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 28, 1997, 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. _____

The aggregate market value of voting stock held by nonaffiliates of the Registrant on November 30, 1997, was $72,600,295. 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, 1997, was 11,603,895.

DOCUMENTS INCORPORATED BY REFERENCE

The following portions of the Registrant's Annual Report to Shareholders for the year ended September 28, 1997 (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 1998 Annual Meeting of Shareholders (to be filed with the Commission on January 5, 1998) are incorporated by the reference below as the Item of this Form l0-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."
4. Part II, Item 8. Financial Statements and Supplementary Data.	4. See Consolidated Balance Sheets, Consolidated Statements of Income & Retained Earnings, Consolidated Statements of Cash Flows, Notes to Consolidated Financial Statements, and Independent Auditors' Report.
	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. Following the end of fiscal 1997, on October 1, 1997 the Registrant merged three of its former subsidiaries, Feed-Rite Controls, Inc., Mon-Dak Chemical, Inc., Dakota Chemical, Inc., and its Arrowhead Chemical Division together to form a single wholly owned subsidiary known as Hawkins Water Treatment Group, Inc.

(b) FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS. Although the Registrant operates through several divisions and subsidiaries, its principal business is the formulation, blending and distribution of bulk specialty chemicals. Throughout its operations the Registrant provides related products and services which share similar raw materials, production methods and distribution channels. In the judgment of the Registrant, therefore, it is operating in a single industry segment.

(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 wholly owned subsidiary and three divisions described below:

(A) HAWKINS WATER TREATMENT GROUP, INC. This wholly owned subsidiary specializes in providing water and waste-water treatment equipment and chemicals and in services relating to the testing of water samples in Minnesota, Wisconsin, Iowa, North Dakota, South Dakota, Nebraska and Wyoming. It also operates as a distributor of the Registrant's products, and a regional distributor of laundry, dry cleaning, and janitorial supplies in Montana, Wyoming, the Dakotas, Minnesota, northern Wisconsin and the upper peninsula of Michigan.

(B) 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 April 1 through November 15). 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 its "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 three times, the most recent being in April of 1997. No substantial interruptions to sales resulted from the floods because railroad tank cars were successfully used as an alternative means of supply. Although the use of tank cars resulted in additional costs, results of operations were not materially impacted. For approximately two weeks in 1997, the areas around the Registrant's terminal operations were flooded, preventing shipments to and from these locations. The terminals themselves were not flooded as the facilities were adequately protected by dikes. All shipments were made from alternate locations. The additional costs incurred as a result of the flooding did not materially impact the Registrant's results of operations for fiscal 1997. No assurance can be given that flooding will not reoccur or that there will not be material damage or interruption to the business of the Registrant's Hawkins Terminal Division in the future.

(C) INDUSTRIAL CHEMICAL AND EQUIPMENT DIVISION. This division was created in 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.

(D) HAWKINS SALES DIVISION. The Hawkins 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 1997 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, the Registrant does not currently expect this product to add materially to the Registrant's revenues and profits.

(v) SEASONAL ASPECTS. The sale of water treatment chemicals used in 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 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 its 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 the 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. The 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. The Registrant does not have a formal research and development function; employees are assigned to research and development projects as the need arises. During the past fiscal year, expenditures for research and development were negligible and not material to the 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 1998.

(xiii) EMPLOYEES. The number of persons employed by the Registrant and its subsidiaries as of September 28, 1997 was 151.

(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 eleven acres of land in Minneapolis, Minnesota, with six buildings containing a total of 160,000 square feet of office and warehouse space. The Registrant's principal office, out of which the Hawkins Sales Division operates, is located in one of these buildings, at 3100 East Hennepin Avenue. The other buildings are used by the Registrant, its Hawkins Water Treatment Group subsidiary, and its 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
Hawkins Terminal Division	St. Paul, MN(1)	Office, Ware-house and Garage	32,000
Hawkins Water Treatment Group	Fargo, ND(2)	Office and Warehouse	22,800
	Fond du Lac, WI(3)	Warehouse	20,300
	Washburn, ND	Office and Warehouse	14,000
	Billings, MT	Office and Warehouse	6,000
	Aberdeen, SD	Warehouse	8,000
	Sioux Falls, SD(4)	Warehouse	18,000
	Rapid City, SD	Warehouse	3,600
	Superior, WI	Office and Warehouse	17,000

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(1) 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.

(2) This facility is occupied by Hawkins Water Treatment Group (17,800 square feet) and leased to a third party (5,000 square feet).

(3) In addition to the space in this building being used by Hawkins Water Treatment Group, 10,000 square feet of space is being leased by the Registrant to third parties.

