FORM 10-K/A

Annual report pursuant to section 13 and 15(d) [amend]

Filing Date: **1996-02-08** | Period of Report: **1995-06-30**
SEC Accession No. 0000102588-96-000003

FILER

VACU DRY CO	Mailing Address	Business Address
CIK:**102588**| IRS No.: **941069729** | State of Incorp.:**CA** | Fiscal Year End: **0630**	*P O BOX 2418*	*7765 HEALDSBURG AVE*
Type: **10-K/A** | Act: **34** | File No.: **000-01912** | Film No.: **96513218**	*7765 HEALDSBURG AVENUE*	*P O BOX 2418*
SIC: **2030** Canned, frozen & preservd fruit, veg & food specialties	*SEBASTOPOL CA 95473-2418*	*SEBASTOPOL CA 95473-2418*
		7078294600

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(AMENDED)
FORM 10-K/A

X Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. For the fiscal year ended June 30, 1995.

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. For the transition period from_______ to _______.

VACU-DRY COMPANY

(Exact name of registrant as specified in its charter)

Commission File Number 01912

California	94-1069729
(State of incorporation)	(IRS Employer Identification
7765 Healdsburg Ave., Sebastopol, California	95472
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code:	707/829-4600
Securities registered pursuant to Section 12(b) of the Act:	None

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

Common Stock, No Par Value

(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES: X NO:

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

On August 25, 1995, nonaffiliates of the Registrant held voting stock with an aggregate market value of $8,596,277 based upon the average of the high and low prices of the Company's stock.

As of August 25, 1995, there were 1,698,030 shares of common stock, no par value, outstanding.

The Proxy Statement for the 1995 Annual Meeting of Shareholders is incorporated by reference into Part III of this report.

Part I

Item I. Business

(a) Vacu-dry Company (the Company), incorporated in California in 1946, is engaged in the business of the development, production and marketing of fruit products. The Company's products include low moisture and evaporated fruits, bulk apple juice, apple juice concentrate, private label drink mixes and low moisture food for the food storage market.

The Company has been engaged in the production of low moisture fruits since 1933. Through drying processes, the moisture in apples is reduced from original levels of 85%-90% to as low as 2%. In addition the Company purchases other fruits such as apricots, dates, peaches, prunes and other varieties of fruit which have been partially dried and further reduces the moisture in these fruits to levels of approximately 3%. The resultant low moisture products are much lighter in weight and less bulky than their raw, canned or frozen counterparts. Because of their extreme dryness, low moisture fruit products require no refrigeration or other special storage conditions. Other advantages include consistent product quality, economical packaging and convenience in handling and use.

The Company has a representation agreement to sell fruit products produced in Ecuador for a company based in the United States. This agreement automatically renews at the end of each three year term unless either party notifies the other six months in advance of the end of the term. In the current fiscal year the Company entered into a similar representation agreement to sell dried fruit products produced by a California company. This agreement automatically renews at the end of each three year term unless either party notifies the other six months in advance of the end of the term. These products will be sold primarily as ingredients to the major food processors.

(b) The Company competes in a single industry segment within the food industry; all assets held are supportive of efforts to compete in that segment. Selective financial information relating to the industry segment is as follows:

	1994	1994	1993
Net sales	$21,438,000	$27,773,000	$26,770,000
Earnings before income taxes	$ 287,000	$ 1,887,000	$ 1,791,000
Identifiable assets	$15,335,000	$14,929,000	$13,210,000

(c) The low moisture food industry in the United States is comparatively small. There are only a few organizations engaged in the dehydration of fruits to low moisture levels (2% to 5% moisture).

The Company has two major direct competitors in the low moisture and evaporated business. One is a Washington-based agricultural cooperative and the other is a Washington-based privately owned processor. Numerous processors compete in the business of producing bulk apple juice and concentrate.

The Company's products are sold directly and through brokers, to the bakery, food storage and food service markets, to major food processors (most of which use the products as ingredients), and to federal and state institutions.

In terms of volume, apples represent the major fruit handled by the Company. The sources of raw material supply are individual apple growers and in emergencies by dried apple processors in Washington. The majority of the Company's raw apple supply comes from California. In some years, due to crop conditions, the percentage of fruit purchased from out-of-state sources may increase. In those years, the Company incurs increased costs due to additional freight. The Company strives to reflect such cost increases in selling price adjustments but, if unsuccessful, will absorb such costs.

Other important fruits, including peaches, apricots and prunes, are obtained principally from dried fruit packing houses in California. Supplies of fruit are expected to be sufficient to meet the needs of regular customers. For other supplies, including cans and packaging materials, the Company draws from a number of vendors and expects that adequate supplies will be available.

The business of producing evaporated apples, bulk apple juice and concentrate is seasonal, beginning in late July and usually ending in March or April.

Inventories of fresh and dried apples, packaging materials and finished goods as of June 30, 1995, were approximately 25% of annual net sales.

The Company's three largest customers accounted for approximately 21% of gross sales in 1995. The loss of any one or more of these customers could have a material adverse effect on the Company.

The dollar amount of order backlog believed to be firm as of June 30, 1995, June 30, 1994 and June 30, 1993 was $10,029,000, $9,931,000 and $10,790,000, respectively. The backlog of orders at June 30, 1995 is expected to be filled within the current fiscal year. The dollar value of backlog varies during the year, with the peak occurring during the September through December period.

The Company holds the following trademarks: Vacu-dry, Appella, Apple Munchies, Noah's Ark, Fruit Galaxy, Perma-Pak and Pantri Reserve. Trademark sales account for the majority of the Company's total sales. Vacu-dry and Perma-Pak are the predominant trademarks listed above.

For information on research and development expenditures, see Note 11 to the Financial Statements.

The Company has completed the consolidation of its two production operations ,with only the product development department remaining to complete the consolidation of the two facilities. Product development will remain at the idle production facility until the related portion of the facility is leased. As of June 30, 1995, the land and buildings of the idle production facility remain on the market for sale or lease by the Company. The Company has leased a significant portion of the facility and is conducting negotiations with other potential tenants.

The Company has complied with all governmental regulations regarding protection of the environment. No material capital expenditures are anticipated for environmental control facilities during the next fiscal year.

The Company employs an average of approximately 250 persons. This number varies throughout each year and increases during periods of high production. Of the 250 employees, approximately 200 are represented by the General Truck Drivers, Warehousemen and Helpers Union, Local #624. The Company is presently in contract negotiations with the Union.

(d) The Company's export sales can vary greatly between years, depending upon foreign crop conditions and relative exchange rates. The amount of the Company's export sales for 1995, 1994 and 1993 were $1,480,000, $1,267,000 and $971,000 respectively.

Item 2. Properties

The principal administrative offices are located in Sebastopol, California. Approximately 3,710 square feet of office space are leased through February 1996. The lease may be extended for one year.

