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

FORM 10-Q

(MARK ONE)
(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2000

(   ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM ______________ TO __________

1-4462
Commission File Number

STEPAN COMPANY
(Exact name of registrant as specified in its charter)

Delaware	36 1823834
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

Edens and Winnetka Road, Northfield, Illinois 60093
(Address of principal executive offices)

Registrant's telephone number (847) 446-7500

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

Yes X No ___

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

Class	Outstanding at July 31, 2000
Common Stock, $1 par value	9,290,194 Shares

Part I FINANCIAL INFORMATION

Item 1 - Financial Statements

STEPAN COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
June 30, 2000 and December 31, 1999
Unaudited

(Dollars in thousands)	6/30/00	12/31/99
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,170	$ 3,969
Receivables, net	104,160	97,089
Inventories (Note 2)	55,481	51,849
Deferred income taxes	9,361	9,361
Other current assets	4,691	4,392
Total current assets	174,863	166,660
PROPERTY, PLANT AND EQUIPMENT:		
Cost	606,575	596,904
Less: Accumulated depreciation	405,045	387,423
Property, plant and equipment, net	201,530	209,481
OTHER ASSETS	37,155	38,435
Total assets	$413,548	$414,576
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 9,130	$ 7,663
Accounts payable	52,581	48,676
Accrued liabilities	33,619	41,706
Total current liabilities	95,330	98,045
DEFERRED INCOME TAXES	42,626	41,975
LONG-TERM DEBT, less current maturities	110,137	107,420
OTHER NON-CURRENT LIABILITIES	10,108	12,072
STOCKHOLDERS' EQUITY:		
5-1/2% convertible preferred stock, cumulative, voting without par value; authorized 2,000,000 shares; issued 772,704 shares in 2000 and 783,003 shares in 1999	19,318	19,575
Common stock, $1 par value; authorized 30,000,000 shares; issued 9,765,357 shares in 2000 and 9,684,600 shares in 1999	9,765	9,685
Additional paid-in capital	12,534	11,909
Accumulated other comprehensive loss	(12,101)	(10,631)
Retained earnings (approximately $48,225 unrestricted in 2000 and $48,329 in 1999)	141,643	134,224
Less: Treasury stock, at cost	15,812	9,698
Stockholders' equity	155,347	155,064
Total liabilities and stockholders' equity	$413,548	$414,576

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these condensed consolidated balance sheets.

STEPAN COMPANY
CONSOLIDATED STATEMENTS OF INCOME
For the Three and Six Months Ended June 30, 2000 and 1999
Unaudited

(In thousands, except per share amounts)	Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999
NET SALES	$169,883	$166,759	$337,259	$330,720
Cost of Sales	139,203	134,368	279,496	269,410
Gross Profit	30,680	32,391	57,763	61,310
Operating Expenses:				
Marketing	6,220	6,144	12,396	11,826
Administrative	5,929	6,025	12,078	11,545
Research, Development and Technical Services	5,700	5,295	11,458	10,787
	17,849	17,464	35,932	34,158
Operating Income	12,831	14,927	21,831	27,152
Other Income (Expense):				
Interest, Net	(2,186)	(2,158)	(4,237)	(4,268)
Income from Equity Joint Ventures	214	194	268	227
	(1,972)	(1,964)	(3,969)	(4,041)
Income Before Income Taxes	10,859	12,963	17,862	23,111
Provision for Income Taxes	4,234	5,007	6,966	9,013
NET INCOME	$ 6,625	$ 7,956	$ 10,896	$ 14,098
Net Income Per Common Share (Note 4):				
Basic	$ 0.68	$ 0.81	$ 1.11	$ 1.42
Diluted	$ 0.64	$ 0.75	$ 1.05	$ 1.32
Shares used to compute Net Income Per Common Share (Note 4):				
Basic	9,388	9,616	9,445	9,648
Diluted	10,279	10,670	10,348	10,714
Dividends per Common Share	$ 0.1625	$ 0.1500	$ 0.3250	$ 0.3000

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

STEPAN COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2000 and 1999
Unaudited