(4) The Sioux Falls facility is occupied by Hawkins Water Treatment Group (12,000 square feet) and leased to a third party (6,000 square feet).

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 were 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 were the subject other than ordinary routine litigation incidental to their business, except as follows:

LYNDE COMPANY WAREHOUSE FIRE. On March 1, 1995, the Registrant 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 earlier this year and remains pending in state district court in Hennepin County, Minnesota. The plaintiffs are seeking damages for personal injury and 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. The Registrant has entered into a class settlement agreement with the class, pursuant to which the Registrant has agreed to pay certain of the class' costs and expenses 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 has given preliminary approval of the settlement and a hearing on final approval is scheduled for January 30, 1998.

The Registrant's primary and umbrella insurers have denied a tender of the defense of the lawsuit and have denied any obligation to indemnify the Registrant 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 fire. On July 7, 1995, the Registrant 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. On October 6, 1996, the Court entered an Order for Judgment against the two insurers declaring that they each owed the Registrant a duty to defend the Cooksey action, that the insurers had breached their duty to defend and that the Registrant was entitled to judgment against North River in the amount of $890,174 and against Westchester in the amount of $90,868 for fees and expenses incurred by the Registrant through October of 1996 in defending against the Cooksey action and in prosecuting the action against the two insurers. The two insurers have appealed the judgment to the Eighth Circuit Court of Appeals. Briefs have not yet been filed with the Eighth Circuit and a decision is not expected on the appeal until sometime during the second half of 1998. It is not possible at this time to predict with certainty the outcome on appeal or the amount of any ultimate recovery.

Because the Registrant's insurers have denied tender of the defense of the COOKSEY lawsuit, the Registrant has incurred significant legal fees and expenses in fiscal 1997 and may continue to do so in future periods. The actual legal fees, expenses and settlement costs which will ultimately be borne by the Registrant as a result of the settlement of the COOKSEY lawsuit and as a result of the action against the Registrant's insurers are highly dependent on a variety of factors which are the subject of the Matrix and Plan of Distribution described above, as well as the ultimate result of the litigation regarding insurance coverage.

During fiscal 1995, the Registrant recorded $750,000 to cover expected settlement costs relating to the COOKSEY litigation. The Registrant recorded an additional $1,100,000 in the fourth quarter of fiscal 1997 to cover certain quantifiable costs and expenses it will incur as a result of the settlement of the COOKSEY litigation. In addition to these accruals, the Registrant expended approximately $775,000 for legal fees and other costs relating to the litigation in fiscal 1997. It is not possible at this time to quantify the probable 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.

The Registrant became self-insured with respect to products liability claims in December 1985 with the establishment of a $1,000,000 trust fund 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 was maintained as an umbrella over this insurance coverage. In March of 1997, the insurance trust was terminated, although all investments held by the trust were retained by the Registrant.

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 of fiscal 1997.

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 28, 1997, 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 28, 1997, 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 28, 1997, 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 28, 1997, 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 1998 Annual Meeting of Shareholders to be filed with the Commission on January 5, 1998, referenced on page 2 of this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION.

See the Registrant's Proxy Statement for the 1998 Annual Meeting of Shareholders to be filed with the Commission on January 5, 1998, 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 the 1998 Annual Meeting of Shareholders to be filed with the Commission on January 5, 1998, referenced on page 2 of this Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

See the Registrant's Proxy Statement for the 1998 Annual Meeting of Shareholders to be filed with the Commission on January 5, 1998, 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 1997 Annual Report to Shareholders, are hereby incorporated by reference in this Annual Report on Form 10-K.

Consolidated Balance Sheets at September 28, 1997 and September 29, 1996

Consolidated Statements of Income and Retained Earnings for the Years Ended September 28, 1997, September 29, 1996 and October 1, 1995.

Consolidated Statements of Cash Flows for the Years Ended September 28, 1997, September 29, 1996 and October 1, 1995.

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.

Independent Auditors' Report on Schedule

Schedule for the Years Ended September 28, 1997, September 29, 1996 and October 1, 1995:

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 28, 1997.

21* Subsidiaries of Registrant.

23* Independent Auditors' Consent

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, 1997.

