SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

{X} Annual Report Pursuant to Section 13 or 15(d) of the
Securities and Exchange Act of 1934
For The Fiscal Year Ended June 30, 1998
Commission File No. 0-22818

THE HAIN FOOD GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	22-3240619
(State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)

50 Charles Lindbergh Boulevard Uniondale, New York	11553
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (516) 237-6200
Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value $.01 per share
Title of Class

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

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

State the aggregate market value of the voting stock held by non-affiliates, computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within the past 60 days.

Class of Voting Stock and Number of Shares Held by Non-Affiliates	Market Value Held by Non-affiliates*
11,643,273 shares of Common Stock	$183,382,000

* Based on the last reported sale price for the Common Stock on Nasdaq National Market on September 11, 1998

State the number of shares outstanding of each of the registrant's classes of common equity, as of the latest practicable date.

Common Stock, par value $.01 per share, 13,365,140 shares outstanding as of September 11, 1998

Documents Incorporated by Reference

Document	Part of the Form 10-K into which Incorporated
The Hain Food Group, Inc. Definitive Proxy Statement for the Annual Meeting of Stockholders to be Held December 8, 1998	Part III

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PART I

THE HAIN FOOD GROUP, INC.

Item 1. Business.

General

The Hain Food Group, Inc., a Delaware corporation, and its subsidiaries (the "Company") market, distribute and sell natural and specialty food products under brand names which are sold as "better for you" products. The product categories encompass natural and organic foods, medically-directed foods, weight management and portion control foods, snack foods and kosher foods. These products are sold primarily to specialty and natural food distributors and are marketed nationally to supermarkets, natural food stores, and other retail classes of trade. Except with respect to the product lines of Arrowhead Mills, Inc. ("Arrowhead Mills") and Dana Alexander, Inc. ("Terra Chips"), which were acquired on July 1, 1998, the Company's products are produced by independent food processors ("co-packers") using proprietary specifications controlled by the Company.

The Company was organized in May 1993 to acquire specialty food brands. Since its formation, the Company has completed a number of acquisitions of companies or brands. The principal companies or brands acquired are as follows:

Kineret Foods Corporation (kosher foods) acquired in November 1993

Hain Pure Food Co., Inc. (natural food products) acquired in April 1994.

Hollywood Foods (cooking oils, condiments and vegetable juice) acquired as part of the acquisition of Hain Pure Food Co., Inc. in April 1994.

The Estee Company (sugar-free, medically directed food products) acquired in November 1995.

Weight Watchers dry and refrigerated products sold pursuant to a license from H.J. Heinz Company acquired in March 1997.

Boston Better Snacks (snack foods) acquired in May 1997.

Westbrae Natural, Inc. (natural foods sold under the Westbrae, Westsoy, Little Bear and Bearitos labels) acquired in October 1997.

Earth's Best natural baby foods products sold pursuant to a license from H.J. Heinz Company acquired in May 1998.

In addition, at June 30, 1998, the Company owned the Farm Foods, Harry's Premium Snacks, Featherweight, and Alba Foods brands.

On July 1, 1998, the Company acquired the following businesses and brands from The Shansby Group and other investors:

Arrowhead Mills (natural foods).

DeBoles Nutritional Foods, Inc. ("DeBoles" -natural pasta products).

Terra Chips (natural vegetable chips)

Garden of Eatin', Inc. ("Garden of Eatin'"- natural snack products).

The aggregate purchase price (excluding closing costs) for these businesses was $80 million. The purchase price was paid by the issuance of 1,716,000 shares of the Company's common stock with a market value of $40 million and $40 million in cash from the proceeds of an amended and restated credit agreement with the Company's banks.

The Company's brand names are well recognized in the various market categories they serve. Hain has acquired all of these brands over the past five years and will seek future growth through internal expansion, as well as the acquisition of complementary brands.

Presently, Hain Pure Food Co., Inc., Kineret Foods Corporation, Westbrae Natural, Inc. and subsidiaries and Arrowhead Mills, Inc. and subsidiaries are the Company's only subsidiaries. Garden of Eatin' was merged into Arrowhead Mills in July 1, 1998. The other brands are operated as divisions of the Company.

The Company's overall strategy is to be a leading "better for you" specialty niche food marketer by integrating all of its brands under one management team and employing a uniform marketing, sales and distribution program. The Company's business strategy is to capitalize on the brand equity and the distribution previously achieved by each of the Company's product lines and to enhance revenues by strategic introductions of new product lines that complement existing products. The foundation of this strategy has been established through the acquisitions referred to above and the introduction of a number of new products. The Company believes that by integrating its various brand groups, it will achieve efficiencies of scale and enhanced market penetration. The Company considers the acquisition of "better for you" food companies and product lines as an integral part of its business strategy. To that end, the Company from time to time reviews and conducts preliminary discussions with acquisition candidates.

As of June 30, 1998, the Company employed a total of 110 full-time employees. As a result of the acquisitions completed on July 1, 1998, the number of employees increased to approximately 350. The Company intends to substantially integrate the operations and management of the acquired businesses, and it is anticipated that the number of employees will be substantially reduced over the course of the fiscal year ending June 30, 1999. The Company's employees are not represented by any labor union. The Company believes that its relations with its employees are good.

Product Overview

Natural Food Products

The Company's Hain, Westbrae, Westsoy, Little Bear, Bearitos, Arrowhead Mills, Terra Chips, DeBoles, Garden of Eatin', Earth's Best, Harry's Premium Snacks and Farm Foods businesses market and distribute a full line of natural food products. The Company is a leader in many of the top 15 natural food categories. Natural foods are defined as foods which are minimally processed, largely or completely free of artificial ingredients, preservatives, and other non-naturally occurring chemicals, and are as near to their whole natural state as possible.

Sugar-free and Low Sodium Products

The Company's Estee and Featherweight businesses market and distribute a full line of sugar-free and low sodium products targeted towards diabetic and health conscious consumers and persons on medically-directed diets.

Specialty Cooking Oils

The Company's Hollywood Foods business markets a line of specialty cooking oils that are enhanced with Vitamin E to maintain freshness and quality. The Hollywood product line also includes carrot juice, mayonnaise and margarine. Hollywood products are primarily sold directly to supermarkets and other mass market merchandisers.

Weight Watchers

Under a license agreement, the Company manufactures, markets and sells approximately 60 Weight Watchers dry and refrigerated products.

Frozen Kosher Foods

The Company's Kineret business markets and distributes a line of frozen kosher food products. Kosher foods are products that are prepared in a manner consistent with Kosher dietary laws.

Snack Foods

The Company markets and sells popcorn and potato chip and tortilla chips under the Boston Popcorn and Harry's Original names, principally in the New England and New York City metropolitan areas.

Products

The Company's natural food product lines consist of approximately 550 branded items and include non-dairy drinks (soy and rice milk), popcorn cakes, soups, crackers, flour and baking mixes, hot and cold cereals, pasta, baby food, condiments, cooking oils, gourmet vegetable chips, tortilla chips, and potato chips. For fiscal 1998, non-dairy drinks were approximately 19% of total sales.

The Company's Hollywood brand products consist of approximately 15 products sold principally through the supermarket distribution channel. Principal products are safflower, canola, and peanut oils, and carrot juice. Hollywood cooking oils are enhanced with Vitamin E.

The Estee line of products consists of approximately 110 food products which are distributed nationwide to supermarkets, food service distributors, specialty groceries, mass merchandisers, drug stores and other merchants.

Kineret offers a line of kosher frozen food products under the Kineret and Kosherific labels. The Kineret products include fish products, potato pancakes, blintzes, challah bread, pastry dough, and assorted other frozen food products.

Boston Popcorn and Harry's products consist of 40 items comprised of varieties of popcorn, potato chips, tortilla chips and other snack food items.

Arrowhead Mills and Deboles produce over 360 food products in ready-to-eat cereals, hot cereals, pastas, flour, baking mixes, soups and chilis, packaged grain, nut butters and nutritional oils.

Terra Chips natural food products consist of approximately 48 items comprised of varieties of potato chips, sweet potato chips and other vegetable chips.

Garden of Eatin' natural food products substantially consist of a variety of tortilla chip products.

The Company continuously evaluates its existing products for taste, nutritional value and cost and makes improvements where possible. The Company will discontinue products or stock keeping units when sales of those items do not warrant further production.

Manufacturing

As at June 30, 1998, all of the Company's products were manufactured at non-affiliated co-packers. The Company has selectively consolidated its co-packing arrangements for its products. The Company presently obtains all of its requirements for Hain rice and popcorn cakes from two suppliers, all of its non-dairy drinks from two suppliers, principally all of its tortilla chips from one supplier and all of its Hollywood cooking oils from one supplier. H.J. Heinz Company manufactures the Earth's Best baby food products. Boston Popcorn products are manufactured principally by three co-packers.

