FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1996-12-30** | Period of Report: **1996-09-30**
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FILER

UNIVERSAL FOODS CORP

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SIC: **2080** Beverages

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended September 30, 1996
or
[_] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from ____________ to ____________

Commission File Number 1-7626

UNIVERSAL FOODS CORPORATION
(Exact name of registrant as specified in its charter)

Wisconsin	39-0561070
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
433 East Michigan Street Milwaukee, Wisconsin	53202
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code:
(414) 271-6755

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT

Title of each class	Name of each exchange on which registered
Common Stock, $.10 par value Associated Common Share Purchase Rights	New York Stock Exchange, Inc.

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT
None

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 such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for at least 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.

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock as of December 6, 1996: 26,977,437 shares of Common Stock, $.10 par value, including 1,543,250 treasury shares.

Aggregate market value of Universal Foods Corporation Common

Stock, excluding treasury shares, held by non-affiliates as of December 6, 1996 was $869,469,165.

Documents Incorporated By Reference

1. Portions of Universal Foods Corporation 1996 Annual Report to Shareholders (Parts I, II and IV of Form 10-K)

2. Portions of Universal Foods Corporation Notice of Annual Meeting and Proxy Statement dated December 18, 1996 (Parts II and III of Form 10-K)

PART I

ITEM 1. BUSINESS - Food and Other Industries

Universal Foods Corporation (the "Company") was incorporated in 1882 in Wisconsin. Its principal executive offices are located at 433 East Michigan Street, Milwaukee, Wisconsin 53202, telephone (414) 271-6755. The Company is a technology-driven industrial marketer of high-performance components that add functionality to foods, cosmetics, pharmaceuticals and other products. The Company's technical expertise and application know-how make it unique among suppliers that serve these industries. Principal products of the Company include aroma chemicals and flavors for foods, beverages, dairy/ice cream products, personal care and household items; certified and natural colors for foods, cosmetics and pharmaceuticals; dehydrated vegetable products sold primarily to food processors; a diverse line of yeast products for commercial baking and other uses; and flavor enhancers and other bioproducts for foods, feed, pharmaceuticals and commercial use. The Company exited the frozen potato business during Fiscal 1994.

The following material from the Universal Foods Corporation 1996 Annual Report to Shareholders is incorporated by reference:

"Management's Analysis of Operations and Financial Condition" on Pages 13 through 17 (but not any photographs or graphical information included thereon).

Note 1 - "Summary of Significant Accounting Policies" on Pages 23 and 24.

Note 10 - "Foreign Operations" on Page 29.

Description

Flavor

The Company conducts its food flavor business through its wholly-owned subsidiary Universal Flavor Corporation ("Universal Flavor"). Universal Flavor manufactures and supplies flavors, ingredient systems, and aroma chemicals to the dairy, food processor, beverage, and personal care and household products industries worldwide, and is a recognized leader in the North American dairy and beverage flavor markets. It operates plants located in Kearny, New Jersey; Amboy, Illinois; Indianapolis, Indiana; and Fenton, Missouri. Universal Flavor has eleven additional plants in Canada, Mexico, Belgium, Great Britain, Italy, Spain, Australia, New Zealand, Hong Kong and the Philippines. Products are sold primarily through employee sales representatives with some assistance from food brokers.

Strategic acquisitions have expanded Universal Flavor's product lines and processing capabilities. The January 1994 acquisition of Destillaciones Garcia de la Fuente, S.A. (DGF), based in Granada, Spain, provided a depth of expertise for expanding into aroma chemicals, which are used to create flavors as well as fragrances. In July, 1994 Universal Flavors, through its international subsidiary, purchased its partner's 51% interest in Azteca en Ambesco de Mexico S.A. de C.V. This purchase brought beverages and dairy flavor product lines to the Company's existing Mexican flavor business.

Color

The Company, through its subsidiary Warner-Jenkinson Company, Inc.("W-J"), is the world's leading manufacturer of certified food colors. It also has a growing share of the international natural color market. Its products, sold under the Warner-Jenkinson name, are used by producers of beverages, bakery products, processed foods, confections, pet foods, cosmetics and pharmaceuticals. W-J is headquartered in St. Louis, Missouri, the site of its major manufacturing facilities. Cosmetic and pharmaceutical colors are produced in New Jersey. Latin American customers are served by W-J de Mexico, S.A. de C.V., a manufacturing and sales subsidiary located just outside of Mexico City. W-J Canada operates out of Kingston, Ontario. Other manufacturing facilities are located in King's Lynn, Norfolk, England; Amersfoort, The Netherlands; and Tullamarine, Victoria, Australia. Domestically, the W-J product line is sold principally by the Company's own sales force. International sales are made through distributors and directly by the Company.

Recent acquisitions have strengthened the business internationally which operates under the W-J name. During 1993, the Company acquired Spectrum S.A. de C.V., a Mexican food color distributor with approximately 20% market share in that country.

Dehydrated Products

The Company's subsidiary, Rogers Foods, Inc. ("Rogers"), produces dehydrated onion and garlic and is the third largest producer of these products in the United States. These items are marketed under the trademark ROGERS FOODS and private labels. Rogers also produces and distributes chili powder, chili pepper, paprika, dehydrated vegetables such as parsley, celery and spinach, and oleoresin (a liquid chili pepper used as a highly concentrated coloring agent) under the brand name CHILI PRODUCTS and is one of the largest producers of these products.

Rogers sells dehydrated products directly and through brokers to food manufacturers for use as ingredients and also for repackaging under private labels for sale to the retail market and to the food service industry. Rogers' processing facilities are located in Turlock, Livingston and Greenfield, California.

During 1994 and 1995, the Company acquired three European dehydrated vegetable processors. The acquisitions give the Company a base from which to expand its dehydrated products business internationally. These acquisitions also expanded the Company's dehydrated technology base to include freeze drying, puffed drying and vacuum drying. Vegetables processed using these technologies are premium products because they have a short reconstitution time, a benefit in today's convenience foods such as soups, snacks and other dry foods.

The acquisitions operate as UNIVERSAL DEHYDRATES. These entities are Mallow Foods in Midleton, County Cork, Ireland; Silva Laon, located near Laon, France; and Top Foods in the Netherlands. The Company believes it is the leading dehydrator of specialty vegetables in Europe.

Yeast

The Company specializes in the production of compressed, cream, active dry and nutritional yeast products for sale to commercial and retail accounts under the RED STAR trademark. The largest market for yeast is the U.S. baking industry. In addition, active dry yeast is sold to food processors for inclusion in bread, pizza and similar mixes. The compressed, active dry and fast-acting dry yeast products of the Company bearing the RED STAR and RED STAR QUICK RISE trademarks are sold in ready-to-use packages to retail stores and in two pound packages for food service use. The Company believes it is the largest North American supplier of yeast to the commercial bakery market and the second largest supplier to the retail market.

The business also exports yeast and allied products throughout the world and manages investments in companies operating yeast and allied product facilities in 12 offshore locations, two of which are wholly-owned subsidiaries. The Company receives revenues in the form of dividends and technical assistance fees from the non-wholly-owned foreign affiliates.

Company owned yeast plants are located in Milwaukee, Wisconsin; Baltimore, Maryland; Dallas, Texas; and Oakland, California. The Company distributes its products largely through its own sales force. In 1994, the Company purchased a 20% interest in and entered an agreement with Minn-Dak Yeast Company, Inc. in Wahpeton, North Dakota for contract manufacturing under the Red Star label and to supply molasses, a major raw material in yeast production.

BioProducts

During 1994, the Company created the Red Star BioProducts Division from its existing Red Star Specialty Products Division and two acquisitions. Red Star Specialty Products had been established as a small, stand-alone profit center in 1989 out of the Company's yeast group. With internally developed expertise, the group focused on highly technical product development using extracts from brewer's and baker's yeast. During 1993, Universal BioVentures, the Company's start-up biotechnology group, was integrated into Red Star Specialty Products to develop new products utilizing the Company's expertise in fermentation and molecular biology. The BioVentures product line was discontinued in 1995 because it would not be profitable for some time.

The 1994 acquisitions of Champlain Industries Limited in Canada and The Biolux Group in Belgium expanded the division's product lines and international presence, making the division a more significant part of the Company. The expanded Red Star BioProducts Division serves the food and feed processing and bionutrient industries with the broadest line of natural extracts and specialty flavors. It supplies various natural extracts from brewer's yeast, baker's yeast, vegetable proteins, meat, casein and other naturally occurring materials. These specialty extracts function primarily as flavor and texture modifiers and enhancers in the food processing industries. The nutritional and functional properties of Red Star BioProducts extracts are the basis for their use in enzyme and pharmaceutical production.

The Company believes Red Star BioProducts is the leading supplier of yeast extracts and second in the supply of HVPs in the U.S. market. The products are marketed under a number of Red Star trademarks.

The expanded division operates production facilities in Juneau, Wisconsin; Harbor Beach, Michigan; Clifton, New Jersey; and in Canada, the United Kingdom, Belgium and France. More than half of the Division's products are now produced outside of the United States. Its products are marketed through technically trained sales personnel directly to customers and through distributors in some international markets.

Frozen Foods

On August 1, 1994, the Company completed the sale of Universal Frozen Foods Company, a wholly owned subsidiary of the Company ("Frozen Foods") to ConAgra, Inc. The sale was a major step in Universal Foods' strategic transition to focus on high-performance ingredients and ingredient systems for foods and other products.

Frozen Foods produced frozen potato products for U.S. and international markets, selling most of its product to the food service industry. It had a share of the retail market with branded and private labeled products. It operated processing facilities in Twin Falls, Idaho, Hermiston, Oregon and Pasco, Washington.

Research and Development/Quality Assurance

The Company believes that its competitive advantages and ability to develop and deliver high-performance products are based on its technical expertise in the processing and application of its technology for foods and other products. Therefore, the Company provides an above-industry average investment in research, development and quality assurance, and is committed to the training and development of its people.

The Company employs approximately 400 people in research and quality assurance. Over the past five years, expenditures as a percent of revenue have increased from 3.0% in 1992 to 3.7% in 1996. Expenditures in fiscal 1996 were $29.8 compared to $28.6 million in 1995. Expenditures in 1995 decreased from the fiscal 1994 level of $32.2 million, a direct result of the sale of Frozen Foods which accounted for $4.1 million in expenditures during fiscal 1994. Expenditures in fiscal 1994 increased 13% to $32.2 million from $28.5 million in fiscal 1993. The Company's commitment to research and product development continues at a level significantly higher than the food industry average. Of the aforesaid amounts, approximately $20.4 million in fiscal 1994, $19.3 million in fiscal 1995, and $21.4 million in 1996 were research and development expenses as defined by the Financial Accounting Standards Board.

As part of its commitment to quality as a competitive advantage, the Company has undertaken efforts to achieve certification to the requirements established by the International Organization for Standardization in Geneva, Switzerland, through its ISO 9000 series of quality standards. Red Star BioProducts believes it was the first North American ingredients supplier to receive ISO 9002 certification. Facilities currently certified include Universal Flavor facilities in Spain, Italy and the United Kingdom; Red Star BioProducts facilities in the United States and Canada; Warner-Jenkinson facilities in The Netherlands and United Kingdom; and Dehydrated Products facilities in the United States, Ireland, France and The Netherlands.

Competition

All Company products are sold in highly competitive markets. Some competitors have more product lines and greater resources than the Company has. Since the Company and its competitors utilize similar methods of production, marketing and delivery, the Company competes primarily on process and applications expertise, quality and service. The Company competes in many market niches where price is not the most important variable. Universal Foods competes with only a few companies across multiple ingredient lines, and is more likely to encounter competition specific to individual businesses.

With the evolution of food processing as a global business, competition to supply the industry has taken on an increasingly global nature. In the worldwide flavor market, the Company's principal competition comes from other U.S. and European producers. Building an international presence is a key goal for Universal Flavor as demonstrated by acquisitions.

W-J is the leading producer of certified colors in North America and Western Europe. State-of-the-art equipment, the latest process technology, a Color Service Laboratory unequaled in the industry, and the most complete range of synthetic and natural colors constitute the basis for its market leadership position. Acquisitions have resulted in product and process technology synergies as well as a growing international presence.

For Dehydrated Products, acquisitions in Europe provide international expansion and strengthen export opportunities for U.S. based operations. Competition in Red Star BioProducts comes primarily from domestic and European producers. Red Star Yeast & Products competes primarily in the North American market and has three major competitors.