The Company owns 15 acres of land and approximately 90,000 square feet under roof at 1365 Gravenstein Hwy So., Sebastopol, California. This facility (formerly described as Plant #1) was used for the dehydration of fruits to low moisture, prior to the consolidation of this operation into the main processing plant (formerly described as Plant #2), located at 2064 Gravenstein Hwy No., Sebastopol, California. As of June 30, 1995, the land and buildings of the idle production facility (Plant #1) remain on the market for sale or lease. Management believes that leasing the facility is currently the most likely alternative. The Company has leased a portion of the facility and is conducting negotiations with other potential tenants. The Company has no debt associated with this facility.

The Company owns 64 acres of land and approximately 282,000 square feet under roof at 2064 Gravenstein Hwy. No., Sebastopol, California. As of June 30, 1995, this facility is the Company's only active processing plant. The buildings include facilities to process fresh apples into dried products, bulk apple juice and concentrate, in addition to dehydrating by continuous air drying and vacuum drying of apples and other fruits; warehouse space; cold storage, and office accommodations. The Company has leased approximately 35,000 square feet of excess warehouse space through April 1995. The lease may be extended for one year.

The consolidated production operations functioned at approximately 114% of the single shift capacity.

Item 3. Legal Proceedings

The Company has no material legal proceedings pending.

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

No matters were submitted to a vote of security holders during the last quarter of the year ended June 30, 1995.

Part II

Item 5. Market for the Registrant's Common Stock and Related Security-holder matters

The quarterly high and low prices for the last two fiscal years were as follows:

First Quarter	Low Bid	High Bid
9/30/93	9	10-1/2
12/31/93	8-1/2	11-1/4

3/31/94	8-1/4	9
6/30/94	8-1/4	10-1/2
9/30/94	8-1/2	11
12/31/94	7-3/4	10-3/4
3/31/95	5-1/2	8-1/2
6/30/95	4-1/4	6-1/2

The above quotations were obtained from the Nasdaq monthly statistical reports. The Company's Nasdaq symbol is VDRY.

On August 25, 1995, the approximate number of holders of common stock was 1,021. On that date, the average of the high and low price per share of the Company's stock was $5.0625. This price does not include dealer mark-ups, mark-downs or commissions.

Item 6. Selected Financial Data

	YEAR ENDED				
	June 30, 1995	June 30, 1994	June 30, 1993	June 30, 1992	June 30, 1991
	(In thousands except per share amounts)				
Net sales	$21,438	$27,773	$26,770	$24,307	$19,450
Earnings before income taxes	$ 287	$ 1,887	$ 1,791	$ 1,353	$ 1,152
Net earnings	$ 195	$ 1,174	$ 1,075	$ 833	$ 671
Earnings per common share	$ .11	$.70	$.65	$.50	$.40
Weighted average common shares outstanding	1,701	1,669	1,664	1,664	1,667
Total Assets	$15,335	$14,929	$13,210	$10,760	$10,256
Long-term debt	$ 2,105	$ 2,585	$ 2,404	$ 1,272	$ 378
Cash dividends per common share	$ .15	$ .05	$ --	$ --	$ --

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

LIQUIDITY AND CAPITAL RESOURCES

Vacu-dry Company's financial condition declined slightly during Fiscal 1995 as a result of the lower net earnings. The Company's liquidity decreased during 1995 as it's net working capital decreased 9%. During the same period, the Company's equity position remained level with last year.

Because the Company's operations are subject to seasonality, the Company's liquid resources fluctuate annually in a manner which changes very little from year to year. The Company experiences a normal seasonal decrease in production in April. Inventories and related short term borrowing are usually at their peak at this time. The slowdown in production normally extends through July and corresponds to the availability of raw fruit on an affordable basis. The Company's inventory ordinarily decreases during the period beginning in April and ending in October, which creates a corresponding increase in liquidity.

The Company's largest external source of liquidity is a $4,000,000 revolving line of credit provided by a bank at the Bank's prime lending rate. As of June 30, 1995, the Company had $1,649,000 of available funds on the $4,000,000 revolving line of credit. This compares with $2,720,000 of available funds on the $3,000,000 revolving line of credit as of June 30, 1994. As of June 30, 1995, the Company was in compliance with all covenants and restrictions related to its outstanding debt.

The Company has established a capital expenditure budget of approximately $537,000 for the 1995-1996 fiscal year. The Company anticipates financing these expenditures through internally generated funds and possibly the use of debt financing.

The most significant internal source of liquidity is the Company's net working capital. The Company believes that sustained profitability will lessen the impact of seasonal liquidity fluctuations. The Company has also leased a significant portion of its idle facility and is aggressively trying to the lease the remaining square footage. At this time the Company is not pursuing the sale of this facility.

The Company's net working capital decreased from $4,167,000 in 1994 to $3,775,000 in 1995 as a result of using the line of credit to finance the current year's capital expenditures. The debt to equity ratio remained flat between years. The Company believes its existing working capital line of credit is sufficient to meet its commitments.

The Company anticipates that profitable operations and debt financing will satisfy the Company's future liquidity and capital needs. However, the Company will utilize future private or public financing if interest rates rise or if the Company's growth prospects require additional funds for operations.

On April 28, 1994, the Board of Directors established a regular dividend policy of $.05 per share per quarter. As a result of the lower sales and earnings, the Board of Directors, on April 27, 1995 suspended the payment of this quarterly cash dividend.

On July 28, 1994, the Board of Directors approved a plan to repurchase up to 40,000 shares of the Company's stock from time to time in the open market or in privately negotiated transactions. During the current fiscal year, the Company repurchased 15,200 shares of stock under this plan at an average price per share of $6.27. On April 27, 1995 the Board of Directors suspended the repurchase of stock under this plan.

RESULTS OF OPERATIONS

The Company's sales are dictated by the competitive environment, customer demands and consumer preferences. Sales volume between years can be affected by one or more of these factors. In fiscal 1995 the Company's net sales decreased $6,335,00 or 23%. The sales declined as a result of substantially lower sales to one of the Company's major customers in addition to lower sales volume to other significant customers. The competitive environment contributed to the sales decline in fiscal 1995. The Company anticipates the competitive environment to continue into the next fiscal year and may affect the sales for fiscal 1996. The net sales for 1994 increased $1,003,000 or 4%. This increase was a result of sales of banana products. Apple sales for the 1994 fiscal year decreased $850,000 as a result of the competitive environment. Sales in 1994 (predominantly in the first and second quarters) were favorably impacted by substantial purchases by one of its major customers. In fiscal 1993, the Company's net sales increased $2,463,000 or 10%. Increases during 1993 were attributable to increases in volume and in unit price.

Cost of sales as a percentage of net sales increased during fiscal years 1995 (90%), 1994 (85%) and 1993 (84%), respectively. In fiscal 1995, the increase in the cost of sales percentage was predominantly due to the lower production volume as a result of the decreased sales volume and the resultant decrease in overhead absorption. Cost of sales increased slightly in fiscal year 1994 due to slightly lower margins, along with inefficiencies incurred during the start-up phase of the consolidation of operations. The decrease in 1993, was a result of the increased production volume and slightly improved profitability.