(Dollars in thousands)	6/30/00	6/30/99
NET CASH FLOW FROM OPERATING ACTIVITIES		
Net income	$ 10,896	$ 14,098
Depreciation and amortization	20,483	20,411
Deferred revenue recognition	(1,510)	(3,656)
Deferred income taxes	573	2,072
Environmental and legal liabilities	(456)	(761)
Other non-cash items	(103)	397
Changes in Working Capital:		
Receivables, net	(7,071)	(13,189)
Inventories	(3,632)	2,848
Accounts payable and accrued liabilities	(4,181)	142
Other	(299)	330
Net Cash Provided by Operating Activities	14,700	22,692
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for property, plant and equipment	(12,028)	(17,133)
Other non-current assets	67	109
Net Cash Used for Investing Activities	(11,961)	(17,024)
CASH FLOWS FROM FINANCING AND OTHER RELATED ACTIVITIES		
Revolving debt and notes payable to banks, net	10,400	10,300
Other debt borrowings	--	66
Other debt repayments	(6,216)	(6,727)
Purchase of treasury stock, net	(6,113)	(4,732)
Dividends paid	(3,477)	(3,329)
Other non-cash items	(132)	349
Net Cash Used for Financing and Other Related Activities	(5,538)	(4,073)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,799)	1,595
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,969	983
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 1,170	$ 2,578
CASH PAID DURING THE PERIOD FOR:		
Interest	$ 4,435	$ 4,433
Income taxes	$ 5,235	$ 7,162

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

STEPAN COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2000 and December 31, 1999
Unaudited

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements included herein have been prepared by the company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although management believes that the disclosures are adequate and make the information presented not misleading. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and the notes thereto included in the company's latest Annual Report to Stockholders and the Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1999. In the opinion of management all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the consolidated financial position of Stepan Company as of June 30, 2000, and the consolidated results of operations for the three and six months then ended and cash flows for the six months then ended, have been included.

2. INVENTORIES

Inventories include the following amounts:

(Dollars in thousands)	6/30/00	12/31/99
Inventories valued primarily on LIFO basis -		
Finished products	$34,074	$32,729
Raw materials	21,407	19,120
Total inventories	$55,481	$51,849

If the first-in, first-out (FIFO) inventory valuation method had been used for all inventories, inventory balances would have been approximately $9,600,000 and $10,600,000 higher than reported at June 30, 2000, and December 31, 1999, respectively.

3. CONTINGENCIES

There are a variety of legal proceedings pending or threatened against the company. Some of these proceedings may result in fines, penalties, judgments or costs being assessed against the company at some future time. The company's operations are subject to extensive local, state and federal regulations, including the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("Superfund") and the Superfund amendments of 1986. The company, and others, have been named as potentially responsible parties at affected geographic sites. As discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in this filing, the company believes that it has made adequate provisions for the costs it may incur with respect to these sites. The company has estimated a range of possible environmental and legal losses from $4.0 million to $24.5 million at June 30, 2000. At June 30, 2000, the company's reserve was $11.1 million for legal and environmental matters compared to $11.6 million at December 31, 1999.

For certain sites, estimates cannot be made of the total costs of compliance, or the company's share of such costs; accordingly, the company is unable to predict the effect thereof on future results of operations. In the event of one or more adverse determinations in any annual or interim period, the impact on results of operations for those periods could be material. However, based upon the company's present belief as to its relative involvement at these sites, other viable entities' responsibilities for cleanup and the extended period over which any costs would be incurred, the company believes that these matters will not have a material effect on the company's financial position. Certain of these matters are discussed in Item 3, Legal Proceedings, in the 1999 Form 10-K Annual Report, Item 1, Legal Proceedings, in this Form 10-Q, and in other filings of the company with the Securities and Exchange Commission, which are available upon request from the company.

Following are summaries of the environmental proceedings related to the company's Maywood, New Jersey, and Ewan and D'Imperio environmental sites:

Maywood, New Jersey, Site:

As reported previously, the company's site in Maywood, New Jersey and property formerly owned by the company adjacent to its current site, were listed on the National Priorities List in September 1993 pursuant to the provisions of the Comprehensive Environmental Response Compensation and Liabilities Act because of certain alleged chemical contamination. Pursuant to an Administrative Order on Consent entered into between the United States Environmental Protection Agency (USEPA) and the company for property formerly owned by the company, and the issuance of an order by the USEPA to the company for property currently owned by the company, the company has completed a Remedial Investigation Feasibility Study in 1994. The company has been awaiting the issuance of a Record of Decision (ROD) from the USEPA which would relate to both the currently owned and formerly owned company property and would recommend the type of remediation required on each property. The company does not know when the ROD will be issued by the USEPA.