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, 1997
By /s/ Howard J. Hawkins Howard J. Hawkins, Chairman Emeritus, Director	Dated: December 29, 1997
By /s/ Donald L. Shipp Donald L. Shipp, President, Director	Dated: December 29, 1997
By /s/ Howard M. Hawkins Howard M. Hawkins, Treasurer (Chief Financial and Accounting Officer), Director	Dated: December 29, 1997
By /s/ John R. Hawkins John R. Hawkins, Executive Vice President, Director	Dated: December 29, 1997
By /s/ Carl J. Ahlgren Carl J. Ahlgren, Director	Dated: December 29, 1997
By /s/ Norman P. Anderson Norman P. Anderson, Director	Dated: December 29, 1997
By /s/ John S. McKeon John S. McKeon, Director	Dated: December 29, 1997
By /s/ S. Albert Diez Hanser S. Albert Diez Hanser, Director	Dated: December 29, 1997
By /s/ Duane M. Jergenson Duane M. Jergenson, Director	Dated: December 29, 1997

INDEPENDENT AUDITORS' REPORT ON SCHEDULE

We have audited the consolidated financial statements of Hawkins Chemical, Inc. and subsidiaries (the Company) as of September 28, 1997 and September 29, 1996, and for each of the three years in the period ended September 28, 1997, and have issued our report thereon dated December 9, 1997; such consolidated financial statements and report are included in the 1997 Annual Report to Shareholders and are incorporated herein by reference. Our audits also included the consolidated financial statement schedule of the Company, listed in Item 14(a)(2). This consolidated 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, this consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP

Minneapolis, Minnesota

December 9, 1997

SCHEDULE II

HAWKINS CHEMICAL, INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED SEPTEMBER 28, 1997, SEPTEMBER 29, 1996 AND OCTOBER 1, 1995

		ADDITIONS			
DESCRIPTION	BALANCE AT BEGINNING OF YEAR	CHARGED TO COSTS AND EXPENSES	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 28, 1997	$344,002	$ 31,200	$ ---	$ 13,372	$361,830
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

INDEX TO EXHIBITS

Exhibit No.	Description of Exhibit
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4	See Exhibits 3.1 and 3.2 above.
13*	Portions of Annual Report to Security Holders for period ended September 28, 1997
21*	Subsidiaries of Registrant.
23*	Independent Auditors' Consent
27*	Financial Data Schedule.

* Denotes previously unfiled documents.

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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, RESULTS OF OPERATIONS OR CASH FLOWS.

OVERALL SUMMARY

Net sales in fiscal 1997 increased 8.5% to $87,745,980 from $80,886,062 in fiscal 1996. Net income in fiscal 1997 increased 20.3% to $7,790,487 from $6,476,410 in fiscal 1996. Net earnings per share in fiscal 1997 were $.67 compared to $.56 in fiscal 1996. Return on average shareholders' equity was 16.9% for 1997, compared to 16.0% for 1996. Book value per share at September 28, 1997 was $4.22 compared to $3.71 one year ago. Book value per share for fiscal 1996 has been restated to reflect the 1997 stock dividend.

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 28, 1997, sales increased $6,859,918, an 8.5% increase from 1996, due to volume increases of caustic soda, increasing business in food grade products and pharmaceutical chemicals and overall volume increases in all divisions and subsidiaries. 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 in 1996 was a slight decrease in the selling price of a single, large-volume product and extremely cold weather conditions during the second quarter of the 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 1996 in most of the Company's divisions and subsidiaries.

GROSS MARGINS

Gross margin, as a percentage of sales, was 24.3% in 1997, 22.4% in 1996 and 21.3% in 1995. The 1997 increase was due mainly to better profit margins on a portion of the sales volume increase and the Company's ability to retain relatively constant dollar profit margins of a major product line while the cost of the materials decreased. By maintaining relatively stable dollar margins, the gross margin percentage will increase when the cost of the product is decreasing. The 1996 margin 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 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, 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 any future flooding to have a material impact on the Company's financial condition, results of operations, or cash flows.

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative expenses increased 7.3% and 3.2% in 1997 and 1996, respectively, over the previous year. The 1997 increase was due to increasing the sales staff, which resulted in higher employee salaries and benefits costs and to general inflation in all other areas. The 1996 increase over the previous year was due mainly to increased costs of operation, which approximated the inflation rate.

LITIGATION AND SETTLEMENT COSTS RELATED TO 1995 FIRE

The charge of $1,771,439 in 1997 and $750,000 in 1995 was recorded to cover settlement costs in connection with the Company's defense of a lawsuit filed against it. The lawsuit alleged that the plaintiffs sustained damages resulting from a fire at an office/warehouse facility used by The Lynde Company, a former wholly owned subsidiary of the Company. Through September 28, 1997, the Company had paid $1.5 million in settlement and legal costs relating to the fire and based upon a settlement agreement, expects to pay approximately $1 million of known legal and settlement costs in the future in connection with this suit. 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 magnitude of this potential exposure at this time. Management of the Company 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. Management believes that all or a portion of the costs associated with this suit may be recoverable from the Company's insurers.

