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

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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 MARCH 31, 1997

( ) 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 April 30, 1997
Common Stock, $1 par value	9,801,000 shares

Part I FINANCIAL INFORMATION

Item 1 - Financial Statements

STEPAN COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
March 31, 1997 and December 31, 1996
Unaudited

(Dollars in Thousands)	3/31/97	12/31/96
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 3,033	$ 4,778
Receivables, net	84,194	85,017
Inventories (Note 2)	45,040	50,242
Deferred income taxes	10,703	10,703
Other current assets	2,908	2,958
Total current assets	$145,878	$ 153,698
PROPERTY, PLANT AND EQUIPMENT:		
Cost	504,477	497,882
Less accumulated depreciation	297,768	290,723
	206,709	207,159
OTHER ASSETS	19,551	20,155
Total assets	$372,138	$ 381,012
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 6,697	$ 6,973
Accounts payable	38,840	43,417
Accrued liabilities	32,255	32,986
Total current liabilities	77,792	83,376
DEFERRED INCOME TAXES	35,279	35,954
LONG-TERM DEBT, less current maturities	97,848	102,567
OTHER NON-CURRENT LIABILITIES	28,236	27,500
STOCKHOLDERS' EQUITY:		
5-1/2% convertible preferred stock, cumulative, voting without par value; authorized 2,000,000 shares; issued 796,972 shares in 1997 and 796,972 shares in 1996	19,924	19,924
Common stock, $1 par value; authorized 15,000,000 shares; issued 10,137,306 shares in 1997 and 10,131,706 shares in 1996	10,137	10,132
Additional paid-in capital	5,215	5,066
Cumulative translation adjustments	(6,202)	(4,820)
Retained earnings (approximately $49,382 unrestricted in 1997 and $46,689 in 1996)	109,490	106,513

	138,564	136,815
Less - Treasury stock, at cost	5,581	5,200
Stockholders' equity	132,983	131,615
Total liabilities and stockholders' equity	$372,138	$ 381,012

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 Months Ended March 31, 1997 and 1996
Unaudited

(In Thousands, except per share amounts)	Three Months Ended March 31	
	1997	1996
NET SALES	$139,670	$130,643
Cost of Sales	115,625	104,768
Gross Profit	24,045	25,875
Operating Expenses:		
Marketing	4,866	4,749
Administrative	4,765	5,037
Research, Development and Technical Services	4,909	4,792
	14,540	14,578
Operating Income	9,505	11,297
Other Income (Expense):		
Interest, Net	(1,870)	(1,987)
Income (Loss) from Equity Joint Ventures	(96)	(167)
	(1,966)	(2,154)
Income Before Income Taxes	7,539	9,143
Provision for Income Taxes	3,062	3,508
NET INCOME	$ 4,477	$ 5,635
Net Income Per Common Share (Note 3)		
Primary	$ 0.43	$ 0.54
Fully Diluted	$ 0.41	$ 0.51
Dividends per Common Share	$ 0.1250	$ 0.1175
Average Common Shares Outstanding	9,839	10,016

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

STEPAN COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 1997 and 1996
Unaudited

(Dollars In Thousands)	3/31/97	3/31/96
NET CASH FLOW FROM OPERATING ACTIVITIES		
Net income	$ 4,477	$ 5,635
Depreciation and amortization	8,876	8,395
Deferred revenue recognition	(724)	(641)
Customer prepayments	2,000	2,700
Deferred income taxes	(599)	(628)
Non-current environmental and legal liabilities	(540)	-
Other non-cash items	284	192
Changes in Working Capital:		
Receivables, net	823	1,879
Inventories	5,202	3,307
Accounts payable and accrued liabilities	(5,308)	(8,969)
Other	50	278
Net Cash Provided by Operating Activities	14,541	12,148
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for property, plant and equipment	(9,332)	(11,285)
Investment in subsidiaries or joint venture	-	(50)
Other non-current assets	228	80
Net Cash Used for Investing Activities	(9,104)	(11,255)
CASH FLOWS FROM FINANCING AND OTHER RELATED ACTIVITIES		
Revolving debt and notes payable to banks, net	(3,729)	1,101
Other debt borrowings	-	-
Other debt repayments	(1,247)	(36)
Sales of treasury stock, net	(381)	320
Dividends paid	(1,500)	(1,447)
Other non-cash items	(325)	47
Net Cash Used for Financing and Other Related Activities	(7,182)	(15)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,745)	878
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,778	3,148
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 3,033	$ 4,026
CASH PAID DURING THE PERIOD FOR:		
Interest	$ 855	$ 2,573
Income taxes	$ 1,872	$ 786

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

STEPAN COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1997 and December 31, 1996
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, 1996. 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 March 31, 1997, and the consolidated results of operations and cash flows for the three months then ended, have been included.