Selling, general and administrative expenses decreased $621,000 in 1995. This decrease was due to multiple factors, including; the receipt of two workers compensation dividends from two different policy years totally $257,000, a $96,000 credit from the reduction in the SAR liability (as result of the lower stock price) and a decrease of $346,000 between years in the bonus and profit sharing expense. Selling, general and administrative expenses decreased

$24,000 in 1994, due to the receipt of a workers compensation dividend. In 1993, selling, general and administrative expenses increased $186,000 or 8%. This increase was due primarily to higher brokerage on the increased sales, increased incentive expense generated by the Company's higher earnings and increased marketing expenses incurred to promote the Company's existing product line.

Interest expense increased $144,000 in fiscal 1995 as a result of the increased level of borrowing on the line of credit. In 1994 interest expense increased $31,000, as a result of the increase in the prime lending rate by the Company's bank and the larger balance owing to the bank on the consolidation related financing during fiscal 1994 versus 1993. Interest expense increased $77,000 in 1993, as a result of an increase in long-term borrowing.

Item 8. Consolidated Financial Statements and Supplementary Data

See Index at Item 14 for information required by this item.

Item 9. Disagreements on Accounting and Financial Disclosure

None

Part III

Item 10. Directors and Executive Officers of the Registrant

Information with respect to this item is contained in the Registrant's 1995 Proxy Statement under the heading "Election of Directors," which information is incorporated herein by reference.

Executive Officers of the Registrant

The following table sets forth certain information concerning the executive officers of the Company as of August 25, 1995:

Name	Age	Position
Donal Sugrue	64	President and Chief Executive Officer
Esther K. Castain	57	Secretary and Manager of Employee Relations
Thomas R. Eakin	41	Vice President, Finance

Ralph A. Sceales 57 Vice President, Operations

Mr. Sugrue joined the Company in 1962. He has been President and Chief Executive Officer since August 1990. Prior thereto he was Executive Vice President and Secretary.

Ms. Castain joined the Company in 1976. She has been Secretary of the Company since 1990. Prior thereto she was Manager of Employee Relations.

Mr. Eakin joined the Company in 1983. For more than the past eight years he has been Vice President, Finance, and Chief Financial Officer.

Mr. Sceales joined the Company in 1975. He has been Vice President, Operations, since August 1990. For more than six years prior thereto he was Director of Operations of the Company.

Item 11. Executive Compensation

Information with respect to this item is contained in the Registrant's 1995 Proxy Statement under the heading "Executive Compensation," which information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Information with respect to this item is contained in the Registrant's 1995 Proxy Statement in the table under the heading "Security Ownership of Certain Beneficial Owners and Management," which information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

Information with respect to this item is contained in the Registrant's 1995 Proxy Statement in the table under the heading "Executive Compensation," which information is incorporated herein by reference.

Part IV

Item 14. Exhibits, Financial Statements Schedules and Reports on Form 8-K

(a)

1. Financial Statements:

Reports of Independent Public Accountants.
Statements of Earnings for the Years Ended June 30, 1995,

June 30, 1994 and June 30, 1993.
Balance Sheets -- June 30, 1995 and June 30, 1994.
Statements of Changes in Shareholders Equity for the
Years Ended June 30, 1995, June 30, 1994 & June 30, 1993.
Statements of Cash Flows for the Years Ended June 30, 1995,
June 30, 1994 and June 30, 1993.
Notes to Financial Statements.

Financial statements and schedules not included herein have been omitted because of the absence of conditions under which they are required or because the required information, where material, is shown in the financial statements or notes thereto.

3. Exhibits:

Exhibit No.

3. a. Articles of Incorporation (2)

c. By-laws of Vacu-dry Company (4)

10. c. February 8, 1983 Donal Sugrue Consultant Agreement (1)

d. February 8, 1983 Donal Sugrue Employment Agreement (1)

j. Stock Appreciation Plan (4)

20. Proxy Statement Information (5)

27. Financial Data Schedule (6)

These exhibits are incorporated by reference to the Registrant's Annual Report, filed pursuant to Section 13 of the Securities Exchange Act of 1934:

(1) On Form 10-K for the year ended June 30, 1984.

(2) On Form 10-K for the year ended June 30, 1988.

(4) On Form 10-K for the year ended June 30, 1992.

(5) On Form 10-K for the year ended June 30, 1995.

(6) On Form 10-K/A for the year ended June 30, 1995

(b) No reports on Form 8-K were filed during the last quarter of the year ended June 30, 1995.

ARTHUR ANDERSON LLP

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders of
Vacu-dry Company:

We have audited the accompanying balance sheets of Vacu-dry Company (a California corporation) as of June 30, 1995 and 1994, and the related statements of earnings, changes in shareholders' equity and cash flows for each of the three years in the period ended June 30, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vacu-dry Company as of June 30, 1995 and 1994, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 1995, in conformity with generally accepted accounting principles.

(ARTHUR ANDERSON LLP)
San Francisco, California,
August 11, 1995

VACU-DRY COMPANY
BALANCE SHEETS--JUNE 30, 1995 AND 1994

	1995	1994

ASSETS		
CURRENT ASSETS:		
Cash	$ 187,000	$ 419,000
Accounts receivable, less allowances for uncollectible accounts of $45,000 and $35,000 in 1995 and 1994, respectively	1,679,000	1,670,000
Inventories, less LIFO reserves of $1,334,000 and $1,511,000 in 1995 and 1994, respectively	5,414,000	4,777,000
Income tax refund receivable	155,000	38,000
Prepaid expenses	176,000	66,000
Current deferred income taxes	303,000	502,000
Total current assets	7,914,000	7,472,000
PROPERTY, PLANT AND EQUIPMENT:		
Land	227,000	227,000
Buildings and improvements	6,416,000	6,285,000
Machinery and equipment	10,135,000	9,417,000
Construction in progress	32,000	138,000
Total property, plant and equipment	16,810,000	16,067,000
Accumulated depreciation	(9,389,000)	(8,610,000)
Net property, plant and equipment	7,421,000	7,457,000
Total assets	$15,335,000	$14,929,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Borrowings under line of credit	$ 2,351,000	$ 280,000
Current maturities of long-term debt	480,000	475,000
Accounts payable	393,000	1,160,000
Accrued payroll and related liabilities	524,000	596,000
Accrued expenses	317,000	745,000
Accrued insurance payable	58,000	47,000
Accrued interest	16,000	2,000
Total current liabilities	4,139,000	3,305,000
LONG-TERM DEBT, net of current maturities	2,105,000	2,585,000
DEFERRED INCOME TAXES	912,000	803,000
SHAREHOLDERS' EQUITY:		
Preferred stock- 2,500,000 shares authorized; no shares outstanding	-	-
Capital stock- common stock, 5,000,000 shares authorized, no par; 1,698,030 and 1,699,572 shares outstanding in 1995 and 1994, respectively	3,936,000	3,933,000
Retained earnings	4,243,000	4,303,000

Total shareholders' equity	8,179,000	8,236,000
Total liabilities and shareholders' equity	$15,335,000	$14,929,000

The accompanying notes are an integral part of these statements.