The Company's primary and umbrella insurers have denied coverage of any liability which might arise in connection with this lawsuit and 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. The Company prevailed on its claims in Federal District Court. The insurers have appealed the District Court's decision to the Eighth Circuit Court of Appeals. Therefore, it is not possible to determine what recovery, if any, may be obtained by the Company at this time, and no amount has been recorded at September 28, 1997. A decision on the appeal is expected in late 1998.

OTHER INCOME

Interest income was up 16% in 1997 as compared to 1996 due to more cash available for investment and to additional interest earned on the notes receivable relating to the sale of The Lynde Company (Note 3). Interest income was up 7% in 1996 as compared to 1995 due to more cash available for investment. Interest expense decreased in 1997 and 1996 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. The gain on the sale of The Lynde Company relates to the Company's sale of the subsidiary on May 29, 1997. Other miscellaneous income (deductions) increased in 1997 and 1996 as compared to the previous years due to the gain on the sale of land in 1997 and to the gain on the sale of a building in 1996.

PROVISION FOR INCOME TAXES

The effective income tax rate was 38.8% for 1997, 38.0% for the year ended September 29, 1996 and 39.7% for the year ended October 1, 1995. The differences are due mainly to variations 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 a single, large-volume product 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 write down Tessman's assets to the amount realized. Revenues for Tessman were $931,105 for fiscal year 1995.

FINANCIAL CONDITION

LIQUIDITY

Cash provided by operations in fiscal 1997 was $5,675,264 compared with $7,241,783 in fiscal 1996 and $8,812,004 in fiscal 1995. The decrease in fiscal 1997 over 1996 was due primarily to an increase in trade receivables caused by the sales increase, an increase in inventories to meet expected future sale increases, and to a decrease in accounts payable caused by the timing of year-end purchases. The decrease in cash provided by operations 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.

Cash and investments available-for-sale increased by $608,371 to $20,045,099 at the end of fiscal 1997. The Company is investing excess cash primarily in conservative investments. Cash equivalents consist of bank certificates of deposit. 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 investments are highly liquid and are available upon demand with a minor penalty.

On May 29, 1997, the Company sold the inventory and operations of The Lynde Company, a wholly owned subsidiary which specialized in swimming pool chemicals, for $2,590,000, effective March 1, 1997. The Company recorded a gain on the sale of approximately $1.3 million. At closing, Hawkins received $500,000 cash and a note receivable for the balance. The note receivable is due over the next six years plus interest at 8%.

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 nine years plus interest at 8%.

CAPITAL RESOURCES

Capital expenditures in fiscal years 1997, 1996 and 1995 were $4,017,543, $4,299,071 and $3,650,719, respectively. The new food chemical production facility accounted for approximately $1.2 million of the 1997 capital expenditures. Other warehouse, laboratory and office machinery and equipment accounted for $1.2 million, other building improvements and additions amounted to $1.1 million and additions to transportation equipment accounted for $.5 million of the 1997 fiscal year capital expenditures.

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 more than adequate to fund working capital, capital investments 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 1997 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 1997 but are expected to have a material effect on future periods.

ACCOUNTING PRONOUNCEMENTS

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. Management does not believe this statement will have a significant impact on the financial statements.

In February 1997, the Financial Accounting Standards Board issued SFAS No. 128, "Earnings per Share." This statement specifies the computation, presentation, and disclosure requirements for earnings per share. This statement is effective for financial statements issued for periods ending after December 15, 1997, including interim periods. The Company does not believe the adoption of SFAS No. 128 will have a material impact on earnings per share.

CONSOLIDATED BALANCE SHEETS

	SEPTEMBER 28, 1997	September 29, 1996
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 8,065,021	$ 8,932,125
Investments available-for-sale	11,980,078	10,504,603
Trade receivables - less allowance for doubtful accounts: 1997, $361,830; 1996, $344,002	11,117,991	9,740,285
Notes receivable	222,946	170,988
Inventories	8,580,705	8,584,034
Prepaid expenses and other	1,912,325	924,457
Total current assets	41,879,066	38,856,492
PROPERTY, PLANT AND EQUIPMENT:		
Land	655,194	673,733
Buildings and improvements	14,716,226	13,242,152
Machinery and equipment	6,173,501	4,392,562
Transportation equipment	5,051,518	4,803,768
Office furniture and equipment	1,668,849	1,471,737
	28,265,288	24,583,952
Less accumulated depreciation	12,777,743	11,396,274
Net property, plant and equipment	15,487,545	13,187,678
OTHER ASSETS:		
Intangible assets - less accumulated amortization: 1997, $329,917; 1996, $307,602	727,297	817,559
Investments held-to-maturity	1,750,658	1,670,132
Notes receivable - noncurrent	3,639,712	1,797,707
Other	168,338	157,788
Total other assets	6,286,005	4,443,186
TOTAL ASSETS	$63,652,616	$56,487,356
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable - trade	$ 5,729,584	$ 6,709,434
Current portion of long-term debt	59,928	56,008
Dividends payable	1,044,351	884,135
Accrued payroll and employee benefits	2,452,746	2,617,670
Container deposits	1,539,585	1,684,362
Other accruals	2,389,123	521,362
Total current liabilities	13,215,317	12,472,971
LONG-TERM DEBT	512,525	572,453
DEFERRED INCOME TAXES	983,000	426,800
COMMITMENTS AND CONTINGENCIES (NOTES 4, 6 AND 8)		
SHAREHOLDERS' EQUITY:		
Common stock - authorized: 15,000,000 shares of $.05 par value; issued: 1997 - 11,603,895 shares; 1996 - 11,051,690 shares	580,195	552,585
Additional paid-in capital	42,517,455	38,679,630
Retained earnings	5,844,124	3,782,917
Total shareholders' equity	48,941,774	43,015,132
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$63,652,616	$56,487,356