Pursuant to its co-packing arrangements, the Company purchases substantially all of its products as finished goods.

As a result of the acquisitions of Arrowhead Mills, DeBoles and Terra Chips on July 1, 1998, the Company is currently the manufacturer of a substantial portion of the items sold by those companies, although third party co-packers are also used for various products. One co-packer manufactures substantially all of the Garden of Eatin' products. The Company intends to continue the manufacture of Terra Chips at its facility in Brooklyn, New York for the foreseeable future. The Company has not as yet made a decision as to whether it will continue to manufacture Arrowhead Mills and DeBoles products at the Company's plants located in Hereford, Texas and Shreveport, Louisiana, respectively, or whether it will engage third party co-packers for the manufacture of such products.

Kineret products are primarily processed under the supervision of the Orthodox Union which certifies a product as kosher. The Orthodox Union must approve both the ingredients contained in the product and the facility manufacturing or processing the product.

The Company believes that alternative sources of supply are available if co-packing arrangements with its suppliers were to be terminated by the Company or the co-packers. However, there can be no assurance that alternative sources of supply would be able to meet the requirements of the Company, and if the Company were unable to arrange for alternative sources of supply in a timely manner, such failure could have a material adverse effect on the Company's business, operating results and financial condition.

New Product Development

The Company intends to continue its policy of introducing new products or product line extensions that complement its existing products. The Company introduced a substantial number of new products in various categories over the last three fiscal years.

Marketing and Distribution

A majority of the products marketed by the Company are sold through independent distributors. Most sales orders are received from third-party food brokers. The Company has recently been increasing its direct sales force for natural food products and reducing its reliance on food brokers. Food brokers act as agents for the Company within designated territories, usually on a non-exclusive basis, and receive commissions. Food distributors purchase products from the Company for resale to retailers. Because food distributors take title to the products upon purchase, product pricing decisions are generally made in their sole discretion, although the Company may participate in product pricing during promotional periods.

The Company utilizes retail-in-store events such as product demonstrations and product sampling, and point of sale displays. The Company also sponsors and participates in local distributor and retailer "events", distributes coupons, and utilizes advertising in trade magazines and distributor catalogues.

The Company's customer base consists principally of mass-market merchandisers, natural food distributors, supermarkets, drug store chains and grocery wholesalers. During the year ended June 30, 1998, sales to United Naturals, Inc. and Tree of Life (natural food distributors) accounted for approximately 20% and 12%, respectively of the Company's sales. Foreign sales are not significant.

Trademarks

The Company's trademarks and brand names for the product lines referred to herein are registered in the United States and a number of foreign countries. The Company sells the Earth's Best and Weight Watchers products pursuant to licenses from H.J. Heinz Company. The Company believes that its trademarks and trade names are significant to the marketing and sale of the Company's products and that the inability to utilize certain of these names could have a material adverse effect on the Company's business, results of operations and financial condition.

Competition

The Company faces competition in the marketing of all of its brands and competes with small specialty food companies in specific categories and with many large grocery product companies and suppliers of private label products. The Company's natural food product lines compete with a number of other natural food companies, including Health Valley and Spectrum. Hain rice and popcorn cakes compete with Quaker Oats and Orville Redenbacher. Hollywood competes with other mainstream oils. Estee has one major competitor, which markets largely duplicative products, and also faces strong competition in sugar-free candy, which is marketed outside the medically directed section of supermarkets. Weight Watchers competes for its share of consumer spending with the many companies offering reduced fat foods. Kineret competes with other frozen food companies. Boston Better Snacks faces competition from a variety of popcorn and chip manufacturers.

Government Regulation

The manufacture, distribution and sale of the Company's products are subject to various federal, state and local laws governing the production, sale, safety, advertising, labeling and ingredients of food products. In addition, as set forth above, Hain's kosher food products are subject to additional regulation and inspection. Although the Company believes it and its distributors and co-packers are currently in compliance with all material federal, state and local governmental laws and regulations, there can be no assurance that the Company, its distributors and co-packers will be able to comply with such laws and regulations in the future or that new governmental laws and regulations will not be introduced which would prevent or temporarily inhibit the development, distribution and sale of the Company's products to consumers. If any of the Company's distributors or co-packers were to violate any such law or regulation, it could result in fines, recalls, seizure or confiscation of products marketed by the Company.

The Company has, to its knowledge, complied with all current food labeling and packaging requirements, including significant labeling requirements that became effective during 1994.

The Company has not experienced any regulatory problems in the past and has not been subject to any fines or penalties. No assurance can be given, however, that future changes in applicable law, regulations or the interpretation thereof will not necessitate significant expenditures or otherwise have a material adverse impact on the Company, particularly if the Company alters its strategy and directly manufactures its own products.

Note Regarding Forward Looking Information

Certain statements contained in this Annual Report constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act and Sections 21E of the Exchange Act. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, levels of activity, performance or achievements of the Company, or industry results, to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions; the ability of the Company to implement its business and acquisition strategy; the ability to effectively integrate its acquisitions; the ability of the Company to obtain financing for general corporate purposes; competition; availability of key personnel; and changes in, or the failure to comply with government regulations. As a result of the foregoing and other factors, no assurance can be given as to the future results, levels of activity and achievements and neither the Company nor any person assumes responsibility for the accuracy and completeness of these statements.

Item 2. Properties.

The Company's corporate headquarters are located in approximately 10,000 square feet of leased office space located at 50 Charles Lindbergh Boulevard, Uniondale, New York. This lease commenced on August 15, 1994 and, during 1997, was extended to February 2002. The Company is currently in the process of leasing an additional 7,000 square feet of office space in the same building for a five-year period. When the aforementioned new space lease is executed, the current annual rental on all 17,000 square feet will approximate $415,000.

The Company recently leased 100,000 square feet of space in a building located in Compton, CA., consisting of 90,000 square feet of warehouse space and 10,000 square feet of office space. The term of the lease is five years and provides for a current annual rental of approximately $396,000. This facility will serve as the Company's West Coast distribution center for principally all of the Company's product lines.

The Company operates a 7,000 square foot warehouse and distribution center located in East Hills, New York which it utilizes to distribute its frozen kosher food products. This lease, which provides for annual net rental of approximately $40,000, expires in August 1999.

The Company's Boston Popcorn 10,000 square foot warehouse and distribution center is located in Foxboro, Massachusetts. This lease is for a three-year term expiring on May 31, 2000. The current annual rental is approximately $73,000. Approximately 4,000 square feet of this space is sub-leased to a major distributor of the Company's Boston Popcorn business for the same three-year term at a current annual rental of $31,000.

In addition to the foregoing distribution facilities operated by the Company, the Company also utilizes a large bonded public warehouse on the East Coast from which it makes deliveries to customers in the Eastern part of the country.

Item 3. Legal Proceedings.

A former financial advisor to Westbrae has made a demand for payment of fees and expenses in the amount of approximately $1.0 million relating to the sale of Westbrae to the Company in October 1997, and submitted the matter to arbitration. The Company believes, based on correspondence and representations provided by former management of Westbrae, that the fee agreement expired and terminated prior to the sale of Westbrae and that no fees are payable. The Company is also from time to time involved in incidental litigation relating to the conduct of its business. In the opinion of management, disposition of pending litigation will not have a material adverse effect on the Company's business, results of operations or financial condition.

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

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year ended June 30, 1998.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

The outstanding shares of Common Stock, par value $.01 per share, of the Company are traded on Nasdaq's National Market System. The following table sets forth the reported high and low closing prices for the Common Stock for each fiscal quarter from July 1, 1996 through September 11, 1998.

	Common Stock			
	1998		1997	
	High	Low	High	Low
First Quarter	$11 15/16	$4 27/32	$4	$3 1/16
Second Quarter	12 3/4	8 5/8	4	3 1/4
Third Quarter	19 13/16	9 1/16	5 3/4	3 3/8
Fourth Quarter	27 1/4	17 11/16	5 5/16	4 1/8
July 1 - September 11, 1998	27 3/4	14 7/8		

As at September 11, 1998, there were 96 holders of record of the Company's Common Stock.

The Company has not paid any dividends on its Common Stock to date. The Company intends to retain all future earnings for use in the development of its business and does not anticipate declaring or paying any dividends in the foreseeable future. The payment of all dividends will be at the discretion of the Company's Board of Directors and will depend on, among other things, future earnings, operations, capital requirements, contractual restrictions, the general financial condition of the Company and general business conditions. The ability of the Company to pay dividends is currently restricted by covenants contained in its Credit Agreement with its bank.

Item 6. Selected Financial Data.

