, or 17.1%, in the first nine months of fiscal 1998 as compared to the same periods one year ago. These increases are primarily attributable to the net sales increase.

OTHER INCOME

Interest income decreased $39,783, in the third quarter of fiscal 1998 as compared to the same quarter one year ago and increased $99,353 in the first nine months of this fiscal year as compared to the same period one year ago. The third quarter decrease was due to lower average cash balances available for investment and to an increase in investments in income tax exempt securities, which generally have a lower pre-tax return than other taxable investments, but have a higher after-tax return. The nine-month increase was due to an increase in average cash available for investments during the first six months of this fiscal year. Interest expense decreased slightly due mainly to the decline in long-term debt.

Other income also decreased in both the three and nine-month periods because of last year's sale of The Lynde Company's inventory and operations; the gain on the sale of $1,324,827 was reported in the 1997 fiscal third quarter. Because the sale was effective March 1, 1997, however, Lynde's 1997 sales of $725,500 and its operating loss of $19,600 were reported in the first two quarters of 1997.

LIQUIDITY AND CAPITAL RESOURCES

For the nine-month period ended June 30, 1998, cash flows from operations were $3,739,717 compared to $3,215,744 during the same period one year ago. During the nine-month period ended June 30, 1998, the Company added $2,410,955 to investments and invested $4,075,939 in property and equipment additions. The food grade chemical production facility and truck wash area accounted for approximately $1,800,000, transportation equipment accounted for $470,000, warehouse, laboratory and office machinery and equipment amounted to $550,000 and other building improvements and additions were $1,256,000.

Accounts receivable increased due to increased sales in the third quarter. Inventories and accounts payable increased due to the increase in the cost of the single, large-volume product mentioned above and to an increase in the quantities of that product at June 30, 1998. Other current liabilities decreased as a result of the payment of benefit plan accruals that existed at fiscal year end. The Company did not issue any securities during the nine-month period ended June 30, 1998.

The cash flows from operations, coupled with the Company's strong cash position, puts the Company in a position to fund both short and long-term working capital and capital investment needs with internally generated funds. Management does not, therefore, anticipate the need to engage in significant financing activities in either the short or long-term. If the need to obtain additional capital does arise, however, management is confident that the Company's total debt to capital ratio puts it in a position to issue either debt or equity securities on favorable terms.

Although management continually reviews opportunities to enhance the value of the Company through strategic acquisitions, other capital investments and strategic divestitures, no material commitments for such investments or divestitures currently exist. Until appropriate investment opportunities are identified, the Company will continue to invest excess cash in conservative investments pursuant to a revised investment policy recently adopted by the Board of Directors. The policy directs investment in short-term and mid-term fixed income instruments earning a market rate of interest without assuming undue risk of principal. Primary objectives are preservation of principal, maintenance of liquidity, and rate of return. Cash equivalents consist of short-term certificates of deposit and investments consist of relatively low-risk investment and annuity contracts with highly rated, stable insurance companies, and marketable securities consisting of investment grade municipal securities, all of which are carried at cost which approximates fair value. All cash equivalents are highly liquid and are available upon demand. There are some penalties associated with the early liquidation of the Company's investment and annuity contracts.

Other than as discussed above, management is not aware of any matters that have materially affected the first nine months of fiscal 1998, but are not expected to materially affect future periods, nor is management aware of other matters not affecting this period that are expected to materially affect future periods.

YEAR 2000 COMPLIANCE

The Company has completed an assessment of the "Year 2000" issue with respect to its computer systems and equipment. The Company has been in the process of upgrading its systems to improve overall business performance and to accommodate business of the year 2000. The Company is also in the process of communicating with its suppliers and customers to determine the extent to which it may be affected by any third party's Year 2000 issues. Therefore, it is believed that the Year 2000 will not have a material adverse effect on the Company's business, operating results and financial condition.

RECENTLY ISSUED ACCOUNTING STANDARDS

In June 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income," which establishes standards for reporting and display of comprehensive income and its components in a full set of general purpose financial statements. The Company will be required to adopt SFAS No. 130 in fiscal 1999.

In June 1997, the FASB also issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 131 redefines how operating segments are determined and requires disclosures of certain financial and descriptive information about a company's operating segments. The Company anticipates the adoption of SFAS No. 131 will result in the Company continuing to operate in one segment. The Company will be required to adopt SFAS No. 131 in fiscal 1999.

FORWARD-LOOKING STATEMENTS

THE INFORMATION CONTAINED IN THIS FORM 10-Q 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 REPORT. 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 STATEMENTS 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 OPERATION.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

As of the date of this filing, neither the Registrant nor any of its subsidiaries were involved in any pending legal proceedings to which the Registrant or its subsidiaries was a party or of which any property of the Registrant or its subsidiaries were 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 former 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 ("COOKSEY"). This action was certified as a partial class action in 1997. The Registrant has entered into a class settlement agreement with the class, pursuant to which the Registrant has agreed to pay certain costs and expenses of the class, as well as certain compensation to the class pursuant to a Matrix and Plan of Distribution which form a part of the settlement agreement.

The district court approved the settlement on January 30, 1998. Pursuant to the settlement, in early February 1998 the Company paid $850,000 to attorneys for the class, and $5,000 to each of the four class representatives. It is not possible at this time to quantify the probable additional settlement costs which may be payable by the Registrant pursuant to the Matrix and Plan of Distribution which form a part of the settlement agreement. The Registrant reasonably expects, however, that such settlement costs will be estimable by the end of 1998.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

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

Exhibit No.	Description of Exhibit
27	Financial Data Schedule

(b) Reports on Form 8-K.

No reports on Form 8-K have been filed during the fiscal quarter ended June 30, 1998.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HAWKINS CHEMICAL, INC.

BY /s/ Howard M. Hawkins

Howard M. Hawkins, Treasurer
(Chief Financial and Accounting Officer)

Dated: August 12, 1998

EXHIBIT INDEX

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

Exhibit No.	Description of Exhibit	Page No.
27	Financial Data Schedule	12

9-MOS
SEP-27-1998
SEP-29-1997
JUN-30-1998
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