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF INCOME & RETAINED EARNINGS

	For the Fiscal Years Ended		
	SEPTEMBER 28, 1997	September 29, 1996	October 1, 1995
Net sales	$87,745,980	$80,886,062	$83,332,624
Cost of sales	66,413,954	62,789,554	65,555,938
Gross profit	21,332,026	18,096,508	17,776,686
Selling, general and administrative expenses	9,499,558	8,853,319	8,580,805
Litigation and settlement costs relating to 1995 fire	1,771,439		750,000
Income from operations	10,061,029	9,243,189	8,445,881
Other income (deductions):			
Interest income	1,153,322	995,012	930,580
Interest expense	(47,439)	(53,170)	(55,341)
Gain on sale of The Lynde Company	1,324,827		
Miscellaneous	234,518	262,020	167,243
Total other income, net	2,665,228	1,203,862	1,042,482
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	12,726,257	10,447,051	9,488,363
Provision for income taxes from continuing operations	4,935,770	3,970,641	3,764,400
INCOME FROM CONTINUING OPERATIONS	7,790,487	6,476,410	5,723,963
Loss from operations of Tessman Seed, Inc.(less applicable income tax benefit of $46,500)			(69,905)
Loss on disposal of assets of Tessman Seed, Inc. (less applicable income tax benefit of $214,200)			(321,266)
Loss from discontinued operations			(391,171)
NET INCOME	7,790,487	6,476,410	5,332,792
Retained earnings, beginning of year	3,782,917	3,356,710	7,424,930
Stock dividend	(3,865,435)	(4,470,303)	(7,413,464)
Cash dividend (1997 - $.18 per share; 1996 - $.15 per share; 1995 - $.19 per share)	(2,041,623)	(1,729,200)	(2,174,448)
Income tax savings from dividends paid on ESOP shares	177,778	149,300	186,900
RETAINED EARNINGS, END OF YEAR	$ 5,844,124	$ 3,782,917	$ 3,356,710
Weighted average number of shares outstanding	11,603,895	11,603,895	11,603,895
EARNINGS PER SHARE:			
Continuing operations	$.67	$.56	$.49
Discontinued operations			(.03)
Net	$.67	$.56	$.46

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Fiscal Years Ended		
	SEPTEMBER 28, 1997	September 29, 1996	October 1, 1995
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$7,790,487	$6,476,410	$5,332,792
Loss on disposal of assets of Tessman Seed, Inc			321,266
Loss on discontinued operations of Tessman Seed, Inc			69,905
Gain on sale of The Lynde Company	(1,324,827)		
Litigation and settlement costs relating to 1995 fire	1,175,286		415,000
Reconciliation to cash flows:			
Depreciation and amortization	1,686,622	1,477,228	1,368,778
Deferred income taxes	(307,800)	230,511	(28,800)
Earnings on other assets	(91,076)	(81,093)	(82,036)
Gain from property disposals	(110,807)	(160,212)	(4,821)
Changes in operating accounts providing (requiring) cash:			
Trade receivables	(1,377,706)	771,975	(1,002,452)
Inventories	(1,221,750)	79,925	(819,368)
Accounts payable	(979,850)	(1,981,770)	2,944,584
Accrued liabilities	383,058	(262,185)	280,617
Other	53,627	690,994	(49,627)
Change in net assets of discontinued operations			66,166
Net cash provided by operating activities	5,675,264	7,241,783	8,812,004
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property, plant and equipment	(4,017,543)	(4,299,071)	(3,650,719)
Purchase of investments	(1,475,475)	(3,183,787)	(2,282,044)
Sale of investments		647,945	890,026
Proceeds from property disposals	191,946	198,069	494,670
Cash received on sale of assets and business of Tessman Seed, Inc			220,726
Cash received on sale of assets and business of The Lynde Company	500,000		
Payments received on notes receivable	196,120	55,293	
Net cash used in investing activities	(4,604,952)	(6,581,551)	(4,327,341)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Debt repayment	(56,008)	(52,344)	(48,919)
Cash dividends paid	(1,881,408)	(1,581,870)	(1,437,644)
Net cash used in financing activities	(1,937,416)	(1,634,214)	(1,486,563)
Net (decrease) increase in cash and cash equivalents	(867,104)	(973,982)	2,998,100
Cash and cash equivalents at beginning of year	8,932,125	9,906,107	6,908,007
CASH AND CASH EQUIVALENTS AT END OF YEAR	$8,065,021	$8,932,125	$9,906,107
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	
Note receivable on sale of The Lynde Company	$2,090,083		
Cash paid during the year for:			
Interest	$ 51,359	$ 56,834	$ 58,389
Income taxes	$4,334,567	$3,942,596	$2,717,611