Products and Application Activities

With the Company's strategic focus on high-performance ingredients and ingredient systems, the Company's emphasis has shifted from the development of major new products to application activities and processing improvements in the support of its customers numerous new and reformulated products. The Company maintains many of its proprietary processes and formulae as trade secrets and under secrecy agreements with customers.

Development activities include a line of stable aqueous dispersion of colors for foods and pharmaceutical products. Patents have been granted on the products marketed under the SPECTRASPRAY label and applied for on the SPECTRABLEND label. The development of natural food colors continues to expand and is a growth opportunity for W-J.

A variety of activities at Universal Flavor focus on the development of natural flavors and flavor solutions for low-fat and no-fat applications. A technology was installed for production of aseptically processed fruits. Emphasis has been placed on the development of low-fat dairy and bakery flavor and ingredient systems. New flavored fruit and spice pieces have also been developed to provide new textures, flavors and unique performance properties in bakery items.

In 1993 Red Star BioProducts introduced the Flavor Mate 950 series, the most potent flavor enhancer on the market, and the Savory Mate series, which are flavor enhancers designed for specific areas such as beef, poultry, pork, etc. Acquisitions in 1994 expanded the division's product line particularly in hydrolyzed vegetable proteins. The transfer of technology to European acquisitions, begun in 1995, will allow the production of food- and pharmaceutical-grade extracts from brewer's yeast.

European acquisitions in 1994 and 1995 expanded the Dehydrated Products product line to include peas, carrots, beans, celery root and other specialty vegetables.

In addition, the discussion of operational activities in the "Business Profile" on Pages 4 and 5 of the 1996 Annual Report to Shareholders is incorporated by reference (but not any photographs or graphical information included thereon).

Raw Materials

In producing its products, the Company uses a wide range of raw materials. Chemicals and petrochemicals used to produce certified colors are obtained from several domestic and foreign suppliers. Raw materials for natural colors, such as carmine, beta carotene, annatto and turmeric, are purchased from overseas and U.S. sources. In the production of flavors, the principal raw materials include essential oils, aroma chemicals, botanicals, fruits and juices, and are obtained from local vendors. Flavor enhancers and secondary flavors are produced from brewer's yeast, baker's yeast from the Company's own operations, and vegetable materials such as corn and soybeans. The acquisition of the Biolux Group in 1994 provides long-term supply arrangements on supplies of brewer's yeast for European production needs. Chili peppers, onion, garlic and other vegetables are acquired under annual contracts with numerous growers in the western United States and Europe.

The principal raw material used in the production of yeast products is molasses, which is purchased through brokers and producers, usually under yearly fixed-price contracts. Processes have been developed to permit partial replacement of molasses with alternate, readily-available substrates for use if molasses supplies should become limited. In 1994, the Company entered a supply agreement with Minn-Dak Farmers Cooperative, a major North American molasses supplier, to provide additional assurances of adequate supplies.

The Company believes that its required raw materials are generally in adequate supply and available from numerous competitively priced sources.

Patents, Formulae and Trademarks

The Company owns or controls many patents, formulae and trademarks related to its businesses. The businesses are not materially dependent upon patent or trademark protection; however, trademarks, patents and formulae are important for the continued consistent growth of the Company.

Employees

As of September 30, 1996, the Company employed about 4,000 persons worldwide (which includes approximately 200 seasonal employees). Approximately 450 U.S. employees are represented by one of the 11 union contracts with whom the Company has collective bargaining relationships. The Company considers its employee relations to be good.

Regulation

Compliance with government provisions regulating the discharge of material into the environment, or otherwise relating to the protection of the environment, did not have a material adverse effect on the Company's operations for the year covered by this report nor is such compliance expected to have a material effect in the succeeding two years. As is true with the food industry in general, the production, packaging, labeling and distribution of the products of the Company are subject to the regulations of various federal, state and local governmental agencies, in particular the Food & Drug Administration.

ITEM 2. PROPERTIES

Domestically, the Company operates eighteen manufacturing and processing plants in ten states as of September 30, 1996. Four plants produced bakers yeast, four facilities provided flavor enhancers and bioproducts, three produced dehydrated products, two plants produced colors and four plants produced flavors. None of these properties are held subject to any material encumbrances. The Company also has investments in fifteen companies operating yeast and allied product facilities located in twelve offshore locations. The Company operates five color plants, eleven flavor plants, five bioproducts facilities and three dehydrated vegetable plants in thirteen foreign countries.

ITEM 3. LEGAL PROCEEDINGS

The Company is a party to various legal proceedings of a character regarded as normal to its business and in which, the Company believes, adverse decisions, in the aggregate, would not subject the Company to damages of a material amount.

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

There were no matters submitted to a vote of security holders during the last quarter of fiscal 1996.

ITEM 4(a). EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the registrant and their ages as of December 1, 1996 are as follows:

EXECUTIVE OFFICERS

Name	Age	Position
Guy A. Osborn	60	Chairman and Director
Kenneth P. Manning	54	President, Chief Executive Officer and Director
Richard Carney	46	Vice President - Human Resources
Steven O. Cordier	40	Treasurer
Thomas J. Degnan	48	Group Vice President
Michael Fung	46	Vice President and Chief Financial Officer
Michael L. Hennen	43	Controller
Richard F. Hobbs	49	Vice President - Administration
R. Steven Martin	40	President - Red Star Yeast & Products Division
Terrence M. O'Reilly	51	Vice President, Secretary and General Counsel
James F. Palo	56	President - Rogers Foods, Inc.
Dr. Gary W. Sanderson	61	Vice President, Technologies
Kenneth G. Scheffel	60	Vice President - Chemical Technologies
William Tesch	46	President - Red Star BioProducts
Charles G. Tuchel	41	President - Universal Flavors Corporation
Michael A. Wick	53	President - Warner-Jenkinson Co., Inc.

All of these individuals have been employed by the Company in an executive capacity for more than five years, except Richard Carney, Steven O. Cordier, Michael L. Hennen, R. Steven Martin, Charles G. Tuchel and Michael Fung.

Mr. Carney was elected Vice President - Human Resources in April 1993. He joined the Company in 1981 as Treasury Manager and held various positions in the Treasurer's Department until 1986 when he assumed the Director of Benefits responsibilities which he performed until being elected a Vice President.

Mr. Cordier joined the Company in October 1995 as Treasurer. From 1990 until joining the Company he was Director of Financial Planning at International Flavors and Fragrances, a $1.3 billion New York Stock Exchange company.

Mr. Fung joined the Company in June 1995 as Vice President-Chief Financial Officer. From 1992 to 1995 he served as Senior Vice President and Chief Financial Officer for Vanstar Corporation, a leading provider of products and services to design, build and manage computer network infrastructures for large enterprises. From 1988 to 1992, Mr. Fung was Vice President and Chief Financial Officer of Bass Pro Shops and Tracker Marine Corporation, privately-held companies operated under common ownership involved in the manufacture and marketing of outdoor sporting goods.

Mr. Hennen joined the Company in January 1995 as Controller. From 1985 until joining the Company he was a Senior Manager at Deloitte & Touche LLP, a public accounting firm providing audit and tax services to the Company as its outside auditor.

Mr. Martin joined the Company as Vice President - Marketing of its Red Star Yeast & Products Division in 1993. In June 1995, Mr. Martin was elected President - Red Star Yeast & Products Division. Prior to joining the Company, Mr. Martin was with the Monsanto Company since 1978 in various general management positions.

Mr. Tesch joined the Company in 1971, becoming Plant Manager of the Red Star BioProducts Division in 1989. From 1993 to 1994 he was Director, Training and Development of The Universal Way and from 1994 to 1996 he served as Vice President, Manufacturing Operations of Red Star BioProducts. On April 16, 1996, Mr. Tesch was elected President of Red Star BioProducts.

Mr. Tuchel joined the Company in May 1992 as the Managing Director - Europe for the Color Division. In October 1994, he was promoted to Vice President and General Manager of Universal Flavors International, and in June 1995 elected President - Flavors Division. Prior to joining the Company, Mr. Tuchel was Business Manager at ICI Petrochemicals from 1990 through 1992.

PART II

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

The principal market in which the common stock of the Company is traded is the New York Stock Exchange. The range of the high and low sales prices as quoted in the New York Stock Exchange - Composite Transaction tape for the common stock of the Company and the amount of dividends declared for fiscal 1996 appearing under "Common Stock prices and dividends" on Page 18 of the 1996 Annual Report to Shareholders are incorporated by reference. Common stock dividends were paid on a quarterly basis, and it is expected that quarterly dividends will continue to be paid in the future. In addition to the restrictions contained in its Restated Articles of Incorporation, the Company is subject to restrictions on the amount of dividends which may be paid on its common stock under the provisions of various credit agreements. On the basis of the consolidated financial statements of the Company as of September 30, 1996, $5,635,000 is available for the payment of dividends on the common stock of the Company under the most restrictive loan covenants.

The Company had a stock repurchase program, initially announced June 7, 1984, under which the authorization terminated in fiscal 1994. Consequently, on January 27, 1994 the Board of Directors established a new share repurchase program which authorizes the Company to repurchase up to 2.5 million shares. As of September 30, 1996, 828,118 shares had been repurchased under the new authorization.

On September 8, 1988 the Board of Directors of the Company adopted a common stock shareholder rights plan which is described at Note 6 of Notes to Consolidated Financial Statements - "Shareholders' Equity" on Pages 26 and 27 of the 1996 Annual Report to Shareholders and which is incorporated by reference.

The number of shareholders of record on December 6, 1996 was 6,099.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data required by this item is incorporated by reference from the "Five-Year Review" and the notes thereto on Page 31 of the 1996 Annual Report to Shareholders.

ITEM 7. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

"Management's Analysis of Operations and Financial Condition" is incorporated by reference from Pages 13 through 17 of the 1996 Annual Report to Shareholders.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data required by this item are set forth on Pages 18 through 30 of the 1996 Annual Report to Shareholders and are incorporated by reference.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding directors and officers appearing under "Election of Directors" (ending before "Committees of the Board of Directors") and "Other Matters" on Pages 2 through Page 6 and Page 15, respectively, of the Notice of Annual Meeting and Proxy Statement of the Company dated December 18, 1996, is incorporated by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information relating to compensation of directors and officers is incorporated by reference from "Director Compensation and Benefits," and "Compensation and Development Committee Report" and "Executive Compensation" on Pages 7 through 11 of the Notice of Annual Meeting and Proxy Statement of the Company dated December 18, 1996.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The discussion of securities ownership of certain beneficial owners and management appearing under "Principal Shareholders" on Pages 18 through 30 of the Notice of Annual Meeting and Proxy Statement of the

Company dated December 18, 1996, is incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There are no family relationships between any of the directors, nominees for director and officers of the Company nor any arrangement or understanding between any director or officer or any other person pursuant to which any of the nominees has been nominated. No director, nominee for director or officer had any material interest, direct or indirect, in any business transaction of the Company or any subsidiary during the period October 1, 1995 through September 30, 1996, or in any such proposed transaction. In the ordinary course of business, the Company engages in business transactions with companies whose officers or directors are also directors of the Company. These transactions are routine in nature and are conducted on an arm's-length basis. The terms of any such transactions are comparable at all times to those obtainable in business transactions with unrelated persons.

PART IV

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

(a) Documents filed:

1. and 2. Financial Statements and Financial Statement Schedule. (See following "List of Financial Statements and Financial Statement Schedules.")

3. Exhibits. (See Exhibit Index on the last page of this report.) (No instruments defining the rights of holders of long-term debt of the Company and its consolidated subsidiaries are filed herewith because no long-term debt instrument authorizes securities exceeding 10% of the total consolidated assets of the Company. The Company agrees to furnish a copy of any such instrument to the Securities and Exchange Commission upon request.)

(b) Reports on Form 8-K: None

List Of Financial Statements and Financial Statement Schedules

	Page Reference in 1996 Annual Report to Shareholders
1. FINANCIAL STATEMENTS	
The following consolidated financial statements of Universal Foods Corporation and Subsidiaries are incorporated by reference from the Annual Report to Shareholders for the year ended September 30, 1996.	
Independent Auditors' Report	30
Consolidated Balance Sheets - September 30, 1996 and 1995	20
Consolidated Earnings - Years ended September 30, 1996, 1995 and 1994	19
Consolidated Shareholders' Equity - Years ended September 30, 1996, 1995 and 1994	21
Consolidated Cash Flows - Years ended September 30, 1996, 1995 and 1994	22

Notes to Consolidated Financial Statements 21 - 29

All other schedules are omitted because they are inapplicable, not required by the instructions or the information is included in the consolidated financial statements or notes thereto.