VACU-DRY COMPANY
STATEMENTS OF EARNINGS
FOR THE YEARS ENDED JUNE 30, 1995, 1994 AND 1993

	1995	1994	1993
REVENUE:			
Net sales	$21,438,000	$27,773,000	$26,770,000
Other	255,000	248,000	300,000
Total revenue	21,693,000	28,021,000	27,070,000
COSTS AND EXPENSES:			
Cost of sales	19,270,000	23,521,000	22,582,000
Selling, general and administrative	1,751,000	2,372,000	2,396,000
Interest, net	385,000	241,000	210,000
Consolidation expenses	-	-	91,000
Total costs and expenses	21,406,000	26,134,000	25,279,000
Earnings before provision for income taxes	287,000	1,887,000	1,791,000
PROVISION FOR INCOME TAXES	92,000	713,000	716,000
Net earnings	$ 195,000	$ 1,174,000	$ 1,075,000
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	1,700,912	1,669,122	1,664,029
EARNINGS PER COMMON SHARE	$.11	$.70	$.65

The accompanying notes are an integral part of these statements.

VACU-DRY COMPANY
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED JUNE 30, 1995, 1994 AND 1993

	Common Stock Number of Shares	Common Stock Amount	Retained Earnings	Total Shareholders Equity
BALANCE, JUNE 30, 1992	1,664,029	$3,615,000	$2,137,000	$5,752,000
Net earnings	-	-	1,075,000	1,075,000
BALANCE, JUNE 30, 1993	1,664,029	3,615,000	3,212,000	6,827,000
Net earnings	-	-	1,174,000	1,174,000
Dividends	-	-	(83,000)	(83,000)
Issuance of common stock	35,543	318,000	-	318,000
BALANCE, JUNE 30, 1994	1,699,572	3,933,000	4,303,000	8,236,000
Net earnings	-	-	195,000	195,000
Dividends	-	-	(255,000)	(255,000)
Issuance of common stock	13,658	99,000	-	99,000
Repurchase of common stock	(15,200)	(96,000)	-	(96,000)
BALANCE, JUNE 30, 1995	1,698,030	$3,936,000	$4,243,000	$8,179,000

The accompanying notes are an integral part of these statements.

VACU-DRY COMPANY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 1995,1994 AND 1993

	1995	1994	1993
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings	$ 195,000	$ 1,174,000	$ 1,075,000
Adjustments to reconcile net earnings to net cash provided by (used for) operating activities-			
Depreciation expense	884,000	777,000	859,000
Loss (gain) on sale of assets	6,000	9,000	(10,000)
Deferred taxes	308,000	16,000	131,000
Changes in certain assets and liabilities-			
Decrease (increase) in accounts receivable, net	(9,000)	148,000	(315,000)
Increase in inventories	(637,000)	(1,376,000)	(357,000)
Decrease in other receivables	-	-	95,000

Decrease (increase) in prepaid expenses	(110,000)	(83,000)	84,000
Decrease (increase) in income tax refund receivable	(117,000)	431,000	(469,000)
Decrease in other assets	-	-	30,000
Increase (decrease) in accounts payable	(767,000)	394,000	(64,000)
Increase (decrease) in accrued liabilities	(475,000)	74,000	288,000
Decrease in income taxes payable	-	-	(70,000)
Total adjustments	(917,000)	390,000	202,000
Net cash provided by (used for) operating activities	(722,000)	1,564,000	1,277,000
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(867,000)	(1,111,000)	(2,277,000)
Proceeds from the sale of assets	13,000	-	30,000
Net cash used for investing activities	(854,000)	(1,111,000)	(2,247,000)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Additional borrowings under the line of credit	11,324,000	8,974,000	15,074,000
Payments on line of credit	(9,253,000)	(9,876,000)	(15,460,000)
Borrowings under consolidation term loan	-	640,000	1,482,000
Principal payments of long-term debt	(475,000)	(334,000)	(86,000)
Dividends paid	(255,000)	(83,000)	-
Repurchase of common stock	(96,000)	-	-
Issuance of common stock	99,000	318,000	-
Net cash provided by (used for) financing activities	1,344,000	(361,000)	1,010,000
NET INCREASE (DECREASE) IN CASH	(232,000)	92,000	40,000
CASH AT BEGINNING OF YEAR	419,000	327,000	287,000
CASH AT END OF YEAR	$ 187,000	$ 419,000	$ 327,000
SUPPLEMENTAL DATA:			
Cash paid for-			
Interest	$ 371,000	$ 238,000	$ 171,000
Income taxes	158,000	581,000	969,000

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1995

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Vacu-dry Company (the Company) is engaged in the business of the development, production and marketing of fruit products. The Company's products include low-moisture fruits, bulk apple juice, apple juice concentrate, private label drink mixes and low-moisture food.

Inventories

Inventories are stated at the lower of cost, using the last-in, first-out (LIFO) method or market (Note 2).

Property, Plant and Equipment

Property, plant and equipment is stated at cost. Depreciation is computed by the straight-line method based upon the estimated useful lives of the assets as follows:

Buildings and improvements	10 to 40 years
Machinery and equipment	3 to 15 years

Improvements that extend the life of the asset are capitalized; other maintenance and repairs are expensed. The cost of maintenance and repairs was $982,000 in 1995, $909,000 in 1994 and $1,013,000 in 1993.

Income Taxes

Income taxes include provisions for timing differences between income reported for financial statement and income tax purposes.

Earnings per Common Share

Earnings per common share are computed by dividing net earnings by the weighted average number of shares of common stock outstanding during the period.

Common Stock

The Company has no par value common stock. The financial statements reflect no par value.

Reclassifications

Certain 1994 and 1993 amounts were reclassified to conform to the 1995 presentation.

2. INVENTORIES:

Inventories at June 30, 1995 and 1994, consist of the following (LIFO cost):

	1995	1994
Finished goods	$4,926,000	$4,276,000
Work in process	239,000	192,000
Raw material and containers	249,000	309,000
Total	$5,414,000	$4,777,000

3. BORROWINGS UNDER LINE OF CREDIT:

Borrowings under the line of credit are secured by inventory and accounts receivable and interest accrues monthly at the prime lending rate. The line of credit is renewed annually on November 1.

	1995	1994
Balance at June 30	$2,351,000	$ 280,000
Maximum amount available under the line of credit	4,000,000	3,000,000
Weighted average borrowings	1,459,000	273,000
Maximum borrowings	2,996,000	867,000
Interest rate at June 30	9.00%	8.00%
Weighted average interest rate	8.60%	7.00%

Per the covenants of the revolving line of credit note with the Company's bank, the Company will not, without prior written consent of the bank, declare or pay any dividend or distribution either in cash, stock or any other property on the Company's stock now or hereafter outstanding with the exception of a $0.05 per share quarterly dividend declared in fiscal 1994 and paid in fiscal 1994 and 1995.