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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
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 cost, which approximates market value.

INVESTMENTS AVAILABLE-FOR-SALE
Investments classified as available-for-sale securities consist of insurance contracts and marketable securities (primarily municipal bonds and annuity contracts) that will be held for indefinite periods of time, including securities that may be sold in response to changes in market interest or prepayment rates, needs for liquidity or changes in the availability or yield of alternative investments. These securities are carried at market value which approximates cost.

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 2).

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 $177,198 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.

INVESTMENTS HELD-TO-MATURITY
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. In March 1997, the trust was dissolved and the assets were retained. These held-to-maturity securities consist of Minnesota municipal bonds which the Company has the intent and ability to hold to maturity, and are valued at amortized historical cost, increased for accretion of discounts and reduced by amortization of premiums, computed by the constant-yield method.

INCOME TAXES
The Company utilizes Statement of Financial Accounting Standard (SFAS) No. 109, "Accounting for Income Taxes." Under SFAS No. 109, the deferred tax assets and liabilities are recognized based on differences between the financial statements and the tax bases of assets and liabilities using presently enacted tax rates.

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 September 29, 1996 and October 1, 1995 have been restated to reflect the 1997 stock dividend (see Note 5).

CONCENTRATION OF CREDIT RISK
Financial instruments which potentially subject the Company to a concentration of credit risk principally consist of cash, investments available-for-sale 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 28, 1997, the Company had certificates of deposits in excess of federally insured limits of approximately $4,876,000.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 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. Management does not believe this statement will have a significant impact on the financial statements.

In February 1997, the Financial Accounting Standards Board issued SFAS No. 128, "Earnings per Share." This statement specifies the computation, presentation, and disclosure requirements for earnings per share. This Statement is effective for financial statements issued for periods ending after December 15, 1997, including interim periods. The Company does not believe the adoption of SFAS No. 128 will have a material impact on earnings per share.

2. INVENTORIES

Inventories consist of the following:

	SEPTEMBER 28, 1997	September 29, 1996
Finished goods (FIFO basis)	$ 9,025,817	$ 9,957,665
LIFO reserve	(445,112)	(1,373,631)
Net inventory	$ 8,580,705	$ 8,584,034

Inventories valued under the LIFO method for the fiscal years ended September 28, 1997 and September 29, 1996, were approximately $7,796,000 and $7,652,000, respectively. The balance of the inventory was valued under the FIFO method.

In fiscal 1997, the LIFO reserve decreased by $928,519. As a result, the ending LIFO cost was less than the ending cost determined using the first-in, first-out (FIFO) method by $445,112. The decrease in the LIFO reserve was caused by a significant decrease in the cost of a single, large-volume component of inventory.

3. NOTES RECEIVABLE

At September 28, 1997 and September 29, 1996, the net balance outstanding on the note receivable from the sale of Tessman Seed was $733,432 and $883,988, respectively. On March 1, 1996, the balance of the note receivable was refinanced at the request of the borrower. The note receivable is due in nine 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 10). The Company realized a gain of approximately $142,000 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 28, 1997 and September 29, 1996, the balance outstanding was $1,060,186 and $1,084,706, respectively.

On May 29 1997, the Company sold the inventory and operations of The Lynde Company (Lynde), a wholly owned subsidiary which specialized in swimming pool chemicals, for approximately $2,590,000, effective March 1, 1997. The Company recorded a gain on the sale of approximately $1,300,000. At closing, Hawkins received $500,000 cash and a note receivable for the balance. The note receivable is due over the next 6 years plus interest at 8%. At September 28, 1997, the balance outstanding on the note receivable was $2,069,040. Revenues from Lynde for the fiscal years ended September 28, 1997, September 29, 1996 and October 1, 1995 were $725,500, $3,413,200 and $9,008,600, respectively. Lynde recorded a net loss of $19,600 through the effective date of the sale and net income for the years ended September 29, 1996 and October 1, 1995 of $195,300 and $275,500, respectively.