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors
of Universal Foods Corporation:

We have audited the consolidated financial statements of Universal Foods Corporation as of September 30, 1996 and 1995 and for each of the three years in the period ended September 30, 1996, and have issued our report thereon dated November 14, 1996, which report expresses an unqualified opinion and includes an explanatory paragraph relating to the adoption of the provisions of Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assests and for Long-Lived Assets to be Disposed Of"; such consolidated financial statements and report are included in your 1996 Annual Report to Shareholders and are incorporated herein by reference. Our audits also included the consolidated financial statement schedule of Universal Foods Corporation, listed in Item 14. 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, such 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
Milwaukee, Wisconsin

November 14, 1996

SCHEDULE II

<TABLE>

UNIVERSAL FOODS CORPORATION AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING

ACCOUNTS AND RESERVES

(In Thousands)

Years ended September 30, 1996, 1995 and 1994

<CAPTION>

		Additions
Valuation accounts deducted in the balance	Balance at	Charged to

sheet from the assets to which they apply	beginning of period	costs and expenses	Net acquired	Deductions(A)	Balance at end of period
<S>	<C>	<C>	<C>	<C>	<C>
1994					
Allowance for losses:					
Trade accounts receivable	$3,306	971	637	1,387(B)	$3,527
	=====	=====	=====	=====	=====
1995					
Allowance for losses:					
Trade accounts receivable	$3,527	1,356	---	1,115	$3,768
	=====	=====	=====	=====	=====
1996					
Allowance for losses:					
Trade accounts receivable	$3,768	349	---	608	$3,509
	=====	=====	=====	=====	=====

(A) Accounts written off, less recoveries.
(B) Includes divestiture of Frozen Foods business.

</TABLE>

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.

UNIVERSAL FOODS CORPORATION

By: /s/ T. M. O'Reilly
T. M. O'Reilly, Vice President
Secretary & General Counsel

Dated: December 20, 1996

PURSUANT to the requirements of the Securities Exchange Act of 1934, this report has been signed below on December 20, 1996, by the following persons on behalf of the Registrant and in the capacities indicated.

/s/ Guy A. Osborn Guy A. Osborn	Chairman and Director
/s/ Kenneth P. Manning Kenneth P. Manning	President, Chief Executive Officer and Director

/s/ Michael Fung Michael Fung	Vice President and Chief Financial Officer
/s/ Michael L. Hennen Michael L. Hennen	Corporate Controller
/s/ Michael E. Batten Michael E. Batten	Director
/s/ John F. Bergstrom John F. Bergstrom	Director
/s/ James L. Forbes James L. Forbes	Director
/s/ Dr. Carol I. Waslien Ghazaii Dr. Carol I. Waslien Ghazaii	Director
/s/ Leon T. Kendall Leon T. Kendall	Director
/s/ James H. Keyes James H. Keyes	Director
/s/ Charles S. McNeer Charles S. McNeer	Director
/s/ William U. Parfet William U. Parfet	Director
/s/ Essie Whitelaw Essie Whitelaw	Director

UNIVERSAL FOODS CORPORATION
EXHIBIT INDEX
1996 ANNUAL REPORT ON FORM 10-K

Exhibit	Incorporated Herein by	Filed

Number	Description	Reference	Herewith
3.1	Restated Articles of Incorporation	(Previously filed at Exhibit 3.1 to the 1993 Annual Report on Form 10-K)	
3.2	Restated Bylaws	(Previously filed at Exhibit 3.2 to the 1995 Annual Report on Form 10-K)	
4	Shareholders Rights Plan	(Previously filed on Form 8-A dated September 15, 1988 as amended by Exhibit 3 to Form 8 dated December 22, 1988 and by Exhibits 4 and 5 to Form 8 dated September 14, 1990)	
10	Material Contracts		
	* (a) Executive Employment Contract	(Previously filed at Exhibit 10(a) to the 1985 Annual Report on Form 10-K)	
	* (b) 1981 Incentive Stock Option Plan	(Previously filed with the Notice of Annual Meeting & Proxy Statement dated December 5, 1981)	
	* (c) 1985 Stock Plan for Executive Employees	(Previously filed with the Notice of Annual Meeting & Proxy Statement dated December 12, 1985)	
	* (d) 1990 Employee Stock Plan	(Previously filed with the Notice of Annual Meeting & Proxy Statement dated December 18, 1989)	
	* (e) Director Stock Grant Plan, as amended	(Previously filed as Exhibit 10(e) to the 1991 Annual Report on Form 10-K)	
	* (f) Management Income Deferral Plan	(Previously filed as Exhibit 10(f) to the 1991 Annual Report on Form 10-K)	
	* (g) Executive Income Deferral Plan	(Previously filed as Exhibit 10(g) to the 1991 Annual Report on Form 10-K)	
	* (h) Change of	(Previously filed as	

		Control Employment and Severance Agreement	Exhibit 10(h) to the 1995 Annual Report on Form 10-K)		
	(i)	Trust Agreement dated January 18, 1988 between the Company and Marshall & Ilsley Trust Company	(Previously filed as Exhibit 18 to Amendment No. 1 of the Company's Schedule 14D-9 filed December 9, 1988)		
	(j)	Trust Agreement dated January 18, 1988 between the Company and Marshall & Ilsley Trust Company	(Previously filed as Exhibit 19 to Amendment No. 1 of the Company's Schedule 14D-9 filed December 9, 1988)		
	(k)	Trust Agreement dated September 18, 1988 between the Company and Marshall & Ilsley Trust Company	(Previously filed as Exhibit 20 to Amendment No. 1 of the Company's Schedule 14D-9 filed December 9, 1988)		
	* (l)	Management Incentive Plan for Major Corporate Executives		X	
	* (m)	Management Incentive Plan for Division Presidents		X	
	* (n)	1994 Employees Stock Option Plan	(Previously filed on Form S-8 dated September 12, 1994)		
13	Portions of Annual Report to Shareholders for the year ended September 30, 1996 that are incorporated by reference				X
21	Significant Subsidiaries of Universal Foods Corporation				X

23	Consent of Deloitte & Touche LLP		X
27	Financial Data Schedule		X
99	Notice of Annual Meeting and Proxy Statement, dated December 18, 1996	(Previously filed via the EDGAR System on December 18, 1996 as the Company's Schedule 14A) Except to the extent incorporated by reference, the Proxy Statement shall not be deemed to be filed with the Securities and Exchange Commission as part of this annual Report on Form 10-K.	

* Indicates management contracts or compensatory plans.

Exhibit 10(l)

UNIVERSAL FOODS CORPORATION

MANAGEMENT INCENTIVE PLAN
FOR MAJOR CORPORATE EXECUTIVES

I. THE PLAN

The name of this Plan is the Universal Foods Corporation Management Incentive Plan for Major Corporate Executives. The purpose of this Plan is to promote the interests of the shareholders and to provide incentive to those elected officers who can contribute most to the profitability of the Company. It is separate and distinct from other incentive plans in effect which are based upon divisional performance.

II. DEFINITIONS

In this Plan, the terms used will have the following definitions:

A. "Board of Directors" means the Board of Directors of Universal Foods Corporation.

B. "Bonus Award" means an award, either paid currently or paid on a deferred basis, as the result of the operation of this Plan.

C. "Bonus Provision" means monies available for distribution as Bonus Awards as the result of the operation of this Plan.

D. "Capital Employed" is defined as the sum of average shareholders' equity plus average long-and short-term debt. These averages are to be determined using the ending balances of the prior and current fiscal year as shown in the Company's certified Consolidated Balance Sheets.

E. "Committee" means the committee provided for in Section III.

F. "Company" means Universal Foods Corporation.

G. "Employee" means any employee regularly employed by Universal Foods Corporation or any of its subsidiaries and paid on a salary basis.

H. "Fiscal Year Salary" means base pay earned during the period October 1 through September 30 each Company operating year exclusive of any incentive/supplemental payments by the Company.

I. "Independent Auditors" means with respect to any fiscal year, the independent public accounts appointed by the Board of Directors to certify to the Board of Directors the financial statements of the Company.

J. "Operating Income After Taxes" is defined as net earnings, as shown in the Company's Statement of Consolidated Earnings as certified by the Company's Independent Auditors, plus the after-tax costs of interest on long-term and short-term debt and the Bonus Awards for that fiscal year. This amount shall be further adjusted for extraordinary items of income or expense if, in the opinion of the Committee, it is appropriate to do so.

K. "Plan" means this Management Incentive Plan for Major Corporate Executives.

L. "Return on Capital Employed" means for the purpose of computing the amount which may be credited to the bonus reserve for any fiscal year, the percentage of Operating Income After Taxes (per J) to Capital Employed (per D).

M. "Subsidiary" means with respect to any year, any corporation in which Universal Foods Corporation owns a stock interest of more than 50%, and the financial results of whose operations are consolidated with those of the Company in the financial statements included in the annual report to shareholders for that year.

III. COMMITTEE

A. The Board of Directors shall appoint a Compensation and Development Committee composed of three non-management members of the Company's Board of Directors. This Committee shall be known as the "Committee" and shall have full power and authority to interpret and administer the Plan in accordance with the Regulations. No member of the Committee shall be eligible to participate in the Plan while a member of the Committee.

B. The Board of Directors may, from time to time, remove members from the Committee or add members thereto; and vacancies on the Committee, however caused, shall be filled by action of the Board of Directors. The Committee shall select one of its members as Chairman and shall hold its meetings at such times and places as it may determine. A majority of its members shall constitute a quorum. All determinations of the Committee shall be made by a majority of its members. Any decision or determination reduced to writing and signed by a majority of the members of the Committee shall be as fully effective as if it had been made at a meeting of the Committee duly called and held. The members of the Committee may receive such compensation for their services as the Board of Directors may determine.

IV. PLAN ADMINISTRATION

The Committee shall have the power to adopt eligibility and other rules not inconsistent with the provisions of the Plan (hereinafter referred to as the "Regulations" and attached hereto as "Exhibit A") for the administration thereof and to alter, amend, or revoke any Regulations so adopted.

V. PLAN PARTICIPATION

Participation in the Plan shall be in accordance with the Regulations.

A. At the beginning of each fiscal year, the Chairman and the President and Chief Executive Officer shall submit to the Committee a written list of recommended participants in the Plan for that year.

B. Not all officers and major executives need to be selected as participants, and selection as a participant one year does not automatically ensure selection in future years.

C. At the end of each fiscal year, the Chairman and the President and Chief Executive Officer shall submit to the Committee a written list of recommendations as to the amount of Bonus Award each participant in the Plan should receive for that fiscal year.

D. The Committee's selection of the Employees to whom a Bonus Award shall be made and its determination of the amount and method of payment of each such Bonus Award shall be final.

E. This Plan is not a part of the Company's regular compensation plan nor is it part of the Employee's regular compensation.

VI. BONUS AWARD

The performance measurement upon which the Bonus Award is based is determined in accordance with the Regulations for each fiscal year.

VII. BONUS PROVISION

A. The Company shall create and maintain a bonus account to which shall be credited each fiscal year (except years for which all or part of such a credit is prohibited by the Plan, the Regulations, or specific order of the Board of Directors) a

Bonus Provision, the amount of which shall be determined by the following table:

10.0% Return on Capital Employed	100% of Maximum Bonus
9.5% Return on Capital Employed	90% of Maximum Bonus
9.0% Return on Capital Employed	80% of Maximum Bonus
8.5% Return on Capital Employed	70% of Maximum Bonus
8.0% Return on Capital Employed	60% of Maximum Bonus
7.5% Return on Capital Employed	50% of Maximum Bonus
7.0% Return on Capital Employed	40% of Maximum Bonus
6.5% Return on Capital Employed	30% of Maximum Bonus
6.0% Return on Capital Employed	20% of Maximum Bonus
Below 6.0% Return on Capital Employed	0% of Maximum Bonus

Maximum Bonus Award is defined in the Regulations. (Exhibit A, 5)

B. As promptly as possible after the end of each fiscal year, the Independent Auditors shall determine and report to the Committee the maximum amount available for a Bonus Provision that year in accordance with the Plan and the Regulations; and the Committee shall rely upon and be bound by such report.