The following information has been summarized from the Company's financial statements and should be read in conjunction with such financial statements and related notes thereto (in thousands, except per share amounts):

	Year Ended June 30				
	1998	1997	1996	1995	1994
Operating results:					
Net sales	$104,253	$65,353	$68,606	$58,076	$14,963
Income (loss) before extraordinary charge	$4,634	$1,069	$2,134	$2,365	$(502)
Extraordinary charge	(1,342)				
Net income (loss)	$3,292	$1,069	$2,134	$2,365	$(502)
Basic earnings per common share:					
Income (loss) before extraordinary charge	$ .45	$ .12	$ .24	$ .28	$ (.19)
Extraordinary charge	(.13)				
Net income (loss)	$ .32	$ .12	$ .24	$ .28	$ (.19)
Diluted earnings per common share:					
Income (loss) before extraordinary charge	$ .39	$ .12	$ .24	$ .28	$ (.19)
Extraordinary charge	(.11)				
Net income (loss)	$ .28	$ .12	$ .24	$ .28	$ (.19)
Financial Position:					
Working Capital	$14,538	$4,482	$6,540	$8,883	$4,473
Total Assets	88,291	48,895	47,442	34,921	31,739
Long-term Debt	16,561	10,756	12,105	7,277	13,450
Stockholders' Equity	53,247	25,059	24,424	22,290	11,501

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

General

The Company made the following acquisitions during the three years ended June 30, 1998:

On November 3, 1995, the Company purchased substantially all of the assets and business, subject to certain liabilities of The Estee Corporation, a manufacturer and marketer of sugar-free and low sodium products targeted towards diabetic and health conscious consumers.

On March 31, 1997, the Company entered into a license agreement with Weight Watchers Gourmet Food Company (a wholly-owned subsidiary of H. J. Heinz Company) to manufacture, market and sell Weight Watchers dry and refrigerated products.

On May 23, 1997, the Company purchased substantially all of the assets and business, subject to certain liabilities of The Boston Popcorn Company, a manufacturer and marketer of popcorn and chip products principally in New England and the New York City metropolitan areas.

On July 15, 1997, the Company acquired Alba Foods from Heinz USA, a division of H.J. Heinz Company.

On October 14, 1997, the Company acquired all of the capital stock of Westbrae Natural, Inc. ("Westbrae").

On May 31, 1998, the Company acquired Harry's Premium Snacks.

On June 1, 1998, the Company entered into a license agreement with H. J. Heinz Company to market and sell Earth's Best baby food products to natural food stores.

Results of Operations

The following discussion does not give effect to the acquisitions of Arrowhead Mills, DeBoles, Terra Chips and Garden of Eatin, Inc. (the "Acquisitions"), all of which occurred on July 1, 1998 after the close of the Company's fiscal year. The Acquisitions will be accounted for as purchases. Accordingly, the results of operations of the acquired businesses will be included in the Company's results of operations commencing July 1, 1998.

Fiscal 1998 Compared to Fiscal 1997:

Net sales for 1998 increased by approximately $38.9 million to $104.3 million as compared with $65.4 million in 1997. Sales of Westbrae accounted for a substantial portion of the increase.

Gross profit for 1998 increased by approximately $17.9 million to $42.5 million (40.7% of sales) as compared to $24.6 million (37.6% of sales) in 1997. The increase in gross profit dollars was attributable largely to the increased sales level in 1998. The increase in the gross margin percentage was attributable principally to a reduction in warehousing and delivery costs as a percentage of sales and the effect of the Westbrae acquisition.

Selling, general and administrative expenses increased by $10.8 million to $30.4 million (29.2% of sales) in 1998 as compared with $19.7 million (30.1% of sales) in 1997. Substantially all of the dollar increase was attributable to the acquisition of Westbrae. The 0.9% reduction in such costs as a percentage of sales was attributable principally to higher sales levels which have the impact of better absorption of general operating costs.

Depreciation and amortization costs increased to $1.6 million in 1998 from $0.9 million in 1997. The principal factor contributing to in the increase was amortization of goodwill acquired in connection with the acquisition of Westbrae and the other businesses during the past three fiscal years.

Interest and financing costs for 1998 amounted to $2.6 million in 1998 as compared with $2.1 million in 1997. In October 1997, the Company acquired Westbrae principally with the proceeds of bank borrowings. In December 1997, the Company issued 2.5 million shares of common stock in a public offering, the proceeds of which were used to pay down a substantial portion of the debt incurred in connection with the Westbrae acquisition. Accordingly, between October 14, 1997 and December 9, 1997 there was a higher level of debt which accounted for most of the increase in interest expense.

In April 1998, the Company prepaid $8.5 million of its 12.5% subordinated debentures with the proceeds of less costly bank borrowings. This prepayment will result in lower interest costs subsequent to the prepayment.

Income before income taxes and extraordinary charge for 1998 increased to $7.9 million (7.6% of sales) from $1.9 million (2.8% of sales) in 1997. This significant improvement in profitability was attributable to the aforementioned increase in sales, the improvement in gross profit margins, lower selling, general and administrative expenses as a percentage of sales, offset by the increase in amortization of goodwill and interest costs.

Income taxes increased to $3.3 million in 1998, compared with $0.8 million in 1997. The effective tax rate was 41.2% in 1998, compared with 42.4% in 1997. The decrease in the effective tax rate was attributable to a higher level of income in 1998 that mitigated the effect of the non-deductibility of goodwill amortization. In connection with the Acquisitions on July 1, 1998 referred to above, the Company acquired a very substantial amount of goodwill attributable to the brand equity and earnings of the acquired businesses. Inasmuch as the amortization of such goodwill will not be deductible for tax reporting purposes, the Company anticipates that its effective income tax rate in the fiscal year ending June 30, 1999 will approximate 44%.

Extraordinary Charge:

In connection with the prepayment of its 12.5% subordinated debentures, the Company paid prepayment fees and also wrote off unamortized financing costs associated therewith. This resulted in an extraordinary charge of approximately $2.1 million before related income tax benefits of approximately $0.8 million.

Fiscal 1997 Compared to Fiscal 1996:

Net sales for 1997 decreased by approximately $3.3 million to $65.4 million as compared with $68.6 million in 1996. The sales decrease was principally attributable to a $10.5 million decrease in sales of rice cake products, offset in part by a full year of sales of the Estee division, which was acquired in November 1995 and sales of Weight Watchers products in the fourth quarter of fiscal 1997. The rice cake product category for the Company, as well as other sellers of the product (including Quaker Oats),has been under recent pressure from the growing market acceptance of other snack products and from increased competition. The Company has reacted by continuing to introduce new products in a variety of categories, and continues to make acquisitions that will diversify its product mix and reduce reliance on sales of specific categories.

Gross profit for 1997 decreased by approximately $3.1 million to $24.6 million as compared to $27.7 million in 1996. Gross margin percentage decreased by approximately 2.8% in 1997 compared with 1996, principally due to a change in product mix and an increase in warehousing and delivery costs.

Selling, general and administrative expenses decreased by $1.3 million to $19.7 million in 1997 as compared to $20.9 million in 1996, principally as a result of lower sales promotional costs on lower sales levels. Such expenses, as a percentage of net sales, were at the same approximate level in both years.

Interest and financing costs for 1997 decreased by $0.1 million to $2.1 million as compared to $2.2 million for 1996.

Income before income taxes for 1997 was approximately $1.9 million as compared to $3.8 million in 1996. The decrease of $1.9 million was principally a result of the aforementioned decrease in gross profit offset in part by the decrease in sales promotional costs.

Income taxes decreased to $0.8 million in 1997 from $1.6 million in 1996. The decrease in income taxes is substantially attributable to the decrease in income before taxes. Income taxes as a percentage of pre-tax income amounted to 42.4% in 1997 as compared to 43.3% in 1996.

Liquidity and Capital Resources

In October 1997, in connection with the acquisition of Westbrae, the Company entered into an Amended and Restated Credit Facility ("Facility") with its bank providing for a $30 million senior term loan and a $10 million revolving credit line. The Facility replaced the Company's existing facility with the same bank. In December 1997, the Company issued 2.5 million shares of common stock in a public offering, which raised approximately $20.9 million, which was used to pay down the senior term loan. In April 1998, the Company re-borrowed approximately $9 million under the senior term loan to prepay the Company's $8.5 million subordinated debentures. At June 30, 1998, $18.6 million was outstanding under the senior term loan and $2.4 million was outstanding under the revolving credit line.

On July 1, 1998, in connection with the Acquisitions, the Facility was further amended to provide for a $60 million senior term loan and a $15 million revolving credit line. The entire senior term loan was borrowed on that date to pay the cash portion of the purchase price of the Acquisitions, fund closing costs, and to repay the then existing balance on the Facility. Accordingly, the Company's debt structure will be significantly different in the fiscal year commencing July 1, 1998 from that in prior years. However, the Company believes that operating cash flow generated by its business will be more than adequate to service the aforementioned debt.