In 1985, the company entered into a Cooperative Agreement with the United States of America represented by the Department of Energy (Agreement). Pursuant to this Agreement, the Department of Energy took title to radiological contaminated materials and was to remediate, at its expense, all radiological (byproduct material and source material) waste on the company's property in Maywood, New Jersey. The Maywood property (and portions of the surrounding area) were remediated by the Department of Energy under the Formerly Utilized Sites Remedial Action Program, a federal program under which the U.S. Government undertook to remediate properties which were used to process radiological material for the U.S. Government. In 1997, responsibility for this clean-up was transferred to the United States Army Corps of Engineers (USACE). On January 29, 1999, the company received a copy of a USACE Report to Congress dated January 1998 in which the USACE expressed their intention to evaluate, with the USEPA, whether the company and/or other parties might be responsible for cost recovery or contribution claims related to the Maywood site. Subsequent to the issuance of that report, the USACE advised the company that it had requested legal advice from the Department of Justice as to the impact of the Cooperative Agreement.

By letter dated July 28, 2000, the Department of Justice advised the company that the USACE and the USEPA had referred to the Justice Department claims against the company for response costs incurred or to be incurred by the USACE, USEPA and the Department of Energy in connection with the Maywood Site and the Justice Department stated that the United States is entitled to recovery of its response costs from the company under CERCLA. The letter refers to both radiological and non-radiological hazardous waste at the Maywood Site and states that the United States has incurred unreimbursed response costs to date of $138.0 million. In the letter the Justice Department invites the company to discuss settlement of the matter in order to avoid the need for litigation. The company has previously included potential claims for response costs associated with non-radiological waste at the Maywood Site in its estimated range of costs and its establishment of reserves for potential claims at various sites where it is a potentially responsible party under CERCLA and the company believes such estimates and reserves are adequate to include claims associated with non-radiological waste at the Maywood Site. The company has not reflected in such estimates and such reserves any amount for costs associated with radiological waste at the Maywood Site (which represent all but a small portion of the amount referred to in the Justice Department letter and could be expected to aggregate substantially in excess of that amount) because of its belief that its liability, if any, for such costs has been resolved by the aforesaid Cooperative Agreement. The company continues to believe that it has no liability to the United States for such radiological cleanup costs by reason of the aforesaid Cooperative Agreement and the company intends to assert that position vigorously in discussions with the Justice Department and, if necessary, in defense of any litigation asserting such claims.

Ewan and D'Imperio Site:

As reported previously, the company has been named as a potentially responsible party (PRP) in the case USEPA v. Jerome Lightman (92 CV 4710) (JBS) which involves the Ewan and D'Imperio Superfund Sites located in New Jersey. Trial on the issue of the company's liability at these sites was completed in March 2000. The company is awaiting a decision from the court. If the company is found liable at either site, a second trial as to the company's allocated share of clean-up costs at these sites will be held in calendar year 2000 or calendar year 2001. The company believes it has adequate defenses to the issue of liability. In the event of an unfavorable outcome related to the issue of liability, the company believes it has adequate reserves. On a related matter, the company has filed an appeal to the United States Third Circuit Court of Appeals objecting to the lodging of a partial consent decree in favor of the United States Government in this action. Under the partial consent decree, the government recovered past costs at the site from all PRPs including the company. The company paid its assessed share but by objecting to the partial consent decree, the company is seeking to recover back the sums it paid.

4. EARNINGS PER SHARE

Below is the computation of basic and diluted earnings per share for the three and six months ended June 30, 2000 and 1999.

(In thousands, except per share amounts)	Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999
Computation of Basic Earnings per Share				
Net income	$ 6,625	$ 7,956	$10,896	$14,098
Deduct dividends on preferred stock	205	213	412	437
Income applicable to common stock	$ 6,420	$ 7,743	$10,484	$13,661
Weighted-average number of shares outstanding	9,388	9,616	9,445	9,648
Basic earnings per share	$ 0.68	$ 0.81	$ 1.11	$ 1.42
Computation of Diluted Earnings per Share				
Net Income	$ 6,625	$ 7,956	$10,896	$14,098
Weighted-average number of shares outstanding	9,388	9,616	9,445	9,648
Add net shares issuable from assumed exercise of options (under treasury stock method)	210	333	217	334
Add weighted-average shares issuable from assumed conversion of convertible preferred stock	681	721	686	732
Shares applicable to diluted earnings	10,279	10,670	10,348	10,714
Diluted earnings per share	$ 0.64	$ 0.75	$ 1.05	$ 1.32