C. Upon the determination of the amount of the Bonus Provision for a particular fiscal year, an amount not exceeding the bonus provision may be allotted as a Bonus Award for such fiscal year to such Employees as are selected and in such amounts and in such a manner as are determined in accordance with the Regulations.

VIII. CHANGE OF CONTROL OF COMPANY

In the event of a change of control of the Company in accordance with an Employee's Severance or Employment Agreement and the Employee's subsequent termination of employment without cause by the successor entity, the "Change of Control Benefits" under the Employee's Severance or Employment Agreement in respect to this Plan shall be received as a severance payment by the Employee.

IX. SUCCESSORS AND ASSIGNS

If the Company sells, assigns or transfers all or substantially all of its business and assets to any person, excluding affiliates of the Company, or if the Company merges into or consolidates or otherwise combines with any person which is a continuing or successor entity, then the Company shall assign all of its right, title and interest in this Plan as of the date of such event to the person which is either the acquiring or successor corporation, and such person(s) shall assume and perform from and after the date of such assignment all of the terms, conditions and provisions imposed by this Plan upon the

Company.

In case of such assignment by the Company and of such assumption and agreement by the Company and of such person(s), all further rights as well as all other obligations of the Company under this Agreement thenceforth shall cease and terminate and thereafter the expression "the Company" wherever used herein shall be deemed to mean such person(s).

X. MISCELLANEOUS

A. All expenses incurred by the Committee in interpreting and administering the Plan shall be charged against the bonus reserve.

B. The amount of any Bonus Award forfeited by a participant shall be retained by the Company and may not be recredited to the bonus reserve.

XI. PLAN AMENDMENTS

The Board of Directors may suspend or discontinue the Plan at anytime.

Exhibit 10(m)

UNIVERSAL FOODS CORPORATION

MANAGEMENT INCENTIVE PLAN
FOR DIVISION PRESIDENTS

I. THE PLAN

The name of this Plan is the Universal Foods Corporation Management Incentive Plan for Division Presidents. The purpose of the Plan is to promote the interests of the shareholders and to provide incentive to the Division Presidents who contribute to the profitability of the Company.

II. DEFINITIONS

In this Plan, the terms used will have the following definitions:

A. "Actual Average Assets Managed" means the twelve-month average of month-end balances of key assets and liabilities subject to Division control, as defined in Exhibit B, 2c.

B. "Actual Sales Operating Profit" means profit reported on the Company's sales operating reports, as adjusted per Exhibit B, 2b.

C. Board of Directors" means the Board of Directors of Universal Foods Corporation.

D. "Bonus Award" means an award, either paid currently or paid on a deferred basis, as the results of the operation of this Plan.

E. "Business Unit" means a segmented profit center within a Division.

F. "Committee" means the committee provided for in Section III.

G. "Company" means Universal Foods Corporation.

H. "Division" means a business entity designated as such by the Corporation normally segmented based on product line.

I. "Employee" means any employee regularly employed by Universal Foods Corporation or any of its subsidiaries, and paid on a salary basis.

J. "Fiscal Year Salary" means base pay earned during the period October 1 through September 30 each Company operating year exclusive of any incentive/supplemental payments by the Company.

K. "Plan" means this Management Incentive Plan for Division Presidents.

L. "Targeted Average Assets Managed" means the Division average assets managed objective scheduled per Exhibit C.

M. "Targeted Profit" means the Division profit objective scheduled per Exhibit C.

III. COMMITTEE

A. The Board of Directors shall appoint a Compensation and Development Committee composed of three non-management members of the Company's Board of Directors. This Committee shall be known as the "Committee" and shall have full power and authority to interpret and administer the Plan in accordance with the Regulations. No member of the Committee shall be eligible to participate in the Plan while a member of the Committee.

B. The Board of Directors may, from time to time, remove members from the Committee or add members thereto; and vacancies on the Committee, however caused, shall be filled by action of the Board of Directors. The Committee shall select one of its members as Chairman and shall hold its meetings at such times and places as it may determine. A majority of its members shall constitute a quorum. All determinations of the Committee shall be made by a majority of its members. Any decision or determination reduced to writing and signed by a majority of the members of the Committee shall be as fully effective as if it had been made at a meeting of the Committee duly called and held. The members of the Committee may receive such compensation for their services as the Board of Directors may determine.

IV. PLAN ADMINISTRATION

The Committee shall have the power to adopt eligibility and other rules not inconsistent with the provisions of the Plan (hereinafter referred to as the "Regulations" and attached hereto as "Exhibit A") for the administration thereof and to alter, amend, or revoke any Regulations so adopted.

V. PLAN PARTICIPATION

Participation in the Plan shall be in accordance with the Regulations.

A. At the beginning of each fiscal year, the Chairman and the President and Chief Executive Officer shall submit to the Committee a written list of recommended participants in the Plan for that year.

B. Not all division presidents need to be selected as participants, and selection as a participant one year does not automatically ensure selection in future years.

C. At the end of each fiscal year the Chairman and the President and Chief Executive Officer shall submit to the Committee a written list of recommendations as to the amount of Bonus Award each participant in the Plan should receive for that fiscal year.

D. The Committee's selection of the Employees to whom a Bonus Award shall be made and its determination of the amount and method of payment of each such Bonus Award shall be final.

E. This Plan is not a part of the Company's regular compensation plan nor is it part of the employee's regular compensation.

VI. BONUS AWARDS

The performance measurement upon which the Bonus Award is based is determined in accordance with the Regulations for each fiscal year.

VII. BONUS PROVISION

All Bonus Awards under this Plan will be budgeted and funded within the operations of the specific Division in which participants are employed.

VIII. CHANGE OF CONTROL OF COMPANY

In the event of a change of control of the Company in accordance with an Employee's Severance or Employment Agreement and the Employee's subsequent termination of employment without cause by the successor entity, the "Change of Control Benefits" under the Employee's Severance or Employment Agreement in respect to this Plan shall be received as a severance payment by the Employee.

IX. SUCCESSORS AND ASSIGNS

If the Company sells, assigns or transfers all or substantially all of its business and assets to any person, excluding affiliates of the Company, or if the Company merges into or consolidates or otherwise combines with any person which is a continuing or successor entity, then the Company shall assign all of its right, title and interest in this Plan as of the date of such event to the person which is either the acquiring or successor corporation, and such person(s) shall assume and perform from and after the date of such assignment all of the terms, conditions and provisions imposed by this Plan upon the Company.

In case of such assignment by the Company and of such assumption and agreement by the Company and of such person(s), all further rights as well as all other obligations of the Company under this Agreement thenceforth shall cease and terminate and thereafter the expression "the Company" wherever used herein shall be deemed to mean such person(s).

X. PLAN AMENDMENTS

The Board of Directors may suspend or discontinue the Plan at any time.

Business Profile

Flavors, flavor systems, and flavor-driven food ingredient systems for food, beverage and dairy applications; aroma chemicals for fragrances and flavors. Flavors including fruit, meat, seafood and vegetable. Ingredients including fruit preparations, variegates, chocolate and caramel syrups, cookie and snack bar fillings and confections. Liquid, spray dry and dry blend flavors. Compounding and reaction chemistry are combined with proprietary extraction, separation and aseptic processing. Operates as Universal Flavors.

Because each color, whether natural or synthetic, has specific performance characteristics, we pioneered the use of technical service chemists and food technologists proactively solving food, drug and cosmetic ingredient problems. We are acknowledged to be the number one food color supplier as a result of this strategy. We maintain the most extensive and knowledgeable technical service staff in the industry worldwide. Operates as Warner-Jenkinson.

U.S. state-of-the-art drying technology for dehydrating onion, garlic, chili products and specialty vegetables. Extensive plant breeding and seed development programs produce increased yields and better raw material quality. Operates as Rogers Foods. European freeze dried, air dried, puffed dried and vacuum puffed technology produces premium vegetable products. Operates as Universal Dehydrates.

We are the low-cost producer of a diversified line of yeast products for baking, nutritional and wine-making needs. Over 70 yeast strains have been developed for a variety of specific applications. Leading brands: Red Star and Quick-Rise. Operates as Red Star Yeast & Products.

Proprietary bioprocesses extract flavor enhancers, secondary flavorings and nutrients from yeast, vegetable, meat and milk proteins. We offer the broadest line of modified proteins serving the food and fermentation industry worldwide. We are unique in our ability to deliver a full range of modified proteins based on natural sources. Our core competencies include enzymology, protein chemistry and thermal reaction processing. Operates as Red Star BioProducts.

1996 Review

Good performances in beverage flavors and aroma chemicals were offset by softness in food and dairy flavors. International markets improved over the course of the year. Results were affected by consolidations and restructuring in the food processing industry and fewer product roll-outs. We continued to strengthen our research, development and applications expertise and to work with customers to help them cut costs through innovative processing and formulations. An integrated information system went on-line.

Continued improvement in product mix drove profit growth for the year. Revenue was up 6% on the strength of domestic food and beverage color sales, especially in the naturals category. Process technology improvements resulted in a breakthrough in the concentration and production of carminic acid, a natural red color which is soluble in water. Presence in the U.S. cosmetics and pharmaceutical markets was strengthened and improvements were realized in Mexico.

Revenue was up 13% bolstered by European acquisitions and U.S. onion, garlic and chili sales. Operating profit improved significantly, due primarily to strong demand and limited supply of U.S. chili products and from improvements in European operations. Integration of European acquisitions continued with the introduction of U.S. field management and growing practices to increase yield and efficiency.

We are capitalizing on the trend toward automated handling of ingredients in the wholesale baking industry by converting key customers to bulk yeast delivery systems. The shift in product mix to these cream yeast systems, along with cost reduction efforts and modest price increases, contributed to a solid improvement in operating income. Retail yeast sales continued to get a boost from the bread machine boom.

A significant improvement in operating income was achieved by creating high-performance blends from our broad line of yeast and vegetable protein based flavor enhancers. Construction of a state-of-the-art facility began in Europe during the third quarter to produce food and fermentation grade brewer's yeast extracts using proprietary technology developed in the U.S.

Adding Value

Flavors and food ingredients must perform under a variety of demanding processing conditions such as extreme temperature, mixing and pumping. Emphasis is on creating distinct flavors and flavor-driven food ingredients that are difficult for competitors to imitate. Focus is to simplify and improve end-product performance through customized proprietary formulas.

Combining a practical technical service group with an enhanced basic research group, we are creating new value-added ingredients for the industries we serve. This process is expanding the ways we can respond to our customers' new products and processes.

Customer service laboratories develop unique blends and applications. Our focus is on providing the exact level of pungency, color or consistency, or some other unique characteristic the customer desires.

Quality, consistency and reliability are critical to the production and delivery of yeast, a living organism and key ingredient in bread making.

To create an understanding of the value of these high quality, potent products, technical sales people and application specialists work with customers to demonstrate and develop applications.

Opportunities

Strong demand for low-fat products and new age and nutraceutical beverages provides continued opportunities to develop natural flavors and low-fat food ingredients. Food flavors and aroma chemicals are avenues for growth and acquisitions. Use of worldwide manufacturing, research, development and global account management will spur international market penetration.

We will continue to exceed normal industry growth by expanding globally and enhancing natural color sourcing and manufacturing. At the same time we will expand into non-food markets where our core competencies will give us a competitive advantage.

Broader product offerings and product sourcing, productivity improvements and expansion of international markets and exports will provide ongoing growth. The appeal of spicy and ethnic foods and demand for convenience and prepared meals continues.

Our customers are more sophisticated and suppliers have consolidated. Growth will come from improved productivity and market penetration through the conversion of key customers to bulk yeast delivery systems. We are also expanding international marketing of our dry yeast.

Construction of a state-of-the-art production facility in Europe will accelerate our penetration of one of the largest markets in the world for yeast extracts used in the food and fermentation industries. Continued product mix shifts to high-performance blends of yeast and vegetable protein extracts will enhance margins.