The interest rate on the Facility is based partially on the ratio of outstanding debt to operating cash flow (as defined). The Company may elect to pay interest based on the bank's base rate or the LIBOR rate. Borrowings on a base rate basis may range from 0.50% below the bank's base rate to 1.00% above the bank's base rate. Borrowings on a LIBOR basis may range from 1.75% to 3.00% over the LIBOR rate. The entire senior term loan is currently borrowed on a LIBOR basis. The senior term loan is repayable in quarterly principal installments (the first principal payment commences on December 31, 1998) through maturity of the Facility on September 30, 2005. Pursuant to the Facility, the Company may borrow under its revolving credit line up to 85% of eligible trade receivables and 60% of eligible inventories.

Amounts outstanding under the Facility are collateralized by principally all of the Company's assets. The Facility also contains certain financial and other restrictive covenants. As of August 31, 1998, $13 million was available under the Company's revolving credit line. Utilization of the revolving credit line varies over the course of the year based on inventory requirements.

The aggregate principal payments on the senior term loan for the year ending June 30, 1999 are approximately $2.6 million. The Company anticipates that cash flow from operations will be sufficient to meet all of its debt service and operating requirements.

Working capital at June 30, 1998 amounted to approximately $14.5 million. Working capital increased by approximately $4 million on July 1, 1998 as a result of the Acquisitions, and this new level of working capital is deemed adequate to serve the Company's operational needs. Prior to the Acquisitions, the Company purchased all of its products from independent co-packers and did not invest in plant or equipment relating to the manufacture of products for sale. The Company has not as yet determined whether it will continue production at the plants acquired in the Acquisitions or will delegate such production to independent co-packers. Consequently, there may be some level of capital expenditures in connection with the operation of those plants, but the amount is not considered material in relation to the Company's operations.

The Facility imposes limitations on the incurrence of additional indebtedness and requires that the Company comply with certain financial tests and restrictive covenants. As at June 30, 1998, the Company was in compliance with such covenants.

Year 2000

The "Year 2000" issue is the result of computer systems that were programmed in prior years using a two digit representation for the year. Consequently, in the Year 2000, date sensitive computer programs may interpret the date "00" as 1900 rather than 2000. The Company has completed an assessment of its system affected by the Year 2000 issue and have found only minor issues to be addressed. The business operation computer programs/systems are Year 2000 compliant.

The Company has initiated formal communications with all of its significant suppliers and large customers to determine the extent to which the Company's interface systems are vulnerable to those third parties' failure to remediate their own Year 2000 issues. While the Company believes that the Year 2000 issue will not have a material adverse effect on the Company's financial position, liquidity or results of operations, there is no guarantee that the systems of other companies on which the Company's systems rely will be timely converted and would not have an adverse effect on the Company's systems.

Seasonality

Sales of food products consumed in the home generally decline to some degree during the Summer vacation months. However, the Company believes that such seasonality has a limited effect on operations.

Inflation

The Company does not believe that inflation had a significant impact on the Company's results of operations for the periods presented.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable, except as reported on in Item 7.

Item 8. Financial Statements and Supplementary Data.

The following consolidated financial statements of The Hain Food Group, Inc. and subsidiaries are included in Item 8:

Consolidated Balance Sheets - June 30, 1998 and 1997

Consolidated Statements of Income - Years ended June 30, 1998, 1997 and 1996

Consolidated Statements of Cash Flows - Years ended June 30, 1998, 1997 and 1996

Consolidated Statement of Stockholders' Equity - Years ended June 30, 1998, 1997 and 1996

Notes to Consolidated Financial Statements

The following consolidated financial statement schedule of The Hain Food Group, Inc. and subsidiaries are included in Item 14 (a):

Schedule II   Valuation and qualifying accounts

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

Report of Independent Auditors

The Stockholders and Board of Directors
The Hain Food Group, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of The Hain Food Group, Inc. and Subsidiaries as of June 30, 1998 and 1997, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended June 30, 1998. Our audits also included the financial statement schedule listed in the index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Hain Food Group, Inc. and Subsidiaries at June 30, 1998 and 1997, and the consolidated results of their operations and their cash flows for each of the three years in the period ended June 30, 1998, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

Melville, New York
September 10, 1998

THE HAIN FOOD GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	June 30 1998	June 30 1997
ASSETS		
Current assets:		
Cash	$495,000	$219,000
Trade accounts receivable, less allowance for doubtful accounts of $325,000 and $265,000	13,614,000	8,447,000
Inventories	13,278,000	6,635,000
Other current assets	1,830,000	1,226,000
Total current assets	29,217,000	16,527,000
Property and equipment, net of accumulated depreciation of $834,000 and $577,000	1,065,000	743,000
Goodwill and other intangible assets, net of accumulated amortization of $3,320,000 and $2,074,000	54,253,000	29,188,000
Deferred financing costs, net of accumulated amortization of $1,055,000 and $1,049,000	1,502,000	975,000
Other assets	2,254,000	1,462,000
Total assets	$88,291,000	$48,895,000

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable and accrued expenses	$9,715,000	$7,568,000
Current portion of long-term debt	4,554,000	4,178,000
Income taxes payable	410,000	299,000
Total current liabilities	14,679,000	12,045,000
Long-term debt, less current portion	16,561,000	10,756,000
Other liabilities	2,628,000	483,000
Deferred income taxes	1,176,000	552,000
Total liabilities	35,044,000	23,836,000
Commitments and contingencies		
Stockholders' equity:		
Preferred stock - $.01 par value; authorized 5,000,000 shares, no shares issued		
Common stock - $.01 par value, authorized 40,000,000 shares, issued 11,656,299 and 8,881,899 shares	117,000	89,000
Additional paid-in capital	45,122,000	20,804,000
Retained earnings	8,283,000	4,991,000
	53,522,000	25,884,000
Less: 100,000 and 300,000 shares of treasury stock, at cost	275,000	825,000
Total stockholders' equity	53,247,000	25,059,000
Total liabilities and stockholders' equity	$88,291,000	$48,895,000

See notes to consolidated financial statements.

THE HAIN FOOD GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended June 30		
	1998	1997	1996
Net sales	$104,253,000	$65,353,000	$68,606,000
Cost of sales	61,797,000	40,781,000	40,884,000
Gross profit	42,456,000	24,572,000	27,722,000
Selling, general and administrative expenses	30,402,000	19,651,000	20,905,000
Depreciation of property and equipment	257,000	178,000	184,000
Amortization of goodwill and other intangible assets	1,311,000	740,000	651,000
	31,970,000	20,569,000	21,740,000
Operating income	10,486,000	4,003,000	5,982,000
Interest expense, net	2,128,000	1,639,000	1,745,000
Amortization of deferred financing costs and discounts	474,000	509,000	473,000
	2,602,000	2,148,000	2,218,000
Income before income taxes and extraordinary charge	7,884,000	1,855,000	3,764,000
Provision for income taxes	3,250,000	786,000	1,630,000
Income before extraordinary charge	4,634,000	1,069,000	2,134,000
Extraordinary charge - costs in connection with prepayment of debentures, net of income tax benefit of $791,000	(1,342,000)		
Net income	$3,292,000	$1,069,000	$2,134,000
Basic Earnings Per Common Share:			
Income before extraordinary charge	$0.45	$0.12	$0.24
Extraordinary charge	(0.13)		
Net income	$0.32	$0.12	$0.24
Diluted Earnings Per Common Share:			
Income before extraordinary charge	$0.39	$0.12	$0.24
Extraordinary charge	(0.11)		
Net income	$0.28	$0.12	$0.24
Common equivalent shares:			
Basic	10,269,000	8,694,000	8,887,000
Diluted	11,893,000	8,993,000	8,964,000

See notes to consolidated financial statements.