2. INVENTORIES

Inventories include the following amounts:

(Dollars in Thousands)	3/31/97	12/31/96
Inventories valued primarily on LIFO basis -		
Finished products	$29,952	$30,689
Raw materials	15,088	19,553
Total inventories	$45,040	$50,242

If the first-in, first-out (FIFO) inventory valuation method had been used for all inventories, inventory balances would have been approximately $12,900,000 and $12,800,000 higher than reported at March 31, 1997, and December 31, 1996, respectively.

3. NET INCOME PER COMMON SHARE

Primary net income per common share amounts are computed by dividing net income less the convertible preferred stock dividend requirement by the weighted average number of common shares outstanding. Fully diluted net income per share amounts are based on an increased number of common shares that would be outstanding assuming the exercise of certain outstanding stock options and the conversion of the convertible preferred stock, when such conversion would have the effect of reducing net income per share. For computation of earnings per share, reference should be made to Exhibit 11.

4. 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 $4.1 million to $26.2 million at March 31, 1997. At March 31, 1997, the company's reserve was $20.5 million for legal and environmental matters compared to $21.0 million at December 31, 1996.

At certain of the 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 1996 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.

5. SUBSEQUENT EVENT

In April 1997, the company completed its previously announced acquisition of the West Coast anionic surfactant business from Lonza, Inc. The acquisition consists of intangible assets, including customer lists, goodwill, know-how and a non-compete covenant. No manufacturing facilities were included in the agreement.

6. RECLASSIFICATIONS

Certain amounts in the 1996 financial statements have been reclassified to conform with the 1997 presentation.

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 quarter ended March 31, 1997, net cash from operations totaled $14.5 million, an increase of $2.4 million, or 20 percent, over last year's first quarter. The current year increase came as a result of insurance recoveries and working capital improvements, partially offset by lower net income.

For the first quarter of 1997, net income was down by $1.2 million compared to the same quarter in 1996. Insurance recoveries received during the first quarter essentially offset a trade receivable increase which was driven by higher sales compared to the fourth quarter of 1996. Inventories fell by $5.2 million for the current year quarter compared to a decrease of $3.3 million for the first quarter of 1996.

Capital expenditures totaled $9.3 million for the current quarter, down by $2.0 million compared to $11.3 million for the same period in 1996. During April 1997, the company also entered into an agreement to purchase certain portions of the anionic surfactant business of Lonza, Inc., of Fair Lawn, New Jersey.

For the first three months of 1997, total company debt decreased by $5.0 million, to $104.5 million. At quarter-end, the ratio of long-term debt to long-term debt plus shareholders' equity stood at 42.4 percent, down from 43.8 percent as of December 31, 1996.

The company maintains contractual relationships with its domestic banks which provide for $45 million of revolving credit which may be drawn upon as needed for general corporate purposes. At March 31, 1997, the company had $6.5 million outstanding under this revolving credit line. The company also meets short-term liquidity requirements through uncommitted bank lines of credit and bankers' acceptances. 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, acquisitions, joint venture investments and other planned financial commitments for the foreseeable future.

RESULTS OF OPERATIONS

Three Months Ended March 31, 1997 and 1996

Net income for the first quarter ended March 31, 1997, was $4.5 million, or $.43 per share, down 20 percent from $5.6 million, or $.54 per share reported for the same quarter a year earlier. Net sales increased seven percent to $139.7 million, from $130.6 million reported last year. Net sales by product group were:

(Dollars in Thousands)	Three Months Ended March 31		
	1997	1996	% Change
Net Sales:			
Surfactants	$107,718	$102,270	+5
Polymers	24,928	20,392	+22
Specialty Products	7,024	7,981	-12
Total	$139,670	$130,643	+7

Surfactants net sales increased due mainly to a nine percent rise in sales volume. Improved domestic sales, most notably for the company's laundry and cleaning product lines, accounted for most of the volume and net sales gains. Foreign operations also contributed to the overall sales volume growth, but the related net sales dipped slightly between years partly as a result of weaker foreign currency exchange rates.