Management's Analysis of Operations and Financial Condition

[Years ended September 30, 1996, 1995 and 1994]

Results of Operations

During 1996, Universal Foods Corporation benefitted from the Company's balanced, technology-based business mix. In addition, the Company added strength to its business base through the integration of recent acquisitions, international expansion and a continued emphasis on its strategy to use process and applications expertise to move it into more advanced and sophisticated product categories. Four of our five businesses, representing 68% of revenue, performed well during the year. The remaining Flavor business held its own in a difficult market.

Net earnings in 1996 were $44.2 million or $1.71 per share compared with $66.1 million or $2.54 per share in 1995. The 1996 earnings include a pretax charge from unusual items of $25.0 million ($16.7 million after tax or $.65 per share). The 1995 results include a pretax gain of $26.8 million ($9.2 million after tax or $.36 per share). Excluding unusual items, net earnings per share increased 8.3% in 1996 to $2.36 compared with $2.18 in 1995.

Unusual items in 1996 include a $20.0 million non-cash charge in adopting Statement of Financial Accounting Standards No. 121, (SFAS No. 121), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." During 1996 we also recorded a $5 million restructuring charge to address opportunities to streamline our production base, improve efficiency and reduce operating costs. Approximately 130 positions will be eliminated, primarily in Europe, at a cost of approximately $4 million. The restructuring plan will result in cumulative pretax savings of approximately $10 to $14 million over the next three years.

Unusual items in 1995 include a pretax gain from the sale of the Frozen Foods business of $49.6 million offset by the cost of discontinuing a product line of $14.1 million and other items totaling $8.7 million. Approximately 70% of the unusual charges relate to the write-down of assets to net realizable value.

Revenue in 1996 increased to $806 million from $793 million in 1995. Revenue increases were achieved by four out of five businesses with Dehydrated Products Division leading the way with revenue growth of 12.9%. Revenue in the Flavor Division decreased 4.9% as consolidations, restructurings and a slow down in new product roll outs among the Division's customers in the food processing industry impacted the overall market.

Revenue in 1995 was $793 million compared with $930 million in 1994 and $892 million in 1993. The decrease in revenue in 1995 was caused by the sale of the Frozen Foods business. In 1995 the Company's ongoing operations increased revenue by $102 million compared with an increase of $67 million in 1994. Of the 1995 revenue growth from ongoing operations, 60% was generated by the BioProducts Division due to volume gains from acquisitions and growth from their existing business. The Dehydrated Products Division contributed 32% of the gains through growth in the onion and garlic business bolstered by the European acquisitions. The Flavor and Color Divisions showed modest revenue increases while Red Star Yeast & Products was down slightly.

Chart

Foreign
Revenue
[in millions]

1996 $325
1995 $313
1994 $232
1993 $184
1992 $176

Sales generated outside the United States is a significant portion of the Company's revenue. In 1996 and 1995 foreign sales revenue, including exports, was approximately 40% of total revenue. This compares with 25% of total revenue in 1994. Approximately 59% and 58% of the 1996 and 1995 foreign sales were in Europe. The Company also generates revenue in Canada, Mexico and the Pacific Rim. Historically, changes in foreign currency rates have not been material to revenue and expenses and management currently expects no significant impact from foreign currency rate changes in 1997.

The cost of products sold represented 66.1% of revenue in 1996, 65.3% in 1995 and 66.3% in 1994. The increase in 1996 results primarily from decreased margins in the Flavor business as continued market weakness in North America negatively impacted both pricing and capacity utilization. The 1% decrease in 1995 compared to 1994 resulted from improved product mix and operating efficiencies.

The Company's continued focus on cost reduction resulted in a 1996 decrease in selling and administrative expenses of $7.7 million or 4.5%. In 1996, selling and administrative expenses as a percent of revenue decreased in all of the Company's divisions. For the Company, selling and administrative expenses decreased to 20.4% of revenue compared to 21.7% in 1995 and 22.0% in 1994.

Operating income, excluding unusual items, increased $6 million in 1996 compared with a decrease of $6.3 million in 1995. The 1996 increase in operating income is attributable to improved results in all of our businesses reduced by the Flavor Division which experienced weakness in certain markets. The 1995 decrease is primarily attributable to the sale of the Frozen Foods business reduced by increases in operating income for all other divisions.

The effective income tax rate was 35.6% in 1996, 42.3% in 1995 and 37.3% in 1994. The effective tax rate in 1995 was increased by a higher than normal tax rate on the gain on the sale of the Frozen Foods business offset by increased tax credits.

The Company uses financial instruments in its management of foreign currency and interest rate exposures. The Company has procedures in place to monitor and control financial instruments, and they are not held or issued for trading purposes. The Company's credit risk related to financial instruments is considered low.

Chart

Operating
Margins
[excluding unusual items]

1996 13.5%
1995 13.0%
1994 11.7%
1993 11.9%
1992 11.6%

Liquidity and Financial Position

In 1996, cash provided by operating activities was sufficient to provide for dividend payments to shareholders as well as fund capital investments. The Company uses debt financing to lower its overall cost of capital, which increases the return to shareholders. During 1996 the Company increased long-term debt $36.2 million while repurchasing $27.6 million of treasury stock. The Company maintains debt levels considered prudent based on its cash flows, interest coverage and percentage of total debt to total capital.

Cash provided by operating activities was $91.3 million in 1996, $23.1 million in 1995 and $61.6 million in 1994. The increase in 1996 of $68.2 million reflects continued improvement in earnings before unusual items and reduced working capital amounts. The decrease in 1995 versus 1994 was primarily the result of higher taxes paid on the sale of the Frozen Foods business.

Cash used for investing activities increased to $61.6 million in 1996 from $16.3 million in 1995 and $36 million provided from investing activities in 1994. The 1995 and 1994 amounts include $39 million and $163 million, respectively, of cash received from the sale of the Frozen Foods business. Cash used for acquisitions decreased $12 million in 1996 and $53 million in 1995.

Capital expenditures totaled $59 million in 1996, compared to $42.6 million in 1995. Both years reflect expenditures for productivity improvements and plant expansions, principally in the Flavor and BioProducts Divisions. In 1997, capital expenditures are estimated to be between $55 and $65 million; depreciation should approximate $32 million.

Financing activities used $35 million in 1996 compared to $41.6 million in 1995. During 1996 the Company repurchased 763,118 shares of treasury stock at a cost of $27.6 million compared to 65,000 shares at a cost of $1.8 million in 1995. Net borrowings increased $17 million in 1996 compared to a net decrease of $16 million in 1995. The Company has a $70 million multicurrency revolving loan agreement that supports the Company's short-term financing requirements.

The Company has paid uninterrupted quarterly dividends since commencing public trading in its stock over twenty years ago. In 1996, dividends paid per share were $1.00, up 4.2% over $.96 in 1995, which was an increase of 4.3% over 1994. As evidence of the Company's continued effort to provide shareholders with immediate and tangible participation in current earnings, the dividends paid in 1996 represented 42.4% of net earnings before unusual items, exceeding the Company's goal of paying annual cash dividends between 35% and 40% of earnings. Subsequent to year-end, the dividend on common shares was increased to an annualized rate of $1.04 per share, a 4.0% increase.

The impact of inflation on both the Company's financial position and results of operations has been minimal and is not expected to adversely affect 1997 results.

The Company's financial position continues to remain strong, enabling it to meet cash requirements for operations, capital expansion programs and dividends to shareholders.

Chart

Total Debt to
Total Capital

1996 36.9%
1995 34.3%
1994 37.6%
1993 38.7%
1992 40.4%

Outlook

This report contains forward-looking statements that reflect management's current assumptions and estimates of future economic circumstances, industry conditions, Company performance and financial results, in particular, earnings growth and return on shareholders' equity. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for such forward-looking statements. A variety of factors could cause the Company's actual results and experience to differ materially from the anticipated results. These factors and assumptions include the pace and nature of new product introductions by the Company's customers; execution of the Company's acquisition program; industry and economic factors related to the Company's international business; and the outcome of various productivity-improvement and cost-reduction efforts.

Universal Foods Corporation seeks to grow in both its primary market, the food industry, and through leveraging its technology into non-food applications. Currently, about 10% of revenue comes from non-food applications. These include such diverse, but technically related applications as cosmetics, personal care, pharmaceutical and specialty chemicals. The Company believes that technology in its Flavor, Color and BioProducts Divisions offers opportunities to expand into non-food markets. In addition, the Company is seeking strategic acquisitions to increase its business base, enhance its technology and expand geographically.

Within the food industry, the Company expects to increase revenue and profits by targeting faster growing niches and successful customers within each of its businesses, leveraging its process and applications expertise to move into more advanced and sophisticated product categories, and capitalizing on geographic expansion. The Company views current consolidations within the food industry as an opportunity to be among the select number of companies participating in long-term supplier relationships with its customers. The Company also expects to continue to increase total revenue provided by exports and manufacturing operations outside the United States to enhance its position as a supplier to international customers.

Certain of the Company's businesses and products provide slower, stable growth and positive cash flows while others can be expected to achieve higher levels of performance. As a supplier of value-added ingredients, the Company can benefit from new trends in the food and beverage industry. It has the technology and flexibility to meet changing customer needs as well as to supply both brand name and private label manufacturers.

To further penetrate the growing market for flavors, flavor enhancers and colors in Asia/Pacific Rim, the Company has established a separate operating division headquartered in Singapore. The division will be known in the marketplace as Universal Flavors and Colors and will coordinate sales, marketing and technical functions previously directed from U.S. based divisions. Resources and personnel have been devoted to build an infrastructure for the expanded technical and marketing support in Singapore. These activities are considered an investment in long-term growth and should significantly boost the company's share of revenue from the region, now 5%.

Chart

Capital Expenditures/
Depreciation
[in millions]

1996 $59.0/$29.2
1995 $42.6/$28.2
1994 $55.1/$31.0
1993 $36.4/$29.6
1992 $45.0/$28.1

Other Issues

Environmental Issues: Universal Foods has a proactive environmental program which is transforming environmental issues into positive business opportunities which will increase productivity and profitability resulting in a competitive advantage for our business.

Increased emphasis is being placed on waste minimization to reduce any short and long-term environmental issues. All the environmental compliance systems utilize the most cost effective and innovative technology. These efforts continue on a world-wide basis with increased emphasis on environmental aspects of European operations. New environmental control systems completed in 1996 include a state-of-the-art wastewater system at Amboy, Illinois and new air emission monitoring and process control systems at Baltimore and Milwaukee. Planned in 1997 are new environmental systems at Midleton, Ireland and Elburg, Netherlands.

Equal Opportunity Policy: Universal Foods is an Equal Opportunity Employer. The Company strives to create a working environment free of discrimination and harassment with respect to race, sex, color, national origin, religion, age, disability or being a veteran of the Vietnam era, as well as to make reasonable accommodations in the employment of qualified individuals with disabilities.

Corporate Governance: Universal Foods believes it is managed in a way that is fair to all its shareholders and which allows its shareholders to maximize the value of their investment by participating in the present and future growth of the Company.

Independent Board of Directors: The Company's Board of Directors is composed primarily of independent members. Nominees for board members are selected to provide a diversity of expertise, experience and achievements in general business and food-related fields which allow the Board to most effectively represent the interests of all the Company's shareholders.

Independent Committees: The audit, nominating and compensation and development committees of the Board are composed of directors who are not employees of the Company. These committees, as well as the entire Board, consult with and are advised by outside consultants and experts in connection with their deliberations as needed.

Executive Compensation: A significant portion of executive compensation is tied to the Company's success in meeting specific performance goals. The overall objectives of this policy are to attract and retain the best possible executive talent, to motivate these executives to achieve the

Company's business strategy goals, to link executive and shareholder interests through equity-based plans and to provide a program that recognizes individual contributions.

Scientific Advisory Committee: As an advisory committee to the Board, this group reviews research and development programs with respect to the quality and scope of work undertaken, advises the Company on maintaining product leadership through technological innovation, reports on new technological trends and suggests new emphasis for research.

Confidential Voting: The Company provides for confidential shareholder voting by employing an independent tabulation service. Proxy cards which identify the particular vote of a shareholder are not seen by the Company unless it is necessary to meet legal requirements or in the event a shareholder has made a written comment on the card.

Corporate Responsibility: The Company is committed to the health and well-being of the communities in which it does business. The Company supports an initiative to return 2% of pretax domestic earnings to its communities through contributions and in-kind donations of products and services. The Universal Foods Foundation is a not-for-profit organization formed by the Company to manage its charitable contributions. Areas that receive support are education, health and human services, culture and the arts and civic and community projects.