THE HAIN FOOD GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended June 30		
	1998	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$3,292,000	$1,069,000	$2,134,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Extraordinary charge	1,342,000		
Depreciation of property and equipment	257,000	178,000	184,000
Amortization of goodwill and other intangible assets	1,311,000	740,000	651,000
Amortization of deferred financing costs	474,000	509,000	473,000
Provision for doubtful accounts	70,000	290,000	123,000
Other	77,000	(34,000)	
Deferred income taxes	624,000	91,000	36,000
Increase (decrease) in cash attributable to changes in assets and liabilities, net of amounts applicable to acquired businesses:			
Accounts receivable	(2,385,000)	(383,000)	(218,000)
Inventories	(2,193,000)	899,000	1,172,000
Other current assets	(414,000)	(347,000)	(166,000)
Other assets	(882,000)	(309,000)	81,000
Accounts payable and accrued expenses	(2,767,000)	276,000	(2,153,000)
Income taxes payable	1,810,000	26,000	(1,023,000)
Net cash provided by operating activities	616,000	3,005,000	1,294,000
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of businesses	(24,653,000)	(666,000)	(9,758,000)
Acquisition of property and equipment	(579,000)	(146,000)	(215,000)
Net cash used in investing activities	(25,232,000)	(812,000)	(9,973,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank revolving credit facility	100,000	850,000	1,100,000
Proceeds from senior term loan	39,100,000		9,000,000
Payment of senior term loan	(25,347,000)	(1,234,000)	(2,919,000)
Prepayment of 12.5% Subordinated debentures	(9,112,000)		
Purchase of treasury stock		(825,000)	
Costs in connection with bank financing	(950,000)	(6,000)	(256,000)
Proceeds from public offering, net of related expenses	20,852,000		
Proceeds from exercise of warrants and options, net of related expenses	2,226,000	52,000	
Collections of receivables from equipment sales	382,000	552,000	2,011,000
Payment of debt of acquired company	(2,103,000)	(1,269,000)	
Payment of other long-term debt and other liabilities	(256,000)	(400,000)	(138,000)
Net cash provided by (used in) financing activities	24,892,000	(2,280,000)	8,798,000
Net increase (decrease) in cash	276,000	(87,000)	119,000
Cash at beginning of year	219,000	306,000	187,000
Cash at end of year	$495,000	$219,000	$306,000

See notes to consolidated financial statements.

THE HAIN FOOD GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

YEARS ENDED JUNE 30, 1996, 1997 AND 1998

	Common Stock		Additional		Treasury Stock		
	Shares	Amount at $.01	Paid-in Capital	Retained Earnings	Shares	Amount	Total
Balance at June 30, 1995	8,866,899	$89,000	$20,413,000	$1,788,000			$22,290,000
Net income for the year ended June 30, 1996				2,134,000			2,134,000
Balance at June 30, 1996	8,866,899	89,000	20,413,000	3,922,000			24,424,000
Acquisition of treasury stock					300,000	($825,000)	(825,000)
Exercise of stock options and other	15,000		79,000				79,000
Value ascribed to warrants			312,000				312,000
Net income for the year ended June 30, 1997				1,069,000			1,069,000
Balance at June 30, 1997	8,881,899	89,000	20,804,000	4,991,000	300,000	(825,000)	25,059,000
Issuance of 2,500,000 shares in public offering, net of related expenses	2,500,000	25,000	20,827,000				20,852,000
Exercise of Common Stock warrants, net of related expenses			743,000		(200,000)	550,000	1,293,000
Exercise of stock options	274,400	3,000	930,000				933,000
Non-cash compensation charge			27,000				27,000
Value ascribed to warrants			883,000				883,000
Tax benefit from stock options			908,000				908,000
Net income for the year ended June 30, 1998				3,292,000			3,292,000
Balance at June 30, 1998	11,656,299	$117,000	$45,122,000	$8,283,000	100,000	($275,000)	$53,247,000

See notes to consolidated financial statements.

THE HAIN FOOD GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS:

The Company and its subsidiaries operate in one business segment: the sale of specialty food products which are manufactured by various co-packers.

The Company's principal product lines consist of Hain Pure Foods (natural foods), Hollywood Foods (principally healthy cooking oils), Westbrae Natural (natural foods), Estee (sugar-free, medically directed snacks), Arrowhead Mills (natural foods). DeBoles Nutritional Foods (natural pasta products), Terra Chips (natural vegetable chips), Garden of Eatin', Inc. (natural snack products), Kineret Foods (frozen kosher foods), Weight Watchers (dry and refrigerated products), Earth's Best (natural baby foods) and Boston Popcorn (snacks).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

All amounts in the financial statements have been rounded to the nearest thousand dollars, except shares and per share amounts.

Consolidation Policy:

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. Material intercompany accounts and transactions have been eliminated in consolidation.

Reclassifications:

Certain prior year's balances have been reclassified to conform with the 1998 presentation.

Use of Estimates:

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

Segment Reporting:

In June 1997, the FASB issued Statement No. 131, "Disclosure about Segments of an Enterprise and Related Information" ("FAS 131"), which is effective for years beginning after December 15, 1997. FAS 131 established standards for the way the public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. It also establishes standards for related disclosures about products and services, geographical areas, and major customers. Since FAS 131 is not required to be applied to interim financial statements in the initial year of adoption, the Company is not required to disclose segment information in accordance with FAS 131 until the fiscal year ended June 30, 1999, if applicable. In the Company's first quarter of fiscal 2000 report, and in subsequent quarters, it would present the interim disclosures required by FAS 131 for both fiscal 2000 and 1999, if applicable.

The Company is currently evaluating what operating segments of its business may trigger the disclosure requirements under FAS No. 131.

Revenue Recognition:

Sales are recognized upon the shipment of finished goods to customers. Allowances for cash discounts are recorded in the period in which the related sale is recognized.

Advertising Costs:

Media advertising costs, which are included in selling, general and administrative expenses, amounted to $747,000, $236,000, and $22,000 for fiscal 1998, 1997 and 1996, respectively. Such costs are expensed as incurred.

Income Taxes:

The Company follows the liability method of accounting for income taxes. Under the liability method, deferred taxes are determined based on the differences between the financial statement and tax bases of assets and liabilities at enacted rates in effect in the years in which the differences are expected to reverse.

Concentration of Credit Risk:

Substantially all of the Company's trade accounts receivable are due from food distributors and food retailers located throughout the United States. The Company performs credit evaluations of its customers and generally does not require collateral. Credit losses are provided for in the consolidated financial statements and consistently have been within management's expectations. During the year ended June 30, 1998, sales to two customers approximated 20% and 12%, respectively. At June 30, 1998 and 1997, the two customers accounted for approximately 30.5% and 19.7%, respectively, of total accounts receivable outstanding.

Inventories:

Inventories consist principally of finished goods, raw materials and packaging materials, and are stated at the lower of cost (first-in, first-out basis) or market.

Fair Values of Financial Instruments:

As at June 30, 1998 and 1997, the Company had no cash equivalents. The Company believes that the interest rates set forth in the Company's debt instruments approximates its current borrowing rate and, accordingly, the carrying amounts of such debt at June 30, 1998 and 1997 approximate fair value.

Property and Equipment:

Property and equipment is stated at cost less accumulated depreciation. Depreciation is provided under the straight-line method over the estimated useful lives of the related assets.

Goodwill and Other Intangible Assets:

Goodwill consists of the excess of the cost of acquired businesses over the fair value of the assets and liabilities acquired or assumed, and is being amortized over a period of 40 years from date of acquisition (see Note 6).

Other intangible assets, which are not significant in the aggregate, are being amortized over their respective applicable lives.

Amortizable Long-Lived Assets:

Financial Accounting Standards Board Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("FAS 121"), requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the asset carrying amount. FAS 121 also addresses the accounting for long-lived assets that are expected to be disposed of. The Company adopted FAS 121 effective for the fiscal year beginning July 1, 1997. The adoption did not have an effect on the Company's consolidated results of operations, cash flows or financial position.

Deferred Financing Costs:

Costs associated with obtaining debt financing are capitalized and amortized over the related lives of the applicable debt instruments.

Start Up Costs:

In April 1998, the American Institute of Certified Public Accountants issued SOP 98-5, "Reporting Costs of Start-up Activities" ("SOP 98-5"). SOP 98-5 is effective beginning on July 1, 1999, and requires the start-up costs capitalized prior to such date be written-off as a cumulative effect of an accounting change as of July 1, 1999 and any future start-up costs be expensed as incurred. It is not practicable to estimate what effect this change will have on fiscal 2000 earnings, however, had SOP 98-5 been adopted at the beginning of the year ended June 30, 1998, income before income taxes and extraordinary charge would have been reduced by approximately $1 million.

Earnings Per Share:

In February 1997, the FASB issued Statement No. 128, "Earnings Per Share" ("FAS 128"). FAS 128 replaced the previously reported primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options and warrants. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. All earnings per share amounts for all periods have been presented, and where necessary, restated to conform to FAS 128 requirements.

The following table sets forth the computation of basic and diluted earnings per share pursuant to FAS 128.

	1998	1997	1996
Numerator:			
Income before extraordinary charge - numerator for basic and diluted earnings per share	$4,634,000	$1,069,000	$2,134,000
Extraordinary charge	(1,342,000)		
Net income	$3,292,000	$1,069,000	$2,134,000
Denominator:			
Denominator for basic earnings per - weighted average shares outstanding during the period (a)	10,269,000	8,694,000	8,887,000
Effect of dilutive securities:			
Stock options	962,000	182,000	32,000
Warrants	662,000	117,000	45,000
	1,624,000	299,000	77,000
Denominator for diluted earnings per share - adjusted weighted average shares and assumed conversions	11,893,000	8,993,000	8,964,000
Basic earnings per share:			
Income before extraordinary charge	$ .45	$ .12	$ .24
Extraordinary charge	(.13)		
Net income	$ .32	$ .12	$ .24
Diluted earnings per share:			
Income before extraordinary charge	$ .39	$ .12	$ .24
Extraordinary charge	(.11)		
Net income	$ .28	$ .12	$ .24

(a) On December 8, 1997, the Company issued 2,500,000 shares of common stock in connection with a public offering.