5. COMPREHENSIVE INCOME

Below is the company's comprehensive income for the three and six months ended June 30, 2000 and 1999:

(Dollars in thousands)	Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999
Net income	$ 6,625	$ 7,956	$10,896	$14,098
Other comprehensive loss:				
Foreign currency translation adjustments	(824)	(287)	(1,470)	(1,215)
Comprehensive income	$ 5,801	$ 7,669	$ 9,426	$12,883

6. SEGMENT REPORTING

Stepan Company has three reportable segments: surfactants, polymers and specialty products. Financial results of Stepan Company's operating segments for the quarters ended June 30, 2000 and 1999, are summarized below:

(Dollars in thousands)	Surfactants	Polymers	Specialty Products	Segment Totals
For the quarter ended June 30, 2000				
Net sales	$128,456	$36,343	$5,084	$169,883
Operating income	12,394	5,863	888	19,145
For the quarter ended June 30, 1999				
Net sales	$130,857	$31,619	$4,283	$166,759
Operating income	14,320	6,546	528	21,394
For six months ended June 30, 2000				
Net sales	$261,252	$66,726	$9,281	$337,259
Operating income	24,180	10,278	690	35,148
For six months ended June 30, 1999				
Net sales	$262,606	$59,381	$8,733	$330,720
Operating income	27,925	11,402	1,154	40,481

Below are reconciliations of segment operating income to consolidated income before income taxes:

(Dollars in thousands)	Three Months Ended June 30 2000	Three Months Ended June 30 1999	Six Months Ended June 30 2000	Six Months Ended June 30 1999
Operating income segment totals	$19,145	$21,394	$ 35,148	$ 40,481
Unallocated corporate expenses/(a)/	(6,314)	(6,467)	(13,317)	(13,329)
Interest expense	(2,186)	(2,158)	(4,237)	(4,268)
Income from equity in joint ventures	214	194	268	227
Consolidated income before income taxes	$10,859	$12,963	$ 17,862	$ 23,111

(a) Includes corporate administrative and corporate manufacturing expenses which are not included in segment operating income and not used to evaluate segment performance.

There have been no changes in the basis of segmentation or the measurement of segment profit or loss and no material change in segment assets from those disclosed in the annual report for the year ended December 31, 1999. The company has certain customers included within the surfactants business that are under long-term contracts. These contracts range from a period of 2 to 5 years. Certain of these contracts are up for renewal beginning in 2001.

7. NEW ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities", effective for fiscal years beginning after June 15, 1999. The standard establishes accounting and reporting requirements for derivative instruments. In June 1999, the FASB issued SFAS No. 137, which deferred the effective date to fiscal years beginning after June 15, 2000. The company believes that the adoption of SFAS No. 133 in 2001 will not have a material effect on its consolidated results of operations or financial position.

In July 2000, the Emerging Issues Task Force reached a final consensus on the classification of shipping and handling fees (Issue No. 00-10, Accounting for Shipping and Handling Fees and Costs). This consensus states that all amounts billed to a customer in a sale transaction related to shipping and handling, if any, represent revenue to the vendor and should be classified as revenue. The implementation date of this standard is fourth quarter 2000. The company does not believe this consensus will have any impact on financial position or net income. The company has yet to assess the impact of this consensus, if any, on the presentation of results of operations.

STEPAN COMPANY
Management's Discussion and Analysis of
Financial Condition and Results of Operations

The following is management's discussion and analysis of certain significant factors which have affected the company's financial condition and results of operations during the interim period included in the accompanying condensed consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

For the six months ended June 30, 2000, net cash from operations totaled $14.7 million compared to $22.7 million for the same period in 1999. Working capital totaled to a net use of $15.2 million. Accounts receivables were up by $7.1 million, inventories increased by $3.6 million and accounts payable and accrued liabilities decreased by $4.2 million.

Capital expenditures have totaled $12.0 million for the first half of 2000 compared to $17.1 million for the same period in 1999. Second-half expenditures are projected to exceed first-half expenditures. However, total 2000 capital spending should fall below the $32.7 million expended in 1999.

Since December 31, 1999, total company debt has increased by $4.2 million, to $119.3 million. As of June 30, 2000, the ratio of long-term debt to long-term debt plus shareholders' equity was 41.5 percent compared to 40.9 percent last year-end.