Among the restrictions under the line of credit are provisions that require the Company to maintain certain financial ratios. The Company was in compliance with these financial restrictions.

4. LONG-TERM DEBT:

Long-term debt consists of the following:

	1995	1994
Note payable- five-year consolidation note, interest at prime (9.0 percent at June 30, 1995) plus 0.375 percent, interest and principal due		

monthly, maturing in September 1998, secured by accounts receivable, inventory, equipment and fixtures	$ 667,000	867,000
Note payable- seven-year consolidation note, interest at prime (9.0 percent at June 30, 1995) plus 0.375 percent, interest and principal due monthly, maturing in September 2000, secured by accounts receivable, inventory, equipment and fixtures	1,792,000	2,006,000
Industrial revenue bonds, interest at a weighted average rate (5.25 percent) and payable in installments through 1997	126,000	187,000
Total	2,585,000	3,060,000
Less- Current maturities	(480,000)	(475,000)
Long-term debt	$2,105,000	$2,585,000

Maturities of long-term debt are as follows:

1996	$ 480,000
1997	477,000
1998	415,000
1999	282,000
2000	215,000
Thereafter	716,000
Total	$2,585,000

5. INCOME TAXES:

In the first quarter of fiscal year 1993, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109). SFAS 109 requires the Company to compute deferred taxes based upon the amount of taxes payable in future years after considering changes in tax rates and other statutory provisions that will be in effect in those years. The implementation of SFAS 109 did not have a material effect on the financial position or results of operations of the Company.

The following is a summary of the Company's provision for income taxes:

	1995	1994	1993
Current-			
Federal	$(155,000)	$530,000	$449,000
State	-	161,000	136,000
Deferred	247,000	22,000	131,000
Provision	$ 92,000	$713,000	$716,000

A reconciliation of the income tax provision to the expected provision at the federal statutory income tax rate is as follows:

	1995	%	1994	%	1993	%
Provision at federal statutory rate	$98,000	34%	$642,000	34%	$609,000	34%
State taxes, less federal tax benefit	17,000	6	113,000	6	110,000	6
Research and development tax credits	(23,000)	(8)	(27,000)	(1)	(3,000)	-
Other	-	-	(15,000)	(1)	-	-
Total provision	$92,000	32%	$713,000	38%	$716,000	40%

Deferred taxes are recorded based upon differences between the financial statement and tax bases of assets and liabilities and available tax credit carryforwards. Temporary differences that gave rise to a significant portion of deferred taxes and liabilities for 1995 and 1994 were as follows:

	1995	1994
Depreciation	$(880,000)	$(803,000)
Employee benefit accruals	155,000	219,000
Unicap and inventory reserves	119,000	119,000
Contingency reserves	-	80,000
State income taxes	2,000	34,000
Property taxes	(46,000)	-
Other	41,000	50,000
	$(609,000)	$(301,000)

6. STOCK APPRECIATION RIGHTS PLAN:

The Company has a stock appreciation rights (SAR) plan as an incentive for key employees. Under the SAR plan, key employees are granted rights entitling them to market price increases in the Company's stock. At June 30, 1995 and 1994, 100,000 SARs were authorized. A summary of the outstanding SARs is as follows:

Rights Outstanding at June 30

Price per Right	1995	1994
$ 3.75	1,600	1,900
5.63	200	200
2.69	5,750	7,750
4.31	1,500	1,500
4.63	18,400	18,900
5.25	-	2,500
11.88	-	1,000
9.63	3,000	3,000
10.88	2,500	2,500
8.88	5,500	-
	38,450	39,250

The individual rights vest from the grant date as follows:

Year 1	0%	Year 4	60%
2	20	5	80
3	40	6	100

All rights are granted at fair market value at the date of grant. Rights generally vest over a period from the second to the sixth anniversary date of the grant. The SAR liability is recorded based on the market price of the Company's stock as of the balance sheet date. In 1995, the Company decreased selling, general and administrative expenses by $96,000 in order to reflect the lower SAR liability. In 1994 and 1993, the Company increased selling, general and administrative expenses by $26,000 and $161,000, respectively, in order to reflect the higher SAR liability.

7. EMPLOYEE STOCK PURCHASE PLAN:

The Employee Stock Purchase Plan enables substantially all employees to purchase shares of the Company's common stock at 85 percent of the market value on the first or last business day of the quarterly offering period, whichever is lower. A maximum of 100,000 shares are authorized for issuance over the ten-year term of the plan. The plan term began on January 1, 1994. Under the Plan, 13,658 shares were issued during the fiscal year ended June 30, 1995, at an average price of $7.248, and 4,774 shares were issued from January 1, 1994, through June 30, 1994, at an average price of $7.438.

8. MAJOR CUSTOMERS:

The five largest customers accounted for approximately 31.6 percent of gross sales in 1995.

9. OPERATING LEASES:

The Company leases office space and equipment. At June 30, 1995, future minimum rental payments are as follows:

1996	$215,000
Thereafter	-
Total	$215,000

Rental expense under these leases was $235,000 in 1995, $233,000 in 1994 and $223,000 in 1993.

The Company has been leasing excess warehouse space, generating revenues of $292,000 in 1995 and $195,000 in 1994 and 1993. These revenues are classified as other income in the statements of earnings.

10. RETIREMENT PLANS:

The Company has a contributory retirement savings and profit sharing plan covering nonunion employees. The Company contributes one and one-half times the first 3 percent of employee contributions to the retirement savings plan. Profit sharing contributions are derived based upon a specific formula of Company earnings. Company contributions to the retirement savings and profit sharing plan were approximately $107,000 in 1995, $148,000 in 1994 and $183,000 in 1993 and are funded currently. The employer's contributions for any fiscal year may not exceed the amount lawfully deductible by the Company under the provisions of the Internal Revenue Code.

The Company contributes to a defined contribution plan for employees covered by collective bargaining agreements. These contributions, funded currently, were $306,000 in 1995, $356,000 in 1994 and $275,000 in 1993.

11. RESEARCH AND DEVELOPMENT:

The Company sponsors research activities relating to the development of new products and the improvement of existing products. The cost of such activities was $347,000 in 1995, $308,000 in 1994 and $258,000 in 1993.