3. ACQUISITIONS:

On October 14, 1997, the Company completed a tender offer for all of the shares of Westbrae Natural, Inc. ("Westbrae), a publicly-owned company, for $3.625 per share of common stock. The aggregate cash purchase price, including acquisition costs, amounted to approximately $24 million. In addition, the Company repaid approximately $2.1 million of outstanding Westbrae debt. To finance the acquisition, the Company entered into a $40 million credit facility with its bank providing for a $30 million Senior Term Loan and a $10 million revolving credit line.

Westbrae (formerly known as Vestro Natural Foods, Inc.) is a leading formulator and marketer of high quality natural and organic foods sold under the brand names Westbrae Natural, Westsoy, Little Bear and Bearitos, encompassing 300 food items such as non-dairy beverages, chips, snacks, beans and soups.

Unaudited pro forma results of operations (in thousands, except per share amounts) for the years ended June 30, 1998 and 1997, assuming the acquisition of Westbrae had occurred as of July 1, 1996 are as follows:

	1998	1997
Net sales	$114,892	$98,247
Net income	3,533	1,419
Net income per share (diluted)	$ .30	$ .16

The pro forma operating results shown above are not necessarily indicative of operations in the period following acquisition.

On July 15, 1997, the Company acquired Alba Foods from Heinz USA, a division of H.J. Heinz Company. On May 31, 1998, the Company acquired Harry's Premium Snacks. Pro forma information with respect to the foregoing acquisitions is not significant.

On May 23, 1997, the Company purchased substantially all of the assets and business, subject to certain liabilities, of The Boston Popcorn Company, Inc. Boston Popcorn is a manufacturer and marketer of popcorn and chip snack products, principally in New England and the New York City metropolitan areas. The purchase price amounted to approximately $870,000 of which $645,000 was paid in cash and $225,000 by the issuance of a note, with a maturity date in 2002. In addition, the Company assumed certain liabilities. Pro forma information with respect to the foregoing acquisition is not significant.

The above acquisitions have been accounted for as purchases and, therefore, operating results of the acquired businesses have been included in the accompanying financial statements from the date of acquisition.

4. LICENSE AGREEMENTS:

On March 31, 1997, the Company entered into a license agreement with Weight Watchers Gourmet Food Company ("WWGF" - a wholly-owned subsidiary of H. J. Heinz Company). Under the agreement, the Company will manufacture, market and sell approximately 60 Weight Watcher dry and refrigerated products. The agreement is for five years, and is renewable under certain circumstances. The agreement provides, among other matters, for a royalty payment to WWGF based on sales of Weight Watchers products and payment of a share of the pre-tax profits (as defined) from sale of such products.

On June 1, 1998, the Company entered into a license agreement with H. J. Heinz Company to market and sell Earth's Best baby food products to natural food stores. The agreement is for five years, and is renewable under certain circumstances. The agreement provides, among other matters, for payment of a share of profits (as defined) from sale of such products in excess of defined amounts.

5. INVENTORIES:

Inventories consist of the following:

	1998	1997
Finished goods	$10,006,000	$5,418,000
Raw materials and packaging	3,272,000	1,217,000
	$13,278,000	$6,635,000

6. GOODWILL AND OTHER INTANGIBLE ASSETS:

Goodwill and other intangible assets consist of the following:

	1998	1997
Goodwill	$56,618,000	$30,645,000
Other intangible assets	955,000	617,000
	57,573,000	31,262,000
Less: Accumulated amortization	3,320,000	2,074,000
	$54,253,000	$29,188,000

Substantially all unamortized goodwill relates to the acquisition of Hain, Westbrae, Estee, Boston Popcorn and Kineret Foods. The entities have been in operation for many years and are viewed to have an unlimited life. Accordingly, such goodwill is being amortized over the maximum period (40 years) permitted by Accounting Principles Board Opinion No. 17. The increase in goodwill during 1998 is substantially all attributable to the acquisition of Westbrae.

7. LONG-TERM DEBT:

Long-term debt consists of the following:

	1998	1997
Senior Term Loan	$18,600,000	$ 4,847,000
Revolving Credit	2,350,000	2,250,000
12.5% Subordinated Debentures, net of unamortized original issue discount of $1,195,000		7,305,000
Notes payable to sellers in connection with acquisition of companies, and other long-term debt	165,000	532,000
	21,115,000	14,934,000
Current portion	4,554,000	4,178,000
	$16,561,000	$10,756,000

On October 14, 1997, in connection with the acquisition of Westbrae, the Company and its bank entered into a $40 million Amended and Restated Credit Facility ("Facility") providing for a $30 million senior term loan and a $10 million revolving credit line. The Facility replaced the Company's existing $18 million facility with the same bank. The Company borrowed the full $30 million senior term loan to fund the cash purchase price and related closing costs of the acquisition and to repay certain existing debt of the Company and Westbrae. On December 8, 1997, the Company repaid approximately $20.9 million of such debt from the proceeds of a public offering of its common stock. The current portion of long-term debt at June 30, 1998 is based on the terms of the Facility prior to its refinancing on July 1, 1998 as set forth below.

At June 30, 1998 and 1997, the interest rate on the Facility was 9.50%.

On July 1, 1998, in connection with the acquisitions of businesses from The Shansby Group (see Note 15), the Facility was further amended to provide for a $60 million senior term loan and a $15 million revolving credit. The entire senior term loan was borrowed on that date to pay the cash portion of the purchase price of the acquisitions, fund closing costs, and to repay the then existing balance ($18.6 million) on the Facility. The interest rate on the Facility is based partially on the ratio of outstanding debt to operating cash flow (as defined). The Company may elect to pay interest based on the bank's base rate or the LIBOR rate. Borrowings on a base rate basis may range from 0.50% below the bank's base rate to 1.00% above the bank's base rate. Borrowings on a LIBOR basis may range from 1.75% to 3.00% over the LIBOR rate. The entire senior term loan is currently borrowed on a LIBOR basis. The senior term loan is repayable in quarterly principal installments (the first principal payment commences on December 31, 1998) through maturity of the Facility on September 30, 2005. Pursuant to the revolving credit line, the Company may borrow up to 85% of eligible trade receivables and 60% of eligible inventories. Amounts outstanding under the Facility are collateralized by principally all of the Company's assets. The Facility contains certain financial and other restrictive covenants which, among other matters, restrict the payment of dividends and the incurrence of additional indebtedness. The Company is also required to maintain various financial ratios, including minimum working capital and interest and fixed charge coverage ratios and is required to achieve certain earnings levels. As of August 31, 1998, $13 million was available under the Company's revolving credit line. Utilization of the revolving credit line varies over the course of the year based on inventory requirements.

The 12.5% Subordinated Debentures ("Debentures") provided for the payment of interest semi-annually in arrears. In connection with the issuance of the Debentures, the Company also issued 768,229 shares of common stock to the Debenture holders. Such shares were valued at $1,644,000 and applied as a discount of the value of the Debentures. The discount was being amortized using the interest method over the life of the Debentures. Amortization expense for the years ended June 30, 1998, 1997 and 1996 amounted to $151,000, $166,000 and $141,000, respectively. On April 15, 1998, the Company prepaid all $8.5 million of the Debentures, constituting the entire outstanding principal amount. The prepayment was funded by an increase in the Company's senior term loan with its bank, which senior term loan bears interest at a lower interest rate than the Debentures. In connection with the prepayment, the Company wrote off the prepayment fee of $612,000, as well as unamortized original issue discounts and financing fees for the Debentures. This resulted in an extraordinary charge (net of income tax effect) of approximately $1.3 million for the year ended June 30, 1998. The prepayment of the Debentures is expected to result in reduced continuing interest costs and the elimination of the amortization of the financing costs with respect to the Debentures.

Maturities of long-term debt at June 30, 1998 are as follows:

Year Ending June 30	
1999	$ 4,554,000
2000	3,306,000
2001	3,875,000
2002	3,960,000
2003	4,440,000
Thereafter	980,000
Total long-term debt	$21,115,000

The above table does not give effect to the refinancing of the Facility incurred in connection with the acquisitions on July 1, 1998. Maturities of long-term debt, after giving effect to the such refinancing, amount to approximately $5.2 million (including the revolving credit facility of $2.4 million) in fiscal year 1999, $4.3 million in fiscal 2000, $7.2 million in fiscal 2001, $9.5 million in fiscal 2002, $10.8 million in fiscal 2003 and $25.6 million thereafter.