Quarterly Data

[Unaudited]

(Dollars in thousands except per share amounts)	Revenue	Gross Profit	Earnings	Earnings Per Share
1996				
First Quarter	$193,446	$66,979	$13,490	$ .52
Second Quarter	200,034	67,836	14,542	.56
Third Quarter	200,776	67,848	15,721	.61
Fourth Quarter	212,096	70,429	452	.02

1995				
First Quarter	$187,724	$65,353	$35,582	$1.37
Second Quarter	191,824	67,171	13,648	.52
Third Quarter	207,542	68,546	14,557	.56
Fourth Quarter	205,881	73,707	2,316	.09

Fourth quarter of 1996 and 1995 include unusual charges of $25 million ($16.7 million after tax or $.65 per share) and $22.7 million ($14.1 million after tax or $.54 per share), respectively.

First quarter of 1995 includes a gain on the sale of the Frozen Foods business of $49.6 million ($23.4 million after tax or $.90 per share).

Common Stock Prices and Dividends

	Market Price		Dividends
	High	Low	Per Share
1996			
First Quarter	$41.00	$33.75	$.25
Second Quarter	40.13	36.63	.25
Third Quarter	38.13	33.00	.25
Fourth Quarter	36.25	28.00	.25
1995			
First Quarter	$31.13	$26.13	$.24
Second Quarter	34.25	27.25	.24
Third Quarter	34.00	31.38	.24
Fourth Quarter	34.88	31.00	.24

Consolidated Earnings

(In thousands except per share amounts) Years ended September 30,	1996	1995	1994
Earnings			
Revenue	$806,352	$792,971	$929,863
Operating costs and expenses:			
Cost of products sold	533,260	518,194	616,752
Selling and administrative expenses	164,186	171,914	203,965
Unusual items	25,000	(26,847)	12,125
	722,446	663,261	832,842
Operating income	83,906	129,710	97,021
Interest expense	15,266	15,107	15,888
Earnings before income taxes	68,640	114,603	81,133
Income taxes	24,435	48,500	30,222
Net earnings	$ 44,205	$ 66,103	$ 50,911
Earnings per Common Share			
Net earnings	$1.71	$2.54	$1.95
Weighted average shares	25,798	26,061	26,131

See notes to consolidated financial statements.

Consolidated Balance Sheets

(Dollars in thousands except per share amounts) September 30,	1996	1995
Assets		
Current Assets:		
Cash and cash equivalents	$ 3,395	$ 8,717
Trade accounts receivable less allowance for losses of $3,509 and $3,768	105,850	105,847
Inventories	174,193	179,020
Prepaid expenses and other current assets	24,793	15,230
Prepaid income taxes	16,373	17,550
Total current assets	324,604	326,364

Investments	20,821	18,081
Other assets	25,099	24,083
Intangibles-at cost, less accumulated amortization of $29,385 and $27,165	141,487	148,654
Property, Plant and Equipment:		
Cost:		
Land	15,901	15,438
Buildings	120,071	123,739
Machinery and equipment	343,793	308,204
	-------	-------
	479,765	447,381
Less accumulated depreciation	211,304	187,693
	-------	-------
	268,461	259,688
	-------	-------
Total assets	$780,472	$776,870
	=======	=======
Liabilities and Shareholders' Equity		
Current Liabilities:		
Short-term borrowings	$ 2,919	$ 7,108
Accounts payable and accrued expenses	127,637	121,922
Salaries, wages and withholdings from employees	11,579	11,715
Income taxes	14,207	20,755
Current maturities of long-term debt	5,810	21,100
	-------	-------
Total current liabilities	162,152	182,600
Deferred income taxes	12,770	14,514
Other deferred liabilities	19,123	19,198
Accrued employee and retiree benefits	38,592	38,100
Long-term debt	196,869	160,678
Shareholders' Equity:		
Common stock par value $.10 a share, authorized 100,000,000 shares; issued 26,977,437 shares	2,698	2,698
Additional paid-in capital	78,177	78,955
Earnings reinvested in the business	333,290	314,883
	-------	-------
	414,165	396,536
Less: Treasury stock, 1,557,008 and 877,961 shares, respectively, at cost	49,892	24,770
Less: Other	13,307	9,986
	-------	-------
	350,966	361,780
	-------	-------
Total liabilities and shareholders' equity	$780,472	$776,870
	=======	=======

See notes to consolidated financial statements.

<TABLE>
Consolidated Shareholders' Equity
<CAPTION>

(Dollars in thousands except per share amounts)	Common stock	Additional paid-in capital	Earnings reinvested in the business	Treasury Stock Shares	Treasury Stock Amount	Unallocated ESOP stock	Other Unearned portion of restricted stock	Foreign currency translation adjustments
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balances at September 30, 1993	$2,698	$79,826	$246,939	593,900	$(14,693)	$(2,200)	$(1,398)	$ (6,106)
Net earnings for the year			50,911					
Cash dividends paid-$.92 a share			(24,050)					
Stock options exercised, net of 8,940 shares exchanged		(524)		(40,811)	1,157			
ESOP contribution		690		(80,000)	1,980			
Other		16		8,226	(263)			
Restricted stock issued		58		(19,400)	541		(599)	
Restricted stock cancelled				4,000	(125)		56	
Amortization of restricted stock							452	
Translation adjustment for year								3,942
Purchase of treasury stock				450,700	(14,118)			
Reduction of ESOP loan guarantee						2,200		

Balances at September 30, 1994	2,698	80,066	273,800	916,615	(25,521)	-	(1,489)	(2,164)
Net earnings for the year			66,103					
Cash dividends paid-$.96 a share			(25,020)					
Stock options exercised, net of 81,593 shares exchanged		(1,180)		(107,661)	2,744			
Other		3		11,607	(412)			
Restricted stock issued		66		(13,400)	376		(442)	
Restricted stock cancelled				5,800	(198)		81	
Amortization of restricted stock							515	
Translation adjustment for year								(6,487)
Purchase of treasury stock				65,000	(1,759)			
Balances at September 30, 1995	2,698	78,955	314,883	877,961	(24,770)	-	(1,335)	(8,651)
Net earnings for the year			44,205					
Cash dividends paid-$1.00 a share			(25,798)					
Stock options exercised, net of 6,020 shares exchanged		(788)		(83,414)	2,451			
Other		12		1,343	(48)			
Restricted stock issued		(2)		(2,000)	64		(62)	
Amortization of restricted stock							444	
Translation adjustment for year								(3,703)
Purchase of treasury stock				763,118	(27,589)			
Balances at September 30, 1996	$2,698	$78,177	$333,290	1,557,008	$(49,892)	$ -	$ (953)	$(12,354)

</TABLE>

See notes to consolidated financial statements.

Consolidated Cash Flows

(Dollars in thousands)

Years ended September 30,	1996	1995	1994
Cash Flows from Operating Activities			
Net earnings	$44,205	$66,103	$50,911
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation	29,178	28,206	31,012
Amortization	4,341	6,435	5,366
Impairment of long-lived assets and other unusual charges	25,000	22,713	12,125
Gain on sale of property, plant and equipment and other productive assets	(332)	(50,530)	(185)
Changes in operating assets and liabilities (net of effects from acquisition and disposition of businesses):			
Trade accounts receivable	(3)	(5,187)	(9,617)
Inventories	4,937	(11,109)	(5,082)
Prepaid expenses, income taxes and other assets	(8,681)	(3,935)	(3,366)
Accounts payable and accrued expenses	715	(18,325)	(15,437)
Salaries, wages and withholdings from employees	(136)	828	(3,158)
Income taxes	(6,548)	(8,194)	16,488
Deferred income taxes	(1,744)	(5,881)	(4,889)
Other liabilities	417	2,009	(12,526)
Net cash provided by operating activities	91,349	23,133	61,642

Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	(59,012)	(42,562)	(55,071)
Acquisition of new businesses-net of cash acquired	(529)	(12,431)	(65,909)
Proceeds from disposition of business and sale of property, plant and equipment and other productive assets	658	43,317	163,807
Increase in investments	(2,740)	(4,574)	(6,827)
Net cash (used in) provided by investing activities	(61,623)	(16,250)	36,000
Cash Flows from Financing Activities			
Proceeds from additional borrowings	76,822	11,948	42,629
Reduction in debt	(60,110)	(27,920)	(70,415)
Purchase of treasury stock	(27,589)	(1,759)	(14,118)
Dividends	(25,798)	(25,020)	(24,050)
Proceeds from options exercised and other equity transactions	1,627	1,155	386
Net cash used in financing activities	(35,048)	(41,596)	(65,568)
Net (decrease) increase in cash and cash equivalents	(5,322)	(34,713)	32,074
Cash and cash equivalents at beginning of year	8,717	43,430	11,356
Cash and cash equivalents at end of year	$ 3,395	$ 8,717	$43,430
Cash paid during the year for:			
Interest	$15,175	$15,352	$14,829
Income taxes	27,222	53,500	33,500

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

[Tabular dollars in thousands except per share amounts]

1 Summary of Significant Accounting Policies

Nature of Business The Company manufactures and distributes flavors, colors, flavor enhancers and other bioproducts, dehydrated products and yeast for foods and other applications.

Principles of Consolidation The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions are eliminated. The Company also has minority interests in certain foreign companies for which it reports earnings when cash is received for technical assistance fees and dividends.

Use of Estimates The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect 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 revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Cash Equivalents The Company considers all highly liquid investments with maturities of three months or less when acquired to be cash equivalents. The effect of the Company's foreign operations on cash flows is not material.

Inventories Inventories are stated at the lower of cost or market. Cost is determined using primarily the first-in, first-out (FIFO) method.

Depreciation Depreciation is provided over the estimated useful lives of plant and equipment using the straight-line method for financial reporting. Accelerated methods are used for income tax purposes.

Intangibles, Goodwill and Long-Lived Assets The excess cost over net assets of businesses acquired and other intangibles, principally formulae and supply contracts, are being amortized using the straight-line method over periods ranging up to 40 years. In fiscal 1996, the Company adopted Statement of Financial Accounting Standards No. 121, ("SFAS No. 121"), Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of (see note 2). Prior to fiscal 1996, the carrying value of intangibles, goodwill and long-lived assets was evaluated on the basis of management's estimates of future undiscounted operating income associated with the assets. Assets were generally grouped at major operating entity levels, and these levels were reviewed for impairment.

Recoverability of other long-lived assets not included under SFAS No. 121, primarily investments in unconsolidated affiliates and goodwill not identified with impaired assets, will continue to be evaluated on a recurring basis. The primary indicators of recoverability are current or forecasted profitability over the estimated remaining life of these assets, based on the operating profit of the businesses directly related to these assets. If recoverability is unlikely based on the evaluation, the carrying amount is reduced by the amount it exceeds the forecasted operating profit and any estimated disposal value.

Financial Instruments The Company uses financial instruments in its management of foreign currency and interest rate exposures. Financial instruments are not held or issued for trading purposes. Non-U.S. dollar financing transactions may be used as hedges of long-term investments or intercompany loans in the corresponding currency. Foreign currency gains and losses on the hedges of long-term investments are recorded as foreign currency translation adjustments included in shareholders' equity. Gains and losses related to hedges of intercompany loans offset the gains and losses on intercompany loans and are recorded in net earnings. Interest rate exchange agreements are effective at modifying the Company's interest rate exposures. Net interest is accrued as either interest receivable or payable with the offset recorded in interest expense. The Company also uses short-term forward exchange contracts for hedging purposes. Realized and unrealized gains and losses on these instruments are deferred and recorded in the carrying amount of the related hedged asset, liability or firm commitment.

Translation of Foreign Currencies Assets and liabilities of foreign operations are translated into United States dollars at current exchange rates. Income and expense accounts are translated into United States dollars at average rates of exchange prevailing during the year. Adjustments resulting from the translation of financial statements of international units are included as foreign currency translation adjustments in the equity section of the balance sheets. Net transaction (gains) losses of $(23,000) in 1996, $140,000 in 1995 and $(697,000) in 1994, are included in earnings before income taxes.

Stock-Based Compensation The Company currently accounts for its stock-based compensation plans using the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25).