12. QUARTERLY RESULTS (Unaudited):

	For the Year Ended June 30, 1995				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net sales	$6,224,000	$5,950,000	$4,531,000	$4,733,000	$21,438,000
Earnings (loss) before income					

taxes	347,000	340,000	(630,000)	230,000	287,000
Net earnings (loss)	208,000	204,000	(375,000)	158,000	195,000
Earnings per common share	$.12	$.12	$(.22)	$.09	$.11

For the Year Ended June 30, 1994

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net sales	$7,712,000	$7,326,000	$6,847,000	$5,888,000	$27,773,000
Earnings before income taxes	433,000	870,000	509,000	75,000	1,887,000
Net earnings	260,000	522,000	310,000	82,000	1,174,000
Earnings per common share	$.16	$.31	$.19	$.04	$.70

Form 10-K

Copies of the Company's Form 10-K on file with the Securities and Exchange Commission may be obtained by writing to:

Esther K. Castain
Vacu-dry Company
P.O. Box 2418
Sebastopol, California 95473-2418

SIGNATURES

Pursuant to the requirements of Section 14 of 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.

VACU-DRY COMPANY
(Registrant)

Date: January 25, 1996 By: (Donal Sugrue)

Donal Sugrue, President & CEO

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

SIGNATURES	TITLE	DATE
(a) Principal Executive Officer		
(Donal Sugrue) ---------------- Donal Sugrue	President & CEO	January 25, 1996

SECURITY OWNERSHIP OF CERTAIN
BENEFICIAL OWNERS AND MANAGEMENT

A beneficial owner of a security includes any person who directly or indirectly has or shares voting power and/or investment power with respect to such security. Voting power is the power to vote or direct the voting of securities and investment power is the power to dispose of or direct the disposition of securities. The following tables, based in part upon information supplied by officers, directors and principal Shareholders, set forth certain information regarding the ownership of the Company's voting securities as of August 25, 1995 by (i) all those known by the Company to be beneficial owners of more than five percent of any class of the Company's voting securities; (ii) each director; (iii) each Named Executive Officer; and (iv) all executive officers and directors of the Company as a group. Unless otherwise indicated, each of the Shareholders has sole voting and investment power with respect to the shares beneficially owned, subject to community property laws where applicable.

Security Ownership of Certain Beneficial Owners(a)

Name and Address of Beneficial Owner	Amount of Direct Common Stock Beneficial Ownership	Percent of Class(b)
D. P. Boothe, Jr.(c) 33 San Carlos Sausalito, CA 94965	170,000	10.0%
First Wilshire Securities Management, Inc.(d) 600 South Lake St., Suite 405 Pasadena, CA 91106	247,490	14.6%
Craig R. Stapleton(e) 135 East Putnam Avenue Greenwich, CT 06830	147,500	8.7%

(a) Security ownership information for beneficial owners is taken from statements filed with the Securities and Exchange Commission pursuant to Sections 13(d), (f) and (g) and information made known to the Company.
(b) As of August 25, 1995, 1,698,030 shares of Common Stock were issued and outstanding.
(c) Includes 50,000 shares held by Catherine Boothe, Mr. Boothe's wife, and 100,000 shares held jointly by Mr. and Mrs. Boothe.
(d) Holds investment and dispositive power over shares purchased

for clients. Holds sole power to vote 39,800 shares.
(e) Includes 18,450 shares owned by Mr. Stapleton, 60,500 shares owned by Mrs. Stapleton to which Mr. Stapleton disclaims any beneficial interest, and 68,550 shares owned by a trust of which Mr. Stapleton is a trustee and of which his children are the beneficiaries.

Security Ownership of Directors and Executive Officers

The table below presents the security ownership of the Company's Directors, Nominees, Named Executive Officers and all directors and executive officers as a group as of August 25, 1995.

Name of Beneficial Owner	Amount of Common Shares Beneficially Owned (a)	Percent of Class (b)
D.P. Boothe, Jr.	170,000(c)	10.0%
Kenneth P. Gill	45,100(e)	2.7%
Edward Koplovsky	26,200	1.5%
Roger S. Mertz	11,000(f)	*
Ralph A. Sceales	4,138	*
Craig R. Stapleton	147,500(d)	8.7%
Donal Sugrue	30,327(g)	1.8%
Joseph G. Tonascia	2,700	*
All directors and executive officers as a group (11 persons)	442,799	26.1%

* Does not exceed 1% of the referenced class of securities.

(a) Shares listed in this column include all shares held by the named individuals and all directors and executive officers as a group in their own names and in street name and also includes all shares allocated to the accounts of the named individuals and all directors and executive officers as a group under the Company's Employee Stock Purchase Plan.
(b) Calculation based on 1,698,030 shares of Common Stock outstanding as of August 25, 1995.
(c) Includes 50,000 shares held by Catherine Boothe, Mr. Boothe's wife, and 100,000 shares held jointly by Catherine Boothe and Mr. Boothe.
(d) Includes 18,450 shares over which Mr. Stapleton has sole voting power; 60,500 shares over which Dorothy W. Stapleton,

Mr. Stapleton's wife, has sole voting power, and 68,550 shares owned by a trust of which Mr. Stapleton is a trustee and of which his children are the beneficiaries.

(e) Includes 42,000 shares held by the Kenneth P. Gill and Mary Margaret Gill Revocable Trust of which Mr. Gill is the trustee and 3,100 shares held by the Kenneth and Mary Gill Grandchild Trust of which Mr. Gill is the trustee.

(f) Includes 2,250 shares held as custodian for a child of Mr. Mertz to which Mr. Mertz disclaims any beneficial interest.

(g) Shares held by the Sugrue 1992 Family Trust, of which Mr. Sugrue is a Trustee.

PROPOSAL 1
ELECTION OF DIRECTORS

At the Annual Meeting, seven (7) Directors are to be elected by the Shareholders to serve until the next Annual Meeting or until the election and qualification of their successors. The Board's proxy holders (named on the enclosed Proxy Card) intend to vote all shares for which Proxies are granted to elect the following seven nominees selected by the Company's Board of Directors, and intend to vote such shares cumulatively if necessary to elect some or all of such nominees. All of the Board's nominees for Director were elected Directors by the Shareholders at the 1994 Annual Meeting, except for Mr. Stapleton who was elected to the Board on April 27, 1995.

If any of the Board's nominees refuses or is unable to serve as a Director (which is not now anticipated), the Board's Proxy holders intend to nominate and vote for such other person(s) as they believe will best serve the interests of the Company. Any Shareholder may nominate a candidate for Director from the floor at the Meeting. Such nominee must consent to serve, if elected, prior to voting on his or her name. The Board of Directors has no reason to believe that any substitute nominee or nominees will be required.

The seven nominees for Director who receive the most affirmative votes will be elected Directors. Votes against a candidate and votes withheld shall have no effect on the election result, though applicable securities laws and regulations may require that the number of such votes subsequently be disclosed to the Company's Shareholders under certain circumstances.

MANAGEMENT RECOMMENDS A VOTE FOR EACH
OF THE NOMINEES FOR DIRECTOR NAMED BELOW

Nominees

The table below indicates the respective nominee's position with the Company, age, year in which he first became a director and percentage of board and committee meetings attended in fiscal year 1995.