The company maintains contractual relationships with its domestic banks that provide for revolving credit of up to $60 million, which may be drawn upon as needed for general corporate purposes. The company also meets short-term liquidity requirements through uncommitted domestic bank lines of credit. The company's foreign subsidiaries maintain committed and uncommitted bank lines of credit in their respective countries to meet working capital requirements as well as to fund capital expenditure programs and acquisitions.

The company anticipates that cash from operations and from committed credit facilities will be sufficient to fund anticipated capital expenditures, dividends and other planned financial commitments for the foreseeable future. Any substantial acquisitions would require additional funding.

There have been no material changes in the company's market risks since December 31, 1999.

RESULTS OF OPERATIONS

Three Months Ended June 30, 2000 and 1999

Net income for the second quarter ended June 30, 2000, decreased 17 percent from $8.0 million in 1999, or $0.75 per share diluted, to $6.6 million, or $0.64 per share diluted, in 2000. Net sales rose two percent to $169.9 million from $166.8 million a year ago. Net sales by segment were:

(Dollars in thousands)	Three Months Ended June 30		
	2000	1999	% Change
Net Sales:			
Surfactants	$128,456	$130,857	-2%
Polymers	36,343	31,619	+15%
Specialty Products	5,084	4,283	+19%
Total	$169,883	$166,759	+2%

Surfactants net sales decreased two percent from $130.9 million in the second quarter of 1999 to $128.5 million in the second quarter of 2000. The decline was mainly due to lower results from foreign operations. Foreign operations' net sales decreased $2.5 million, or eight percent, between quarters. A 12 percent drop in sales volume accounted for the decline. Mexican operations reported a 49 percent decrease in sales volume, which constituted more than 89 percent of the overall foreign decline. Lower exchange rates in Europe contributed to the foreign decrease in net sales. Domestic operations, which accounted for 79 percent of total surfactant revenues, reported almost unchanged net sales between years. The second quarter 1999 cancellation of a supply contract and a decline in average selling prices more than offset a six percent gain in sales volume. Sales volume increased due to improvement in the company's laundry and cleaning business partially offset by lower sales volume of personal care products. Strong export sales to Asia favorably affected net sales results. Average selling prices fell due to sales mix and higher freight costs.

Surfactants gross profit decreased six percent to $21.9 million in 2000 from $23.2 million in 1999. Domestic operations reported a $1.1 million, or six percent, decline. The previously noted 1999 supply contract cancellation accounted for $2.5 million in decreased earnings. The rise in sales volume partially offset the decline. Gross profit for foreign operations decreased $0.3 million, or six percent. Lower sales volume, primarily for the Mexican operation, led to the decline.

Polymers net sales increased $4.7 million, or 15 percent, to $36.3 million in the second quarter of 2000 from $31.6 million in the second quarter of 1999. The improvement was due to an eight percent increase in sales volume and a six percent rise in average selling prices. Phthalic anhydride (PA) net sales increased 31 percent from $8.7 million in 1999 to $11.4 million in 2000 and accounted for more than half of the increase. The improvement was mainly due to a 24 percent rise in average selling prices coupled with a six percent gain in sales volume. The higher prices were due to increased raw material costs, which were passed on to customers. Net sales for global polyurethane polyols increased $1.1 million, or seven percent, due to an eight percent rise in sales volume. Polyurethane systems reported a $0.9 million, or 16 percent, rise in net sales between quarters. A 19 percent increase in sales volume more than offset a three percent decline in average selling prices.

Polymers gross profit declined $0.7 million, or nine percent, from $8.3 million in 1999 to $7.6 million in 2000. Global polyurethane polyols' gross profit decreased $1.8 million, or 29 percent, between quarters. Lower domestic and foreign operations average margins caused the decline. Average margins declined mainly due to higher raw material costs. Gross profit for PA increased 58 percent to $2.5 million in the second quarter of 2000 from $1.6 million in the second quarter of 1999. The rise was due to higher sales volume and improved average margins. Polyurethane systems gross profit improved to $1.4 million in the second quarter of 2000 from $1.2 million in the second quarter of 1999. Increased sales volume accounted for the improvement.

Specialty products reported $5.1 million in net sales in the second quarter of 2000, compared to $4.3 million reported a year ago. The improvement was due to increased sales volume and higher average selling prices. Gross profit increased $0.4 million, or 45 percent, between quarters. The improvement was mainly due to the rise in volume, which included a more profitable mix of food ingredient products.