In 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, ("SFAS No. 123") Accounting for Stock-Based Compensation. Under the provisions of SFAS No. 123, companies can elect to account for stock-based compensation plans using a fair-value-based method or continue measuring compensation expense for those plans using the intrinsic value method prescribed in APB 25. SFAS No. 123 requires that companies electing to continue using the intrinsic value method must make pro forma disclosures of net earnings and earnings per share as if the fair-value-based method of accounting had been applied. The adoption of SFAS No. 123 will be reflected in the Company's 1997 consolidated financial statements.

Since the Company anticipates continuing to account for stock-based compensation using the intrinsic value method, SFAS No. 123 will not have an impact on the Company's results of operations or financial position.

2 Acquisitions, Divestiture and Unusual Items

The Company adopted SFAS No. 121 as of the beginning of the fourth quarter of 1996. In this regard, certain long-lived assets which are held and used in the business were identified as impaired. The Company considers continued operating losses, or significant and long-term changes in industry conditions, to be its primary indicators of potential impairment. In 1996 an impairment was recognized when the future undiscounted cash flows of each asset was estimated to be less than the asset's related carrying value. As such, the carrying values of these assets were written down to the Company's estimates of fair value. Fair value was based on sales of similar assets, or other estimates of fair value such as discounting estimated future cash flows. The non-cash charge for adoption of this standard was $20,000,000 and resulted from changes in industry conditions, continued operating losses and from the Company grouping assets at a lower level than under its previous method of accounting.

In addition, the Company identified opportunities to streamline its production base, improve efficiency and enhance its competitiveness. Accordingly, the Company adopted a restructuring plan which includes closing or reconfiguring a number of production facilities and reducing the workforce by approximately 130 employees. The restructuring charge of approximately $5,000,000 includes primarily charges related to severance costs, substantially all of which will be paid in fiscal 1997.

The total charge for adopting SFAS No. 121 and restructuring was $25,000,000 ($16,700,000 after tax or $.65 per share).

In 1995, the Company recorded unusual items resulting in a net pretax gain of $26,847,000 ($9,247,000 after tax, or $.36 per share). Unusual items include the gain on the sale of the Frozen Foods business of $49,560,000, offset by the costs of discontinuing a product line of $14,047,000 and other items which include the cost of a patent infringement judgment and the write-down of intangible assets totaling $8,666,000.

In 1995, the Company finalized the sale of its Frozen Foods business and amended the Stock Purchase Agreement ("Agreement") with ConAgra, Inc. The business was effectively transferred to ConAgra on August 1, 1994. Under the amended Agreement, ConAgra agreed to acquire 100% of the stock of Universal Frozen Foods Company for $202,000,000 cash. The sale of the Frozen Foods business resulted in a pretax gain of $49,560,000.

In 1995, the Company reviewed its options relating to the BioVentures product line. Based on the Company's comprehensive review, during the fourth quarter of 1995, the Company decided to sell or discontinue this product line. Accordingly, the Company evaluated the ongoing value of the plant and equipment and other assets associated with this product line. Based on the evaluation, the Company recorded a charge of $14,047,000 to adjust the assets to estimated fair value less costs of disposal. In the fourth quarter of 1996, the Company decided to use the plant and equipment in its ongoing operations and terminated its efforts to sell these assets.

In August 1995, the Court of Appeals for the Federal Circuit Court affirmed a judgment against the Company for patent infringement. The Company has accrued $4,500,000 for the judgment. The Supreme Court is currently reviewing the finding of the Court of Appeals for the Federal Circuit Court and should issue their findings in fiscal 1997.

In 1995, the Company acquired the common stock of two foreign dehydrated vegetable processors for $12,798,000 cash. On an unaudited pro-forma basis, the effects of the acquisitions were not significant to the Company's 1995 results of operations.

In July 1994, the Company acquired all of the outstanding stock of Champlain Industries Limited, a manufacturer of savory flavorings and flavor enhancers, for $61,744,000 of which $37,258,000 was paid in cash with the remaining purchase price paid in 1995 and 1996. Also during 1994, the Company purchased several other businesses for an aggregate purchase price of $33,302,000. The excess of the total aggregate cost of all the 1994 acquisitions over the fair value of net assets acquired of approximately $61,413,000 is being amortized by the straight-line method over 40 years. On an unaudited pro forma basis, the effects of the acquisitions were not significant to the Company's 1994 results of operations.

The above acquisitions have been accounted for as purchases and, accordingly, their results of operations have been included in the financial statements since their respective dates of acquisition.

In the fourth quarter of 1994, the Company recorded a pretax restructuring charge of $12,125,000 ($7,600,000 after tax, or $.29 per share). The restructuring includes product line consolidation in the Company's Flavor Division and the reorganization of sales, marketing and distribution functions in the Red Star Yeast & Products Division.

The charge included $6,000,000 of severance and termination benefits and $6,125,000 of asset write-offs and other items. Approximately 50% of the charge was non-cash. Operating cash flows were used to fund severance and other cash items. The restructuring program was substantially completed in 1995.

3 Inventories

Inventories include finished and in-process products totaling $122,775,000 and $119,885,000 at September 30, 1996 and 1995, respectively, and raw materials and supplies of $51,418,000 and $59,135,000 at September 30, 1996 and 1995, respectively.

4 Debt

Long-term debt consists of the following obligations:

	1996	1995
Payable in U.S. Dollars:		
9.06% senior notes due through July 2004	$ 42,000	$ 46,000
8.60% senior notes repaid December 1995	-	12,600
7.59% senior notes due through December 2008	30,000	30,000
6.99% senior notes due through December 2007	40,000	-
6.77% senior notes due through January 2010	15,000	-
6.70% senior notes due through December 2009	20,000	20,000
6.68% senior notes due through January 2011	15,000	-
6.38% senior notes due through December 2003	20,000	20,000
6.21% senior notes repaid December 1995	-	20,000
Commercial paper and other short-term notes	12,407	8,215
Various mortgage notes, capital lease obligations and other notes	6,050	6,536
Notes and credit facilities payable in foreign currencies	2,222	18,427
	202,679	181,778
Current maturities	5,810	21,100
Total long-term debt	$196,869	$160,678

The Company has a $70,000,000 multicurrency revolving loan agreement with a group of three banks. Under the agreement, the Company has the option to elect to have interest rates determined based upon the LIBOR rate plus margin or the certificate of deposit rate plus margin. A commitment fee is payable on the unused amount of credit. The facility matures in September 2001. Uncommitted lines of credit totalling $134,000,000 are also available to the Company from several banks.

The Company issues short-term commercial paper obligations supported by committed lines of credit included in the Revolving Loan Agreement. The Company also issues other short-term notes. At September 30, 1996 and 1995, $12,407,000 and $8,215,000 of short-term borrowings were classified as long-term debt reflecting the Company's intent and ability, through the existence of the unused credit facility, to refinance these borrowings.

The aggregate amounts of maturities on long-term debt each year for the five years subsequent to September 30, 1996 are as follows: 1997, $5,810,000; 1998, $5,936,000; 1999, $6,471,000; 2000, $7,251,000 and 2001, $18,636,000.

Substantially all of the loan agreements contain restrictions concerning working capital, borrowings, investments and dividends. Earnings reinvested of $5,635,000 at September 30, 1996 were unrestricted.

Short-term borrowings consist of loans to foreign subsidiaries denominated in local currencies which are borrowed under various foreign uncommitted lines of credit.

5 Financial Instruments and Risk Management

Currency Swaps To manage foreign exchange risk, the Company has entered into currency swaps. The currency swaps of $14,537,000 and $22,358,000 at September 30, 1996 and 1995, respectively, effectively hedge long-term Canadian dollar-denominated investments and mature in 1997.

Forward Exchange Contracts The Company uses forward exchange contracts to reduce the effect of fluctuating foreign currencies on short-term foreign currency-denominated intercompany transactions and other known foreign currency exposures. At September 30, 1996 and 1995, the Company had foreign exchange contracts, generally with maturities of one year or less, of $49,098,000 and $43,175,000, respectively.

Concentrations of Credit Risk Counterparties to currency exchange and interest rate swaps consist of large major international financial institutions. The Company continually monitors its positions and the credit ratings of the counterparties involved and limits the amount of credit exposure to any one party. While the Company may be exposed to potential losses due to the credit risk of non-performance by these counterparties, losses are not anticipated. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers, generally short payment terms, and their dispersion across geographic areas.

Fair Values The carrying amounts of cash and cash equivalents, trade receivables, investments, financial instruments, accounts payable, and short-term borrowings approxi-mated fair value as of September 30, 1996 and 1995.

The fair value of the Company's long-term debt, including current maturities, is estimated using discounted cash flows based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. The fair value at September 30, 1996 and 1995 was approximately $203,714,000 and $190,000,000, respectively.

6 Shareholders' Equity

In 1988, the Board of Directors adopted a common stock shareholder rights plan ("Right") which entitles each shareholder of record to receive a dividend distribution of common stock upon the occurrence of certain events. The Right becomes exercisable and tradeable ten days after a person or group acquires 20% or more, or makes an offer to acquire 20% or more, of the Company's outstanding common stock. When exercisable, each Right entitles the holder to purchase $100 worth of Company common stock for $50. Further, upon the occurrence of a merger or transfer of more than 50% of the Company's assets, the Right entitles the holder to purchase common stock of the Company or common stock of an "acquiring company" having a market value equivalent to two times the exercise price of the Right. At no time does the Right have any voting power. The Right is subject to redemption by the Company's Board of Directors for $.01 per Right at any time prior to the date which a person or group acquires beneficial ownership of 20% or more of the Company's common stock or subsequent thereto at the option of the Board of Directors. The Rights expire on September 8, 1998.

In January 1994, the shareholders approved the 1994 Employee Stock Plan (the "1994 Plan") under which the Company may issue up to 1,200,000 shares of common stock pursuant to the exercise of stock options or the grant of restricted stock. Of the total number, up to 250,000 shares may be awarded as restricted stock. The 1994 Plan also authorizes the grant of up to 400,000 stock appreciation rights (SARs) in connection with stock options. The Company also has shares available under the previously approved 1990 Stock Plan for Executive employees (the "1990 Plan").

The Plans have awarded shares of restricted stock which become freely transferable at the end of the period of restriction-five years. During the period of restriction, the employee has voting rights and is entitled to receive all dividends and other distributions paid with respect to the stock.

The changes in outstanding stock options during the three years ended

September 30, 1996 are summarized below:

	Shares		
	Reserved	Outstanding Options	Available
Balances at September 30, 1993			
($11.833 to $36.125)	1,659,311	1,414,411	244,900
Authorized under the 1994 Plan	1,200,000	-	1,200,000
Granted ($30.875 to $32.250)	-	339,900	(339,900)
Restricted stock awarded	(19,400)	-	(19,400)
Exercised ($11.833 to $29.625)	(49,751)	(49,751)	-
Cancelled	-	(104,250)	104,250
Balances at September 30, 1994			
($11.833 to $36.125)	2,790,160	1,600,310	1,189,850
Granted ($28.250 to $33.000)	-	372,350	(372,350)

Restricted stock awarded	(13,400)	-	(13,400)
Exercised ($11.833 to $33.750)	(189,254)	(189,254)	-
Cancelled	-	(167,516)	167,516
	---------	---------	---------
Balances at September 30, 1995 ($11.833 to $36.125)	2,587,506	1,615,890	971,616
Granted ($31.250 to $38.250)	-	442,400	(442,400)
Restricted stock awarded	(2,000)	-	(2,000)
Exercised ($11.833 to $36.125)	(89,434)	(89,434)	-
Cancelled	-	(29,064)	29,064
	---------	---------	---------
Balances at September 30, 1996 ($11.833 to $38.250)	2,496,072	1,939,792	556,280
	=========	=========	=========

At September 30, 1996, 1,175,943 shares were exercisable at prices ranging from $11.833 to $36.125.

The Company is authorized to issue 250,000 shares of cumulative preferred stock.

7 Retirement Plans

The Company primarily provides benefits under defined contribution plans including a savings plan and ESOP. The savings plan covers substantially all domestic salaried and certain non-union hourly employees and provides for matching contributions up to 4% of each employee's salary. The ESOP covers substantially all domestic employees not covered by a defined benefit plan and provides for contributions of 6% to 10% of each employees' salary. Total expense for the Company's defined contribution plans was $7,144,000, $5,205,000 and $8,112,000 in 1996, 1995 and 1994, respectively.