Name, Position and Background	Age	Director Since	% of Board Mtgs. Attended
D.P. Boothe, Jr., Director. Mr. Boothe is President of Boothe Holdings (investments). Until December 31, 1994, he served as the Company's Chairman of the Board.	84	1967	100%
Kenneth P. Gill, Director. Mr. Gill is retired. Formerly he was Assistant to the Chairman (July thru December 1990) and President and Chief Executive Officer of the Company (1972 thru 1990).	69	1972	100%
Edward Koplovsky, Director. Mr. Koplovsky is Chairman and Chief Executive Officer of Clermont, Inc., a specialty fruit processing concern.	56	1993	83%
Roger S. Mertz, Director. Mr. Mertz is an attorney-at-law. He is a member of the San Francisco, California law firm of Severson & Werson.	51	1993	100%
Craig R. Stapleton, Director. Mr. Stapleton is President of Marsh & McLennan, Real Estate Advisors, Inc. (real estate management). Mr. Stapleton is a director of Alleghany Properties, Inc. (real estate investments), and a director of Fidelity National Bank.	50	1995	100%
Donal Sugrue, President and Chief Executive Officer. Mr. Sugrue, President and Chief Executive Officer of the Company, joined the Company in 1962. He has been President and Chief Executive Officer since July 1, 1990.	64	1982	100%
Joseph G. Tonascia, Director. Mr. Tonascia is retired. Formerly he was a partner in the accounting firm of Ernst & Young.	75	1983	100%

Except as noted, the above persons have been engaged in the principal occupations identified above for more than the past five years.

Filings by Directors, Executive Officers and Ten Percent Holders

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers, directors, and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Executive officers, directors and greater than ten-percent shareholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on its review of the copies of such forms received by it, or written representations from certain reporting persons that no Forms 5 were required for those persons, the Company believes that, during fiscal year 1995 all filing requirements applicable to its executive officers, directors, and greater than ten-percent beneficial owners were complied with, except that Mr. Stapleton filed late a Form 3 which was due upon his appointment as a director.

Board Committees and Meetings

The Board of Directors met five times during the fiscal year ending June 30, 1995. The Company's Board of Directors has authorized four standing committees.

Executive Committee. As prescribed by the bylaws of the Company, the executive committee has the authority of the Board of Directors for the management of the business and affairs of the Company between meetings of the Board of Directors. The members of the committee are Messrs. Koplovsky, Mertz, Stapleton and Sugrue. The Executive Committee held two meetings during the fiscal year.

Compensation Committee. The function of the compensation committee is to develop and recommend to the full Board compensation arrangements, including bonuses and Stock Appreciation Rights (SARs), for Executive Officers and other key employees and to advise the chief executive officer on policy matters concerning officers compensation. The members of the committee are Messrs. Gill (Chairman), Boothe, Koplovsky and Tonascia. The Compensation Committee held one meeting during the fiscal year.

Audit Committee. The function of the audit committee is to recommend to the full Board the accounting firm to be retained as the Company's independent auditors and the price to be paid to the firm, and to consult with the auditors regarding the plan of audit, the results of the audit and the audit report, and the adequacy of internal accounting controls. The members of the committee are Messrs. Mertz (Chairman), Gill and Tonascia. The Audit Committee held one meeting during the fiscal year.

Retirement Savings Committee. The function of the retirement savings committee is to direct the management of the Company's Retirement Savings and Profit Sharing Plan. The committee met once during the year. The members of the Committee are Messrs. Tonascia (Chairman), Mertz and Koplovsky.

The full Board acts as the nominating committee for the Directors of the Company.

EXECUTIVE COMPENSATION

Summary Compensation of Named Executives

The Summary Compensation Table shows certain compensation information for the Chief Executive Officer and the Company's most highly paid executive officers (collectively referred to as the Named Executive Officers). Compensation data for other executive officers is not presented in the graphs because aggregate compensation for such executive officers did not exceed $100,000 for services rendered in all capacities during fiscal year 1995. Compensation data is shown for the fiscal years ended June 30, 1995, 1994 and 1993. This information includes the dollar value of base salaries, bonus awards, the number of SARs granted, and certain other compensation, if any, whether paid or deferred.

Summary Compensation Table(a)

		Annual Compensation		Long Term Compensation Awards	All Other Compensation(b)
Name and Principal Position	Year	Salary($)(c)	Bonus($)	SARs#	$
Donal Sugrue	1995	140,802	-0-	-0-	7,604
President, Chief					
Executive Officer	1994	165,091	29,100	-0-	30,142
and Director	1993	131,508	24,700	-0-	33,122
Ralph A. Sceales	1995	95,821	-0-	-0-	4,312
Vice President,	1994	91,747	17,100	-0-	7,699
Operations	1993	118,725	15,600	-0-	25,008

(a) Amounts shown include cash and non-cash compensation earned with respect to the year shown above.
(b) All other Compensation is described below. Life insurance premium payments are calculated as compensation by multiplying the proportion of benefits payable to the employee's estate by the total premiums paid in the fiscal year. Also includes Value Realized from SARs of $13,500 for Mr. Sugrue in 1994 and $35,000 for Mr. Sceales in 1993.
(c) 1995 amounts include $6,423 with respect to Mr. Sugrue and $4,454 with respect to Mr. Sceales representing payments in lieu of vacation not taken and under the Company's Wellness Time Plan.

Exec. Officer	Year	Retirement and Profit Sharing Plan	Base 401k	Bonus	Life Ins. Premium
D. Sugrue	1995	-0-	5,440	-0-	2,164
	1994	5,739	7,429	1,310	2,164
	1993	7,368	5,917	1,112	2,164
R. Sceales	1995	-0-	4,312	-0-	-0-
	1994	2,800	4,129	770	-0-
	1993	6,460	5,342	702	-0-

SAR Exercises in Last Fiscal Year and Year-End SAR Values

The following table summarizes for the Named Executive Officers the number of SARs, if any, exercised during the fiscal year ended June 30, 1995, the aggregate dollar value realized upon exercise, the total number of unexercised SARs held at June 30, 1995, and the aggregate dollar value of in-the-money, unexercised SARs held at June 30, 1995. Value realized upon exercise is the difference between the fair market value of the underlying stock on the exercise date and the exercise price of the SAR. Value of unexercised, in-the-money SARs at fiscal year-end is the difference between the exercise price and the fair market value of the underlying stock on June 30, 1995, which was $5.125 per share.

Aggregated SAR Exercises in Last Fiscal Year
and Fiscal Year-End SAR Values Table

Name	Shares Subject to SARs	Value Realized	Number of Unexercised SARs at Fiscal Year End Exercisable/ Unexercisable	Value of Unexercised In-The-Money SARs at Fiscal Year End Exercisable/ Unexercisable
Donal Sugrue	-0-	$-0-	2,700/1,800	$1,350/$900
Ralph A. Sceales	-0-	$-0-	1,200/800	$600/$400

Compensation of Directors

Outside Directors receive $300 per month for serving as Directors and are paid $600 for each Board meeting attended and $400 for each committee meeting attended. Directors' fees paid by the Company during fiscal year 1995 totalled $38,000. Executive Officers of the Company who also serve on the Board of Directors are not specifically compensated for duties as directors.