Operating expenses for the second quarter 2000 increased two percent, from $17.5 million in 1999 to $17.8 million in 2000. Research and development expenses rose $0.4 million, or eight percent, between quarters. Higher outside technical service and patent fees led to the increase.

Six Months Ended June 30, 2000 and 1999
- ---------------------------------------

Net income for the first six months ended June 30, 2000, was $10.9 million, or $1.05 per share diluted, down $3.2 million from $14.1 million, or $1.32 per share diluted, for the same period in 1999. Net sales increased two percent to $337.3 million from $330.7 million reported last year. Net sales by segment were:

(Dollars in thousands)	Six Months Ended June 30		
	2000	1999	% Change
Net Sales:			
Surfactants	$261,252	$262,606	-1%
Polymers	66,726	59,381	+12%
Specialty Products	9,281	8,733	+6%
Total	$337,259	$330,720	+2%

Surfactants net sales decreased one percent from $262.6 million in 1999 to $261.3 million in 2000. Domestic operations, which accounted for 78 percent of total surfactant revenues, reported a $0.9 million decrease in net sales between years. The second quarter 1999 cancellation of a supply contract and a decline in average selling prices offset a three percent growth in sales volume and led to the decrease. The increase in sales volume was due to improved sales of the company's laundry and cleaning business. Increased sales volume to distributors and higher export sales volume to Asia also contributed. Lower sales of personal care products partially offset the volume increase. Average selling prices decreased due largely to sales mix and higher freight costs. Foreign operations reported a $0.5 million, or one percent, decrease in net sales. A one percent decline in average selling prices more than offset a one percent gain in sales volume. Sales volumes for Europe and South America improved between years, but the increase was largely offset by decreased sales volume for the company's Mexican operation. In addition, lower exchange rates tempered the revenue from European operations.

Surfactants gross profit decreased four percent between years from $45.0 million in 1999 to $43.0 million in 2000. Domestic operations reported a $2.8 million, or eight percent, drop despite a three percent gain in sales volume. The previously noted supply contract cancellation contributed $3.6 million to the decline. Gross profit for foreign operations improved $0.9 million, or 11 percent, between years. The company's Canadian operations contributed most of the increase due to improved average margins. Despite strong sales volume, European operations' gross profit declined, primarily due to lower margins resulting from strong competition, product mix and lower exchange rates.

Polymers net sales increased $7.3 million, or 12 percent, to $66.7 million in 2000 from $59.4 million a year ago. Both sales volume and average selling prices rose six percent between years. PA's net sales increased 29 percent from $16.9 million in 1999 to $21.7 million in 2000 and accounted for most of the increase. The improvement was mostly due to a 24 percent rise in average selling prices which was attributable to the increased raw material costs passed on to customers. PA sales volume increased four percent between years. Global polyurethane polyols gained $2.2 million in net sales, or six percent, between years. An eight percent rise in sales volume led to the increase. Net sales for polyurethane systems increased $0.3 million, or two percent, on a four percent rise in sales volume.

Polymers gross profit decreased eight percent from $14.7 million in 1999 to $13.5 million in 2000. Gross profit for global polyurethane polyols dropped $2.6 million, or 23 percent, between years. A decline in margins more than offset the rise in sales volume. Higher raw material costs accounted for the margin decline. Gross profit for PA rose $1.2 million, or 43 percent, due to improved average margins and higher sales volume. Improved margins and volumes also led to a $0.3 million, or 16 percent, increase in polyurethane systems gross profit.

Specialty products recorded a six percent increase in net sales from $8.7 million in 1999 to $9.3 million in 2000. Gross profit declined 23 percent from $1.7 million in 1999 to $1.3 million in 2000. Sales of higher margin products were weak during the first quarter of 2000.

Operating expenses rose five percent from $34.2 million in 1999 to $35.9 million in 2000. Administrative and marketing expenses increased five percent between years. Research and development expenses went up six percent.

ENVIRONMENTAL AND LEGAL MATTERS

The company is subject to extensive federal, state and local environmental laws and regulations. Although the company's environmental policies and practices are designed to ensure compliance with these laws and regulations, future developments and increasingly stringent environmental regulation could require the company to make additional unforeseen environmental expenditures. The company will continue to invest in the equipment and facilities necessary to comply with existing and future regulations. During the first six months of 2000, company expenditures for capital projects related to the environment were $0.5 million and should approximate $1.0 million to $1.4 million for the full year 2000. These projects are capitalized and typically depreciated over 10 years. Recurring costs associated with the operation and maintenance of facilities for waste treatment and disposal and managing environmental compliance in ongoing operations at our manufacturing locations were $3.3 million for the first six months of 2000.