Interest paid during the years ended June 30, 1998, 1997 and 1996 amounted to $2,376,000, $1,768,000 and $1,820,000, respectively.

8. INCOME TAXES:

The provision for income taxes (excluding the tax benefit applicable to the extraordinary charge in 1998) for the years ended June 30, 1998, 1997 and 1996 are as follows:

	1998	1997	1996
Current:			
Federal	$2,309,000	$541,000	$1,337,000
State	317,000	154,000	257,000
	2,626,000	695,000	1,594,000
Deferred Federal and State	624,000	91,000	36,000
Total	$3,250,000	$786,000	$1,630,000

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Components of the Company's deferred tax liability as of June 30, 1998 and 1997 are as follows:

	1998	1997
Difference in amortization period on goodwill and intangibles	$(428,000)	$(186,000)
Basis difference on property and equipment	(95,000)	(102,000)
Basis difference on inventory	119,000	134,000
Deferred charges	(825,000)	(462,000)
Allowance for doubtful accounts	53,000	64,000
Net deferred tax liability	$(1,176,000)	$(552,000)

Reconciliations of expected income taxes at the U.S. federal statutory rate to the Company's provision for income taxes for the years ended June 30, 1998, 1997 and 1996 are as follows:

	1998	%	1997	%	1996	%
Expected U.S. federal income tax at statutory rate	$2,681,000	34.0%	$630,000	34.0%	$1,280,000	34.0%
State income taxes, net of federal benefit	235,000	3.0	102,000	5.5	172,000	4.6
Non-deductible expenses	334,000	4.2	169,000	9.1	167,000	4.4
Other			(115,000)	(6.2)	11,000	.3
Provision for income taxes	$3,250,000	41.2%	$786,000	42.4%	$1,630,000	43.3%

Income taxes paid during the years ended June 30, 1998, 1997 and 1996 amounted to $809,000, $669,000 and $2,623,000, respectively.

9. STOCKHOLDERS' EQUITY:

Common Stock:

On December 8, 1997, the Company completed a public offering of 2,500,000 shares of its common stock at $9 per share. Proceeds to the Company, net of expenses of the offering, amounted to approximately $20.9 million, which was utilized to pay down the Company's credit facility with its bank. In connection therewith, certain officers of the Company exercised options for an aggregate of 105,000 shares of common stock which were sold in the public offering. The Company received aggregate net proceeds of approximately $340,000 from the exercise of such options.

Preferred Stock:

The Company is authorized to issue "blank check" preferred stock (up to 5 million shares) with such designations, rights and preferences as may be determined from time to time by the Board of Directors. Accordingly, the Board of Directors is empowered to issue, without stockholder approval, preferred stock with dividends, liquidation, conversion, voting, or other rights which could decrease the amount of earnings and assets available for distribution to holders of the Company's common stock. As at June 30, 1998 and 1997, no preferred stock was issued or outstanding.

Warrants:

In connection with the acquisition of Estee in November 1995, the Company issued a warrant to the seller to purchase 200,000 shares of the Company's common stock at an exercise price of $6.50 per share. In August and September 1997, the seller exercised all of the warrants and the Company issued 200,000 shares of Common Stock out of treasury for aggregate proceeds of $1,300,000. The proceeds were used to pay down bank debt.

In connection with the Weight Watchers agreement, the Company issued warrants on March 31, 1997, to acquire 250,000 shares of the Company's common stock at prices ranging from $7.00 to $9.00 per share. The value ascribed to these warrants of approximately $312,000 is being amortized over ten years.

In fiscal 1996 and 1997, the Company issued a total of 200,000 warrants in connection with services rendered by third party consultants at prices ranging from $4.13 to $8.00 per share.

In connection with the acquisition of Westbrae on October 14, 1997 and the related bank refinancing, the Company issued a warrant to its bank to acquire 114,294 shares of the Company's common stock at an exercise price of $12.294. The value ascribed to this warrant of approximately $377,000 is being amortized over six years. In addition, the Company issued a warrant to Argosy Investment Corp. to acquire 100,000 shares of the Company's common stock at an exercise price of $12.688. The value ascribed to this warrant of approximately $426,000 has been included in the costs of the acquisition of Westbrae.

As at June 30, 1998, there are 3,025,000 shares of common stock reserved for issuance of warrants (1,214,000) and Employee and Director Stock Options (1,811,000).

10. LEASES:

The Company's corporate headquarters are located in leased office space in Uniondale, New York, under a lease, which expires in March 2002. The Company is in the process of leasing additional space at the same location. These leases provide for additional payments of real estate taxes and other operating expenses over a base period amount. In addition, the Company leases warehouse space for subsidiaries and a division under net leases which expire in August 1999, May 2000 and April 2003.

The aggregate minimum future lease payments for these operating leases at June 30, 1998 are as follows:

Year Ending June 30	
1999	$ 721,000
2000	697,000
2001	670,000
2002	587,000
2003	330,000
	$3,005,000

Rent expense charged to operations for the years ended June 30, 1998, 1997 and 1996 was $457,000, $224,000 and $162,000, respectively.

11. STOCK OPTION PLANS:

In December 1994, the Company adopted the 1994 Long-Term Incentive and Stock Award Plan ("Plan"), which amended and restated the Company's 1993 stock option plan. On December 9, 1997, the stockholders of the Company approved an amendment to increase the number of shares issuable under the 1994 Long Term Incentive and Stock Award Plan by 345,000 to 1,200,000 shares. The Plan provides for the granting of incentive stock options to employees, directors and consultants to purchase shares of the Company's common stock. All of the options granted to date under the Plan have been qualified stock options providing for exercise prices equivalent to the fair market price at date of grant, and expire 10 years after date of grant. Vesting terms are determined at the discretion of the Company. During 1996, options to purchase 103,500 shares were granted at prices from $2.94 to $3.25 per share. During 1997, options to purchase 475,000 shares were granted at prices from $3.00 to $4.81 per share. During 1998, options to purchase 298,600 shares were granted at prices from $4.50 to $14.13 per share. At June 30, 1998, 94,000 options are available for grant.

The Company's Chief Executive Officer was granted 125,000 of the options granted in 1998, that had been conditionally granted to him at $4.8125 per share on the date of grant (June 30, 1997) pending approval of an increase in the number of shares available for grant (approved by shareholders on December 9,1997). The Company will incur a straight line non-cash compensation charge ($27,000 for fiscal 1998) over the 10-year vesting period based on the excess (approximately $461,000) of the market value of the stock options ($8.50 per share) on December 9, 1997 compared to $4.8125 per share market value on the date of grant.

In December 1995, the Company adopted a Directors Stock Option Plan. The Plan provides for the granting of stock options to non-employee directors to purchase up to an aggregate of 300,000 shares of the Company's common stock. During 1996, options for an aggregate of 90,000 shares were granted at a price of $3.50 per share. During 1997, options for an aggregate of 67,500 shares were granted at a price of $3.38 per share. During 1998, options for an aggregate of 67,500 shares were granted at prices of $8.50 and $19.68 per share. At June 30, 1998, 75,000 options are available for grant.

The Company also has a 1993 Executive Stock Option Plan pursuant to which it granted Mr. Irwin D. Simon, its founder and Chief Executive Officer, options to acquire 600,000 shares of the Company's common stock. As a result of the Company achieving certain sales thresholds, all of such shares are currently exercisable. The exercise price of options designed to qualify as incentive options is $3.58 per share and the exercise price of non-qualified options is $3.25 per share. None of Mr. Simon's options have been exercised. The options expire in 2003.

The Company has elected to follow APB Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related Interpretations, in accounting for stock options because, as discussed below, the alternative fair value accounting provided for under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("FAS 123"), requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, when the exercise price of the Company's employee stock options at least equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Pro-forma information regarding net income and net income per share is required by FAS 123, and has been determined as if the Company has accounted for its stock options under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Sholes option pricing model with the following weighted-average assumptions: risk free interest rates ranging from 4.78% to 6.77%; no dividend yield; volatility factor of the expected market price of the Company's Common Stock of 40%; and a weighted-average expected life of the options of five years at June 30, 1998, 1997 and 1996.

The Black-Sholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information is as follows:

	1998	1997	1996
Pro forma net income	$2,297,000	$747,000	$1,997,000
Pro forma diluted net income per share	$ .19	$ .08	$ .22

The FAS 123 method of accounting has not been applied to options granted prior to July 1, 1995. As a result, the pro forma compensation cost may not be representative of that to be expected in future years.