8 Other Postretirement Benefits

The Company provides certain health insurance benefits to eligible domestic retirees and their dependents.

Postretirement benefit expense includes the following components:

	1996	1995	1994
Service cost	$ 831	$1,139	$1,586
Interest cost on accumulated benefit obligation	1,212	1,733	1,977
Amortization of prior service cost	(278)	(278)	(352)
Other	(363)	(15)	-
	-----	-----	-----
Postretirement benefit expense	$1,402	$2,579	$3,211
	=====	=====	=====

The Company continues to fund benefit costs on a pay-as-you-go basis, with retirees paying a portion of the costs.

The status of the Company's postretirement benefit obligation was:

	1996	1995
Actuarial present value of accumulated benefit obligation:		
Retirees	$ 7,142	$ 7,935
Fully eligible active plan participants	2,032	2,343
Other active plan participants	8,327	12,702
	------	------
Accumulated benefit obligation	17,501	22,980
Unrecognized prior service cost	4,721	4,999
Unrecognized gain	10,477	3,949
	------	------
Postretirement benefits accrued	$32,699	$31,928
	======	======

The weighted average discount rates used in determining the accumulated postretirement benefit obligation at September 30, 1996 and 1995 were 7.5% and 7.0%, respectively. The health care cost trend rates were assumed to be 10% in 1996, gradually declining to 5.5% by the year 2002 and remaining at that level thereafter. In 1995 the cost trend rates were assumed to be 13%, gradually declining to 7% by the year 2001. A one percentage point increase in the assumed cost trend rate would increase the accumulated postretirement benefit obligation as of September 30, 1996 by approximately $3,569,000 and the aggregate of the service and interest cost components of the 1996 postretirement benefit expense by $417,000.

During 1994, the Company curtailed postretirement benefits relating to employees of the Frozen Foods business which was sold effective July 31, 1994. The gain resulting from the curtailment has been included with the gain on the sale of Frozen Foods (see note 2).

9 Income Taxes

The provision for income taxes, is as follows:

	1996	1995	1994
Currently payable:			
Federal	$14,179	$33,181	$36,759
State	2,683	5,636	6,684
Foreign	8,140	8,305	5,754
Deferred (benefit):			
Federal	1,792	1,021	(16,592)
State	180	210	(2,862)
Foreign	(2,539)	147	479
	$24,435	$48,500	$30,222

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities consist of the following:

	1996	1995
Deferred tax assets:		
Benefit plans	$(19,300)	$(19,165)
Liabilities and reserves	(9,097)	(9,919)
Other	(13,605)	(17,836)
Gross deferred tax assets	(42,002)	(46,920)
Valuation allowance	8,794	5,587
Total deferred tax assets	(33,208)	(41,333)
Deferred tax liabilities:		
Property, plant and equipment	15,587	17,609
Other	14,018	20,688
Total deferred tax liabilities	29,605	38,297
Net deferred tax (assets) liabilities	$ (3,603)	$ (3,036)

The effective tax rate differs from the statutory Federal income tax rate of 35% as described below:

	1996	1995	1994
Taxes at statutory rate	$24,024	$40,114	$28,397
State income taxes, net of Federal income tax benefit	1,861	3,800	2,484
Tax credits	(2,300)	(3,100)	(1,980)
Sale of business	00,000	5,900	
Other, net	850	1,786	1,321
Provision for income taxes	$24,435	$48,500	$30,222
Effective tax rate	35.6%	42.3%	37.3%

Earnings before income taxes are summarized as follows:

	1996	1995	1994
United States	$ 55,228	$ 92,043	$63,079
Foreign	13,412	22,560	18,054
	$ 68,640	$114,603	$81,133

Domestic income taxes have not been provided on undistributed earnings of foreign subsidiaries which are considered to be permanently invested. If undistributed foreign earnings were to be remitted, foreign tax credits would substantially offset any resulting domestic tax liability.

10 Foreign Operations

Summarized information relating to the Company's domestic and foreign operations are as follows:

	1996	1995	1994
Revenue:			
United States	$517,678	$516,683	$745,487
Europe	186,547	174,931	104,375
Other foreign	102,127	101,357	80,001
	$806,352	$792,971	$929,863
Operating Income:			
United States	$ 67,850	$ 98,816	$ 76,315
Europe	2,160	14,912	8,060
Other foreign	13,896	15,982	12,646
	$ 83,906	$129,710	$ 97,021
Identifiable Assets:			
United States	$439,471	$439,634	$482,934
Europe	241,434	238,497	175,539
Other foreign	99,567	98,739	105,191
	$780,472	$776,870	$763,664

Fiscal 1996 operating income includes pretax unusual charges of $25,000,000 relating to the adoption of SFAS No. 121 and the restructuring plan (see note 2). The charges were as follows: United States $11,100,000; Europe $13,900,000. The fiscal 1995 and 1994 unusual items of $(26,847,000) and $12,125,000 are included with operating income of the United States.

Transfers of product between geographic areas are not significant. Operating income is total revenue less operating expenses. Identifiable assets include all assets identified with the operations in each geographic area, and an allocable portion of intangible assets recorded by the parent.

11 Contingencies

The Company is involved in various claims and litigation arising in the normal course of business. In the opinion of management and Company counsel, the ultimate resolution of these actions will not materially affect the consolidated financial position, results of operations, or cash flows of the Company.

Management's Responsibility for Financial Statements

[Years ended September 30, 1996, 1995 and 1994]

The management of Universal Foods Corporation is responsible for preparation of the financial statements and other financial information included in this annual report. The financial statements have been prepared in accordance with generally accepted accounting principles.

It is management's policy to maintain a control-conscious environment through an effective system of internal accounting controls. These controls are supported by the careful selection of competent and knowledgeable personnel and by the communication of standard accounting and reporting policies and procedures throughout the Company. These controls are adequate to provide reasonable assurance that assets are safeguarded against material loss or unauthorized use and to produce the records necessary for the preparation of reliable financial information. There are limits inherent in all systems of internal control based on the recognition that the costs of such systems should be related to the benefits to be derived. Management believes that its systems provide this appropriate balance.

The control environment is complemented by the Company's internal audit function, which evaluates the adequacy of the controls, policies and procedures in place, as well as adherence to them, and recommends improvements for implementation when applicable. In addition, the Company's independent auditors, Deloitte & Touche LLP, have developed an understanding of the Company's accounting and financial controls and have conducted such tests as they considered necessary to render an opinion on the Company's financial statements.

The Board of Directors pursues its oversight role with respect to the Company's financial statements through the Audit Committee, which is composed solely of outside directors. The Audit Committee recommends selection of the Company's auditors and meets with them and the internal auditors to review the overall scope and specific plans for their respective audits and results from those audits. The Committee also meets with management to review overall accounting policies relating to the reporting of financial results. Both the independent auditors and internal auditors have unrestricted access to the Audit Committee.

Kenneth P. Manning
President and Chief Executive Officer

Michael Fung
Vice President and Chief Financial Officer

Independent Auditors' Report

To the Shareholders and Board of Directors of Universal Foods Corporation:

We have audited the accompanying consolidated balance sheets of Universal Foods Corporation and subsidiaries as of September 30, 1996 and 1995, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended September 30, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the companies as of September 30, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1996, in conformity with generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, in fiscal 1996 the Company adopted the provisions of the Financial Accounting Standards Boards' Statement of Financial Accounting Standard No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of."

Deloitte & Touche LLP

Milwaukee, Wisconsin
November 14, 1996

<TABLE>
Five Year Review
<CAPTION>

(Dollars in thousands except per share data) Summary of Operations	1996		1995		1994		1993		1992	
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Revenue	$806,352	100.0%	$792,971	100.0%	$929,863	100.0%	$891,566	100.0%	$883,438	100.0%
Operating costs and expenses:										
Cost of products sold	533,260	66.1	518,194	65.3	616,752	66.3	589,735	66.1	593,006	67.1
Selling and administrative expenses	164,186	20.4	171,914	21.7	203,965	22.0	196,102	22.0	187,727	21.3
Unusual items	25,000	3.1	(26,847)	(3.4)	12,125	1.3	-	-	19,300	2.2
	722,446	89.6	663,261	83.6	832,842	89.6	785,837	88.1	800,033	90.6

Operating income	83,906	10.4	129,710	16.4	97,021	10.4	105,729	11.9	83,405	9.4
Interest expense	15,266	1.9	15,107	1.9	15,888	1.7	15,172	1.7	16,423	1.9
Earnings before income taxes and cumulative effect of accounting changes	68,640	8.5	114,603	14.5	81,133	8.7	90,557	10.2	66,982	7.5
Income taxes	24,435	3.0	48,500	6.2	30,222	3.2	33,959	3.9	25,286	2.8
Earnings before cumulative effect of accounting changes	44,205	5.5	66,103	8.3	50,911	5.5	56,598	6.3	41,696	4.7
Cumulative effect of accounting changes net of tax	-	-	-	-	-	-	23,563	2.6	-	-
Net earnings	$ 44,205	5.5%	$ 66,103	8.3%	$ 50,911	5.5%	$ 33,035	3.7%	$ 41,696	4.7%
Earnings per common share before cumulative effect of accounting changes	$ 1.71		$ 2.54		$ 1.95		$ 2.15		$ 1.57	
Net earnings per common share	$ 1.71		$ 2.54		$ 1.95		$ 1.25		$ 1.57	
Other Related Data										
Earnings per common share excluding unusual items and cumulative effect of accounting changes	$ 2.36		$ 2.18		$ 2.24		$ 2.15		$ 2.02	
Dividend per common share	1.00		0.96		0.92		0.88		0.84	
Average shares outstanding	25,798,482		26,061,269		26,130,783		26,350,346		26,608,350	
Book value per common share	$ 13.85		$ 13.89		$ 12.60		$ 11.60		$ 11.57	
Price range per common share	28.00-41.00		26.13-34.88		28.88-35		30.25-37.25		26.75-39.88	
Share price at September 30	32.50		34.88		29.63		33.88		31.38	
Research and development expenditures	29,824		28,558		32,217		28,460		26,597	
Capital expenditures	59,012		42,562		55,071		36,363		44,982	
Depreciation	29,178		28,206		31,012		29,644		28,144	
Amortization	4,341		6,435		5,366		5,409		4,894	
Total assets	780,472		776,870		763,664		729,993		702,130	
Long-term debt	196,869		160,678		172,235		171,907		167,746	
Shareholders' equity	350,966		361,780		327,390		305,066		303,174	
Return on average shareholders' equity before cumulative effect of accounting change	12.2%		18.5%		16.1%		18.7%		13.8%	
Total debt to total capital	36.9%		34.3%		37.6%		38.7%		40.4%	
Employees	4,035		4,104		4,063		5,450		5,400	

</TABLE>

The 1996 results include pretax charges of $20 million relating to adopting SFAS No. 121 and $5 million for restructuring costs.

The 1995 results include a pretax gain of $49.6 million relating to the sale of the Frozen Foods business and the cost of discontinuing a product line and other unusual items totaling $22.7 million. The 1994 results include a pretax restructuring charge of $12.1 million. The 1992 results include a pretax restructuring charge of $19.3 million relating to the Frozen Foods business.

EXHIBIT 21

SIGNIFICANT SUBSIDIARIES OF
UNIVERSAL FOODS CORPORATION

Warner-Jenkinson Company, a New York corporation formerly known as H. Kohnstamm & Co., Inc. through which the Company conducts its food color business, has 5 foreign subsidiaries.

Rogers Foods Inc., a California corporation formerly the Company's Dehydrated Division.

Universal Holdings Inc., a Nevada investment subsidiary which is the parent company of Rogers Foods Inc. and the Warner-Jenkinson Company.

Universal Flavor Corporation, an Indiana corporation through which the Company conducts its food flavor business, has 6 domestic and 15 foreign subsidiaries.

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Amendment No. 1 to Registration Statements No. 33-7235, 33-34555 and 33-55437, and Registration Statements No. 33-27356 and 33-35707 of Universal Foods Corporation on Form S-8 of our report dated November 14, 1996, which expresses an unqualified opinion and includes a paragraph relating to the adoption of the provisons of Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," appearing in and incorporated by reference in the Annual Report on Form 10-K of Universal Foods Corporation for the year ended September 30, 1996.

DELOITTE & TOUCHE LLP
Milwaukee, Wisconsin

December 26, 1996

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