The company has been named by the government as a potentially responsible party at 17 waste disposal sites where cleanup costs have been or may be incurred under the federal Comprehensive Environmental Response, Compensation and Liability Act and similar state statutes. In addition, damages are being claimed against the company in general liability actions for alleged personal injury or property damage in the case of some disposal and plant sites. The company believes that it has made adequate provisions for the costs it may incur with respect to these sites. The company has estimated a range of possible environmental and legal losses from $4.0 million to $24.5 million at June 30, 2000. At June 30, 2000, the company's reserve was $11.1 million for legal and environmental matters compared to $11.6 million at December 31, 1999. During the first six months of 2000, expenditures related to legal and environmental matters approximated $1.2 million. For certain sites, estimates cannot be made of the total costs of compliance or the company's share of such costs; accordingly, the company is unable to predict the effect thereof on future results of operations. In the event of one or more adverse determinations in any annual or interim period, the impact on results of operations for those periods could be material. However, based upon the company's present belief as to its relative involvement at these sites, other viable entities' responsibilities for cleanup and the extended period over which any costs would be incurred, the company believes that these matters will not have a material effect on the company's financial position. Certain of these matters are discussed in Item 3, Legal Proceedings, in the 1999 Form 10-K Annual Report and in other filings of the company with the Securities and Exchange Commission, which are available upon request from the company. See Footnote 3, Contingencies, in Notes to Condensed Consolidated Financial Statements, and Item 1, Legal Proceedings, in this Form 10-Q for a summary of the environmental proceedings related to the company's Maywood, New Jersey, and Ewan and D'Imperio environmental sites.

NEW ACCOUNTING STANDARD

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities", effective for fiscal years beginning after June 15, 1999. The standard establishes accounting and reporting requirements for derivative instruments. In June 1999, the FASB issued SFAS No. 137, which deferred the effective date to fiscal years beginning after June 15, 2000. The company believes that the adoption of SFAS No. 133 in 2001 will not have a material effect on its consolidated results of operations or financial position.

In July 2000, the Emerging Issues Task Force reached a final consensus on the classification of shipping and handling fees (Issue No. 00-10, Accounting for Shipping and Handling Fees and Costs). This consensus states that all amounts billed to a customer in a sale transaction related to shipping and handling, if any, represent revenue to the vendor and should be classified as revenue. The implementation date of this standard is fourth quarter 2000. The company does not believe this consensus will have any impact on financial position or net income. The company has yet to assess the impact of this consensus, if any, on the presentation of results of operations.

OTHER

Except for the historical information contained herein, the matters discussed in this document are forward looking statements that involve risks and uncertainties. The results achieved this quarter are not necessarily an indication of future prospects for the company. Actual results in future quarters may differ materially. Potential risks and uncertainties include, among others, fluctuations in the volume and timing of product orders, changes in demand for the company's products, changes in technology, continued competitive pressures in the marketplace, outcome of environmental contingencies, availability of raw materials, foreign currency fluctuations and the general economic conditions.

- ---

Item 1 - Legal Proceedings

As reported previously, the company's site in Maywood, New Jersey and property formerly owned by the company adjacent to its current site, were listed on the National Priorities List in September 1993 pursuant to the provisions of the Comprehensive Environmental Response Compensation and Liabilities Act because of certain alleged chemical contamination. Pursuant to an Administrative Order on Consent entered into between the United States Environmental Protection Agency (USEPA) and the company for property formerly owned by the company, and the issuance of an order by the USEPA to the company for property currently owned by the company, the company has completed a Remedial Investigation Feasibility Study in 1994. The company has been awaiting the issuance of a Record of Decision (ROD) from the USEPA which would relate to both the currently owned and formerly owned company property and would recommend the type of remediation required on each property. The company does not know when the ROD will be issued by the USEPA.