The Company entered into a consulting agreement (effective April 1, 1983) with Boothe Holdings, Inc., a corporation owned and controlled by D.P. Boothe, Jr., the Company's former Chairman of the Board and a Director. On July 31, 1984, Boothe Holdings, Inc. was liquidated and Mr. Boothe assumed its responsibilities and rights under the consulting agreement. Under the agreement, Mr. Boothe was required to perform such financial and business consulting services as the Company may request, in exchange for a $5,000 monthly consulting fee and reimbursement of expenses. The agreement terminated on December 31, 1994. Mr. Boothe received $30,000 pursuant to this agreement in fiscal 1995.

Mr. Mertz, a member of the San Francisco law firm of Severson & Werson, served as the Company's legal counsel during fiscal 1995 and is expected to be retained through fiscal 1996.

Employment Contracts

The Company entered into an Employment Agreement with Mr. Sugrue dated February 8, 1983, pursuant to which Mr. Sugrue is employed by the Company, initially as Executive Vice-President. Subsequently, Mr. Sugrue was elected President and Chief Executive Officer. The agreement terminates on the date Mr. Sugrue reaches age 65. Mr. Sugrue is entitled to receive an annual salary of not less than $60,000, subject to annual review by the Company's Board of Directors. Mr. Sugrue's current salary under the agreement is $122,472 per year. Under certain circumstances, including termination of Mr. Sugrue's employment by the Company without cause, merger or consolidation of the Company into any other corporation, dissolution of the Company, change in control of the Company, or sale of substantially all of the assets of the Company, Mr. Sugrue has the option to continue the agreement or to enter into a consulting agreement with the Company pursuant to which Mr. Sugrue will be obligated to provide consulting services to the Company for a period ending on the earlier of three years from the commencement of the contract or the date on which Mr. Sugrue reaches age 65. For such consulting services, Mr. Sugrue will be entitled to receive a monthly fee equal to one-twelfth of his average annual compensation during the last three years during which he will have been employed by the Company.

Compensation Committee Report

This report is provided by the Compensation Committee of the Board of Directors (the Committee) to assist stockholders in understanding the Committee's objectives and procedures in establishing the compensation of Vacu-dry Company's Chief Executive Officer and other executive officers. The Committee, made up of non-employee Directors, is responsible for establishing and administering the Company's executive compensation program. None of the members of the Committee is eligible to receive awards under the Company's incentive compensation programs.

Vacu-dry's executive compensation program is designed to motivate, reward, and retain the management talent needed to achieve its business objectives and maintain its competitiveness in the food processing industry. It does this by utilizing competitive base salaries that recognize a philosophy of career continuity and by rewarding exceptional performance and accomplishments that contribute to the Company's success.

Compensation Philosophy and Objective

The philosophical basis of the compensation program is to pay for performance and the level of responsibility of an individual's position. The Committee finds greatest value in executives who possess the ability to implement the Company's business plans as well as to react to unanticipated external factors that can have a significant impact on corporate performance. Compensation decisions for all executives, including the Named Executive Officers, are based on the same criteria. These include quantitative factors that reflect improvements in the Company's short and long-term financial performance, as well as qualitative factors which reflect the strength of the Company over the long term, such as demonstrated leadership skills and the ability to deal quickly and effectively with difficulties which sometimes arise.

The Committee believes that compensation of Vacu-dry's key executives should:

1. Link rewards to business results and stockholder returns;

2. Encourage creation of stockholder value and achievement of strategic objectives;

3. Maintain an appropriate balance between base salary and short-and long-term incentive opportunity;

4. Attract and retain, on a long-term basis, highly qualified executive personnel; and

5. Provide total compensation opportunity that is competitive with that provided by competitors in the food processing industry, taking into account relative company size and

performance as well as individual responsibilities and performance.

Key Elements of Executive Compensation

Vacu-dry's executive compensation program consists of three elements: Base Salary, Short-Term Incentives and Long-Term Incentives. Payout of short-term incentives depends on corporate performance. Payout of the long-term incentives depends on performance of Vacu-dry stock.

Base Salary

A competitive base salary is crucial to support the philosophy of management development and career orientation of executives. Salaries are targeted to pay levels of the Company's competitors and companies having similar capitalization, revenues, etc. Executive salaries are reviewed annually. Assessment of an individual's relative performance is made annually based on a number of quantitative factors such as stock price, earnings and revenues, as well as qualitative factors which include initiative, business judgement, technical expertise, and management skills. As a result of the reduced sales and profits of the Company during the first three quarters of the Company's 1995 fiscal year, effective May 16, 1995, the Company implemented a salary reduction plan for its Executive Officers. As a result of such plan, Mr. Sugrue's base salary was reduced by 10% and the salaries of the other Executive Officers was reduced by 5%. The reductions were part of an overall cost reduction plan which involved the layoff of approximately eight employees and other cost reductions.

Short-Term Incentive

Short-term awards to executives are made in cash to recognize contributions to the Company's business during the past year. The Company maintains a Bonus Plan as an incentive for executive officers of the Company. The bonus an executive receives is dependent on individual performance and level of responsibility.

Long-Term Incentive

Long-term incentive awards provided by shareholder-approved compensation programs are designed to develop and maintain strong management through share appreciation awards. The Company's 1985 Stock Appreciation Rights Plan creates incentives for executives and other key employees by providing them with an opportunity to indirectly participate in the appreciation in the market value of the Company's common stock.

In 1993 the directors approved the adoption of the 1994 Employee Stock Purchase Plan (the "Plan"). All employees, including executive officers, may purchase shares of the Company's Common Stock at a discount of 85% of the market value on the first or last business day of the quarterly offering period, whichever is lower. The plan became effective January 1, 1994.

1995 Chief Executive Officer Compensation

Mr. Sugrue's base salary for fiscal 1995 was $122,472. As a result of the cost reduction plan implemented in May 1995, Mr. Sugrue's base salary was reduced by 10%. During the fiscal year ending June 30, 1995, Mr. Sugrue also received a total of $5,440 as contributions to his Base 401K. The Company maintains, and pays premiums on, a Key Man Life Insurance policy on Mr. Sugrue, one quarter of the proceeds of which are payable to the Sugrue estate. The Committee believes Mr. Sugrue's total compensation package is appropriate for Mr. Sugrue's level of responsibility and is well within competitive practice.

Compensation Committee:
D. P. Boothe, Jr.
Kenneth P. Gill
Edward Koplovsky
Joseph Tonascia

<TABLE> <S> <C>

<ARTICLE> 5
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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE 10K FOR THE YEAR ENDED JUNE 30, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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<F1>NET OF LIFO RESERVE OF $1,334,000
<F2>RETAINED EARNINGS
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