4. LONG-TERM DEBT

Long-term debt at September 28, 1997 and September 29, 1996 is summarized as follows:

	1997	1996
Note payable, due in annual installments to 2002......................	$ 572,453	$ 628,461
Less current portion.........................	59,928	56,008
Total..	$ 512,525	$ 572,453

Long-term debt maturities for the five fiscal years subsequent to 1997 are: 1998 - $59,928, 1999 - $89,123, 2000 - $95,362, 2001 - $102,037, 2002 - $109,180 and thereafter $116,823.

5. COMMON STOCK

	Common Stock Shares	Amount	Add'l Paid-in Capital
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
5% stock dividend	552,205	27,610	3,837,825
Balance, September 28,1997	11,603,895	$ 580,195	$42,517,455

The stock dividends in 1997, 1996 and 1995 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.

6. 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 28, 1997, September 29, 1996 and October 1, 1995 was $46,003, $60,955 and $41,042, respectively. Future minimum lease payments due under operating leases with an initial term of one year or more at September 28, 1997 were: 1998 - $34,385; 1999 - $8,596.

7. PENSION AND EMPLOYEE STOCK OWNERSHIP PLANS

The Company has a defined contribution pension plan covering substantially all of its non-union employees. Pension expense for the years ended September 28, 1997, September 29, 1996 and October 1, 1995 was $459,367, $425,398, and $363,498, 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 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 28, 1997, September 29, 1996 and October 1, 1995 were $889,979, $824,955 and $793,244, respectively. The Company does not currently offer any post-retirement benefits, deferred stock or stock-based compensation plans.

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 was 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. During fiscal 1997, the Company has not been notified of any further matters regarding these landfills. 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 Company's consolidated financial condition, results of operations or cash flows.

During 1995, the Company had a fire in the office/warehouse of The Lynde Company, a former wholly owned subsidiary. The charge of $1,771,439 in 1997 and $750,000 in 1995 has been recorded to cover estimated settlement costs incurred by the Company in connection with a lawsuit filed against the Company as a result of the fire. As of September 28, 1997, the Company has paid $1,499,700 in settlement and legal costs relating to the fire and, based upon a settlement agreement, expects to incur additional legal and settlement costs of approximately $1 million. 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 magnitude of this potential exposure at this time. Management of the Company 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 the settlement costs incurred to date related to the Lynde fire may be recoverable from their insurers. The Company's insurers have appealed 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 28, 1997.

9. INCOME TAXES

The provisions for income taxes are as follows:

	1997	1996	1995
Continuing Operations:			
Federal - current..................	$4,143,883	$3,011,755	$2,972,203
States - current...................	1,099,687	799,010	820,997
Deferred...........................	(307,800)	159,876	(28,800)
Total (benefit) provision........	$4,935,770	$3,970,641	$3,764,400
Discontinued Operations:			
Federal - current..................			$(190,300)
States - current...................			(70,400)
Total benefit....................			$(260,700)

A reconciliation of the provision for income taxes, based on income from continuing operations, to the applicable federal statutory income tax rate of 35% is as follows:

	1997	1996	1995
Statutory federal income tax........	$4,454,190	$3,656,468	$3,320,927
State income taxes, net of federal deduction..................	687,454	549,531	520,955
Tax-exempt income...................	(108,856)	(97,325)	(90,925)
Other, net..........................	(97,018)	(138,033)	13,443
Total...........................	$4,935,770	$3,970,641	$3,764,400

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

	1997	1996
Current deferred taxes:		
Accruals	$ 544,000	$ 55,000
Inventory	750,000	401,000
Trade receivables	154,000	128,000
Total*	$1,448,000	$ 584,000
Noncurrent deferred taxes:		
Gain on sale of The Lynde Company	$ (456,000)	
Property basis differences	(527,000)	$(426,800)
Total	$(983,000)	$(426,800)

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

10. 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 year ended October 1, 1995 was as follows:

	1995
Operating revenues	$ 931,105
Costs and expenses	$1,047,510

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 3).