In 1985, the company entered into a Cooperative Agreement with the United States of America represented by the Department of Energy (Agreement). Pursuant to this Agreement, the Department of Energy took title to radiological contaminated materials and was to remediate, at its expense, all radiological (byproduct material and source material) waste on the company's property in Maywood, New Jersey. The Maywood property (and portions of the surrounding area) were remediated by the Department of Energy under the Formerly Utilized Sites Remedial Action Program, a federal program under which the U.S. Government undertook to remediate properties which were used to process radiological material for the U.S. Government. In 1997, responsibility for this clean-up was transferred to the United States Army Corps of Engineers (USACE). On January 29, 1999, the company received a copy of a USACE Report to Congress dated January 1998 in which the USACE expressed their intention to evaluate, with the USEPA, whether the company and/or other parties might be responsible for cost recovery or contribution claims related to the Maywood site. Subsequent to the issuance of that report, the USACE advised the company that it had requested legal advice from the Department of Justice as to the impact of the Cooperative Agreement.

By letter dated July 28, 2000, the Department of Justice advised the company that the USACE and the USEPA had referred to the Justice Department claims against the company for response costs incurred or to be incurred by the USACE, USEPA and the Department of Energy in connection with the Maywood Site and the Justice Department stated that the United States is entitled to recovery of its response costs from the company under CERCLA. The letter refers to both radiological and non-radiological hazardous waste at the Maywood Site and states that the United States has incurred unreimbursed response costs to date of $138.0 million. In the letter the Justice Department invites the company to discuss settlement of the matter in order to avoid the need for litigation. The company has previously included potential claims for response costs associated with non-radiological waste at the Maywood Site in its estimated range of costs and its establishment of reserves for potential claims at various sites where it is a potentially responsible party under CERCLA and the company believes such estimates and reserves are adequate to include claims associated with non-radiological waste at the Maywood Site. The company has not reflected in such estimates and such reserves any amount for costs associated with radiological waste at the Maywood Site (which represent all but a small portion of the amount referred to in the Justice Department letter and could be expected to aggregate substantially in excess of that amount) because of its belief that its liability, if any, for such costs has been resolved by the aforesaid Cooperative Agreement. The company continues to believe that it has no liability to the United States for such radiological cleanup costs by reason of the aforesaid Cooperative Agreement and the company intends to assert that position vigorously in discussions with the Justice Department and, if necessary, in defense of any litigation asserting such claims.

As reported previously, the company has been named as a potentially responsible party (PRP) in the case USEPA v. Jerome Lightman (92 CV 4710) (JBS) which involves the Ewan and D'Imperio Superfund Sites located in New Jersey. Trial on the issue of the company's liability at these sites was completed in March 2000. The company is awaiting a decision from the court. If the company is found liable at either site, a second trial as to the company's allocated share of clean-up costs at these sites will be held in calendar year 2000 or calendar year 2001. The company believes it has adequate defenses to the issue of liability. In the event of an unfavorable outcome related to the issue of liability, the company believes it has adequate reserves. On a related matter, the company has filed an appeal to the United States Third Circuit Court of Appeals objecting to the lodging of a partial consent decree in favor of the United States Government in this action. Under the partial consent decree, the government recovered past costs at the site from all PRPs including the company. The company paid its assessed share but by objecting to the partial consent decree, the company is seeking to recover back the sums it paid.

The company received a Section 104(e) Request for Information from the USEPA dated March 21, 2000, regarding the Lightman Drum Site located in Winslow Township, New Jersey. The company responded to this request on May 18, 2000.

In addition, the company received a Notice of Potential Liability and Request to Perform RI/FS dated June 30, 2000, from USEPA. The company is currently investigating this matter and therefore, cannot predict what its liability, if any, will be for this site.

Reference is made to the action entitled Pennsauken Solid Waste Management Authority v. State of New Jersey, et al. It is anticipated that the company will be dismissed from this action. Therefore, this matter should have no material impact on the financial condition of the company.

Reference is made to the Administrative Complaint filed by Region 5 of the USEPA (FIFRA-5-2000-011) alleging violations of the Federal Insecticide, Fungicide and Rodenticide Act. The company has settled this matter with USEPA with no material impact on the financial condition of the company.

SIGNATURES

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

STEPAN COMPANY

/s/ Walter J. Klein
Walter J. Klein
Vice President - Finance
Principal Financial and Accounting Officer

Date: August 14, 2000

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM CONDENSED CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2000 AND CONSOLIDATED STATEMENT OF INCOME FOR THE SIX MONTHS THEN ENDED AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

6-MOS
DEC-31-2000
JUN-30-2000
1,170
0
104,160
0
55,481
174,863
606,575
405,045
413,548
95,330
0
0
19,318
9,765
126,264
413,548
337,259
337,259
279,496
315,428
0
0
4,237
17,862
6,966
10,896
0
0
0
10,896
1.11
1.05