A summary of the transactions pursuant to the Company's stock options plans for the three years ended June 30, 1998 follows:

	1998		1997		1996	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning of year	1,597,500	$3.61	1,090,000	$3.52	911,500	$3.57
Granted	366,100	7.90	542,500	3.82	193,500	3.25
Exercised	(274,400)	3.42	(15,000)	3.50		
Terminated	(47,800)	4.54	(20,000)	4.75	(15,000)	3.25
Outstanding at end of year	1,641,400	$4.57	1,597,500	$3.61	1,090,000	$3.52
Exercisable at end of year	1,439,400		1,323,000		1,069,000	
Weighted average fair value of options granted during year	$2.50		$1.57		$1.33	

The following table summarizes information for stock options outstanding at June 30, 1998:

Exercise Price	Options Outstanding	Options Exercisable	Weighted Average Remaining Contractual Life in Years
$2.94 - $4.813	1,403,300	1,231,700	6.9
8.50 - 10.00	213,100	192,700	9.4
14.125 - 19.69	25,000	15,000	9.7
	1,641,400	1,439,400	7.2

12. 401(k) SAVINGS PLAN:

On July 1, 1994, the Company adopted a 401(k) Employee Retirement Plan ("Plan") to provide retirement benefits for eligible employees. All full-time employees of the Company and its subsidiaries who have attained the age of 21 are eligible to participate upon completion of 30 days of service. Participants may elect to make voluntary contributions to the Plan in amounts not exceeding federal guidelines. On an annual basis, the Company may, in its sole discretion, make certain matching contributions. For the years ended June 30, 1998, 1997 and 1996, the Company made contributions of $22,000, $21,000 and $15,000, respectively.

13. QUARTERLY FINANCIAL DATA (UNAUDITED):

Unaudited quarterly financial data (in thousands, except per share amounts) for fiscal 1998 and 1997 is summarized as follows:

	Three Months Ended			
	September 30, 1997	December 31, 1997	March 31, 1998	June 30, 1998
Net sales	$16,336	$28,676	$28,212	$31,029
Gross profit	6,474	11,626	11,520	12,836
Operating income	1,379	2,747	3,020	3,340
Income before income taxes and extraordinary charge	828	1,845	2,371	2,840
Extraordinary charge				(1,342)
Net income	476	1,061	1,389	366
Basic earnings per common share:				
Income before extraordinary charge	$ .05	$ .11	$ .12	$ .15
Extraordinary charge				$(.12)
Net income	$ .05	$ .11	$ .12	$ .03
Diluted earnings per common share:				
Income before extraordinary charge	$ .05	$ .10	$ .11	$ .13
Extraordinary charge				$(.10)
Net income	$ .05	$ .10	$ .11	$ .03

	Three Months Ended			
	September 30, 1996	December 31, 1996	March 31, 1997	June 30, 1997
Net sales	$15,437	$17,117	$13,623	$19,176
Gross profit	5,729	6,578	5,030	7,235
Operating income	1,170	1,246	600	987
Income before income taxes	589	752	57	457
Net income	336	428	33	272
Basic income per common share	$ .04	$ .05	$ .00	$ .03
Diluted income per common share	$ .04	$ .05	$ .00	$ .03

14. LITIGATION:

A former financial advisor to Westbrae has made a demand for payment of fees and expenses in the amount of approximately $1.0 million relating to the sale of Westbrae to the Company in October 1997, and submitted the matter to arbitration. The Company believes, based on correspondence and representations provided by former management of Westbrae, that the fee agreement expired and terminated prior to the sale of Westbrae and that no fees are payable. The Company is also from time to time involved in incidental litigation relating to the conduct of its business. In the opinion of management, disposition of pending litigation will not have a material adverse effect on the Company's business, results of operations or financial condition.

15. SUBSEQUENT EVENT:

On July 1, 1998, the Company acquired the following businesses and brands from The Shansby Group and other investors;, Arrowhead Mills (natural foods). DeBoles Nutritional Foods (natural pasta products), Terra Chips (natural vegetable chips) and Garden of Eatin', Inc. (natural snack products).

The aggregate purchase price (excluding closing costs) for these businesses was $80 million. The purchase price was paid by the issuance of 1,716,000 shares of the Company's common stock with a market value of $40 million and $40 million in cash from the proceeds of an amended and restated credit agreement with the Company's bank. Sales for these business were approximately $55 million for the twelve months ended June 30, 1998.

Item 9. Changes in and Disagreements with Accountants
on Accounting and Financial Disclosure.

There were no changes in or disagreements with Accountants on Accounting and Financial Disclosure.

PART III

Item 10, "Directors and Executive Officers of the Registrant, Item 11, "Executive Compensation", Item 12, "Security Ownership of Certain Beneficial Owners and Management", and Item 13, "Certain Relationships and Related Transactions", have been omitted from this report inasmuch as the Company will file with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this report a definitive Proxy Statement for the Annual Meeting of Stockholders of the Company to be held on December 8, 1998, at which meeting the stockholders will vote upon election of the directors. This information under the caption "Election of Directors" in such Proxy Statement is incorporated herein by reference.

PART IV

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

(a)(1) List of Financial statements

Consolidated Balance Sheets - June 30, 1998 and 1997

Consolidated Statements of Income - Years ended June 30, 1998, 1997 and 1996

Consolidated Statements of Cash Flows - Years ended June 30, 1998, 1997 and 1996

Consolidated Statement of Stockholders' Equity - Years ended June 30, 1998, 1997 and 1996

Notes to Consolidated Financial Statements

(2) List of Financial Statement Schedules

Valuation and Qualifying Accounts (Schedule II)

(3) List of Exhibits

Exhibit 23 - Consent of Independent Auditors

Exhibit 27 - Financial Data Schedule

(b) Reports on Form 8-K

On April 24, 1998, the Company filed a report on Form 8-K announcing the execution of a purchase agreement pursuant to which the Company would acquire four leading natural food businesses from The Shansby Group and other owners.

See Note 15 to the Notes to Consolidated Financial Statements for information on the closing of this transaction on July 1, 1998.

The Company did not file any other reports on Form 8-K during the three months ended June 30, 1998.

THE HAIN FOOD GROUP, INC. AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

Column A	Column B	Column C		Column D	Column E
		Additions			
	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts- describe	Deductions describe	Balance at end of period
Year ended June 30, 1998 Deducted from asset accounts: Allowance for doubtful accounts	$265,000	$70,000	$94,000 (1)	$104,000 (2)	$325,000
Year ended June 30, 1997 Deducted from asset accounts: Allowance for doubtful accounts	$58,000	$290,000	$66,000 (1)	$149,000 (2)	$265,000
Year ended June 30, 1996 Deducted from asset accounts: Allowance for doubtful accounts	$120,000	$123,000	$41,000 (1)	$226,000 (2)	$58,000

(1) Allowance for doubtful accounts at date of acquisition of acquired businesses.
(2) Uncollectible accounts written off, net of recoveries.

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.

THE HAIN FOOD GROUP, INC.

25th day of September 1998

By: /s/ Irwin D. Simon
Irwin D. Simon
President and Chief Executive Officer

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

Signature	Title	Date
/s/ Andrew R. Heyer Andrew R. Heyer	Chairman of the Board of Directors	September 25, 1998
/s/ Irwin D. Simon Irwin D. Simon and Director	President, Chief Executive Officer	September 25, 1998
/s/ William Fox William Fox	Vice Chairman of the Board of Directors	September 25, 1998
/s/ Jack Kaufman Jack Kaufman	Vice President-Chief Financial Officer (a)	September 25, 1998
/s/ Beth L. Bronner Beth L. Bronner	Director	September 25, 1998
/s/ William P. Carmichael William P. Carmichael	Director	September 25, 1998
/s/ Jack Futterman Jack Futterman	Director	September 25, 1998
/s/ James S. Gold James S. Gold	Director	September 25, 1998
/s/ Barry Gordon Barry Gordon	Director	September 25, 1998
/s/ Steven S. Schwartzreich Steven S. Schwartzreich	Director	September 25, 1998

(a) Mr. Kaufman was the Company's Chief Financial Officer through September 7, 1998 and assumed his new role as Senior Vice President-Business Development on September 8, 1998.

Exhibit 23

Consent of Independent Auditors

We consent to the incorporation by reference in the Post-Effective Amendment No. 1 to Registration Statement (Form S-8 No. 333-38915) pertaining to The Hain Food Group, Inc. 1994 Long Term Incentive and Stock Award Plan, and the Registration Statement (Form S-3 No. 333-59761) of The Hain Food Group, Inc. and in the related Prospectus of our report dated September 10, 1998, with respect to the consolidated financial statements and schedule of The Hain Food Group, Inc. and Subsidiaries included in this Annual Report (Form 10-K) for the year ended June 30, 1998.

/s/ Ernst & Young LLP

Melville, New York
September 24, 1998

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