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 28, 1997 and September 29, 1996 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 28, 1997. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated 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 28, 1997 and September 29, 1996 and the results of their operations and their cash flows for each of the three years in the period ended September 28, 1997 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP
Minneapolis, Minnesota
December 9, 1997

SELECTED FINANCIAL DATA

Year ended September	1997	1996	1995	1994	1993
Sales from continuing operations	$ 87,745,980	$ 80,886,062	$ 83,332,624	$ 71,423,471	$ 60,913,575
Income from continuing operations	7,790,487	6,476,410	5,723,963	5,044,410	4,793,064
Earnings per common share from continuing operations	.67	.56	.49	.44	.41
Cash dividends declared per common share	.18	.15	.19	.11	.08
Cash dividends paid per common share	.16	.14	.12	.11	.08
Total assets	63,652,616	56,487,356	53,690,814	45,974,984	38,962,586
Long-term debt	512,525	572,453	628,461	680,805	

All per share data has been restated to reflect the 5% stock dividends in 1997, 1996, 1994 and 1993 and the 10% stock dividend in 1995.

SECURITIES MARKET MAKERS - Herzog, Heine, Geduld, Inc., New York, NY; John G. Kinnard and Company, Inc., Minneapolis, MN; S.J. Wolfe and Co., Dayton, OH

SUMMARY OF OPERATIONS BY QUARTER (UNAUDITED)

(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Total Year	
	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996
Net sales	$19,936	$17,423	$20,673	$18,439	$23,867	$22,275	$23,270	$22,749	$87,746	$80,886
Gross profit	4,165	3,764	4,426	3,853	5,900	5,458	6,841	5,022	21,332	18,097
Net income	1,456	1,242	1,478	1,218	2,963	2,015	1,893	2,001	7,790	6,476
Earnings per share	.13	.11	.13	.10	.26	.17	.16	.17	.67	.56

SHAREHOLDER INFORMATION

QUARTERLY STOCK DATA

	High	Low
FISCAL 1997		
4th Quarter	10 1/4	7 7/8
3rd Quarter	9	6 1/2
2nd Quarter	7	6
1st Quarter	8	5 1/2
FISCAL 1996		
4th Quarter	7 3/4	6 3/4
3rd Quarter	8 5/8	7 3/8
2nd Quarter	8 5/8	7
1st Quarter	8 3/8	6 5/8

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 825 common shareholder accounts on September 28, 1997. The prices are adjusted to reflect the 5% stock dividend that occurred on April 11, 1997 and March 29, 1996.

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

Shareholder inquires concerning the transfer of shares, lost certificates, or address changes should be directed to:
Norwest Shareowner Services
P.O. Box 64854
St. Paul, MN 55164-0854
(800) 468-9716
(612) 450-4064

CASH DIVIDENDS

	Declared	Paid
FISCAL 1998		
1st Quarter		$.090
FISCAL 1997		
4th Quarter	$.090	
3rd Quarter		$.086
2nd Quarter	$.086	
1st Quarter		$.076
FISCAL 1996		
4th Quarter	$.076	
3rd Quarter		$.073
2nd Quarter	$.073	
1st Quarter		$.063

Cash dividends have been restated to reflect the 5% stock dividends declared February 12, 1997 and February 7, 1996.

ANNUAL MEETING

The annual meeting of the shareholders of Hawkins Chemical, Inc. will be held on Wednesday, February 11, 1998, at the Sheraton Minneapolis Metrodome, 1330 Industrial Boulevard, Minneapolis, Minnesota, at 3:00 p.m.

CORPORATE HEADQUARTERS

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

DIVIDEND REINVESTMENT PLAN

A plan is available to shareholders for the automatic reinvestment of dividends to purchase additional shares of Hawkins Chemical, Inc. common stock. A brochure describing this service may be obtained by writing or calling:

Norwest Bank Minnesota, N.A.
Dividend Reinvestment Department
161 North Concord Exchange
P.O. Box 539
South Saint Paul, MN 55075-0539
(800) 468-9716
(612) 450-4064

EXHIBIT 21

The following is a wholly owned subsidiary of the Registrant:

Subsidiary	State in which organized
Hawkins Water Treatment Group, Inc.	Minnesota

The financial statements of the predecessors of Hawkins Water Treatment Group, Inc., Feed-Rite Controls, Inc., Mon-Dak Chemical, Inc., and Dakota Chemical, Inc. (which predecessors were merged into a single entity now known as Hawkins Water Treatment Group, Inc. following the end of fiscal 1997), are consolidated with those of the Registrant.

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

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 9, 1997 incorporated by reference in the Annual Report on Form 10-K for the Company for the year ended September 28, 1997.

DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
December 29, 1997

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12-MOS
SEP-28-1997
SEP-30-1996
SEP-28-1997
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11,117,991
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8,580,705
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0
0
580,195
48,361,579
63,652,616
87,745,980
87,745,980
66,413,954
77,684,951
0
0
47,439
12,726,257
4,935,770
7,790,487
0
0
0
7,790,487
.67
.67