Surfactants gross profit decreased eight percent from $18.9 million for the first quarter of 1996 to $17.3 million for the first quarter of 1997. Both domestic and foreign operations reported lower gross profit. The company's European subsidiaries were the major contributors to a 30 percent fall in foreign gross profit. France reported a 17 percent drop in gross profit principally from the impact of a weaker French franc as well as continued pricing pressures in the European market. Germany reported a loss for the quarter (Stepan Germany was not acquired until the second quarter of 1996). Both Canadian and Mexican gross profits were down on decreased margins. Lower selling prices coupled with recent raw material price increases lowered domestic gross profit despite higher sales volume.

Polymers net sales increased 22 percent on a 13 percent gain in sales volume. All product groups contributed to the improved net sales and volume. Polyurethane systems reported a 66 percent growth in net sales due to 59 percent growth in sales volume. Polyols net sales increased 19 percent due to increased domestic sales volume as well as stronger volumes to major export customers. Improved phthalic anhydride net sales resulted primarily from higher selling prices due to increased raw material costs.

Polymers gross profit increased 17 percent from $4.9 million in the first quarter of 1996 to $5.7 million in the first quarter of 1997. Polyurethane systems contributed most of the increase in gross profit as both sales volumes and margins grew. A shift to a more profitable mix of products caused the growth in systems margins. Polyols gross profit improved in the current quarter due to stronger volume partially offset by increased raw material costs. PA gross profit increased on improved margins and sales volume.

Specialty products net sales were down 12 percent due to a lower sales volume. Gross profit decreased 52 percent on lower volume among higher margin products with the food and pharmaceutical applications.

Operating expenses were down slightly between years due to a five percent decrease in administrative expenses partially offset by a two percent increase in marketing expenses and a two percent increase in research and development expenses.

Interest expense for the quarter decreased six percent primarily as a result of decreased debt levels.

1997 OUTLOOK

The outlook for the remainder of 1997 for both surfactants and polymers is good. Although the first quarter earnings were below those of the prior year's first quarter, the company still believes that the full year result will set an earnings record. Recent surfactant price adjustments appear to have been successful and may compensate for the past increase in raw material prices. The company has also completed its previously announced acquisition of the West Coast surfactant business of Lonza, Inc. This acquisition, as well as other indications of consolidation in the surfactant industry, leaves the company strategically well positioned for growth in the core surfactant business. In addition, continued growth, particularly in global sales of polyurethane polyols, is expected for the polymer group.

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 quarter of 1997, company expenditures for capital projects related to the environment were $2.0 million and should approximate $6 million to $7 million for the full year 1997. 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 $2.0 million for the first three months of 1997. While difficult to project, it is not anticipated that these recurring expenses will increase significantly in the future.

The company has been named by the government as a potentially responsible party at 15 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 $4.1 million to $26.2 million at March 31, 1997. At March 31, 1997, the company's reserve was $20.5 million for legal and environmental matters compared to $21.0 million at December 31, 1996. During the first three months of 1997, expenditures related to legal and environmental matters approximated $.7 million. At certain of the 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 1996 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.

ACCOUNTING STANDARD
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In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128 - Earnings Per Share ("SFAS No. 128"). SFAS 128 is effective for financial statements for both interim and annual periods ending after December 15, 1997. Earlier application is not permitted. SFAS 128 supersedes APB Opinion 15 - Earnings Per Share and replaces primary earnings per share with basic earnings per share. Fully diluted earnings per share is still required but will be titled diluted earnings per share. Had SFAS 128 been adopted in the first quarter of 1997, there would have been no impact on current and prior year quarterly earnings per share. At this time, the company is not able to determine whether SFAS 128 will have a material impact on earnings per share upon adoption in the fourth quarter of 1997.

OTHER
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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, and the general economic conditions.

Part II OTHER INFORMATION

Item 1 - Legal Proceedings

On April 30, 1997, the company received from the U.S. Environmental Protection Agency, Region VIII, Denver, Colorado, a Notice of Request for Information Pursuant to Section 104(e) of CERCLA for the Twins Inn Site in Arvada, Jefferson County. The company has responded to this request for information and based upon the information available to the company at this time, the company does not believe it has any liability with regard to this site. The company has no record of being at this site although it did do business with the operator of the Twin Inns Site, but at a geographically different site which is not part of the Twins Inn investigation.

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

(A) The company's 1996 Annual Meeting of Stockholders was held on May 6, 1997.

(B) Proxies were solicited by management pursuant to Regulation 14 under the Securities Exchange Act of 1934, there was no solicitation in opposition to management's nominees as listed in the proxy statement, and all such nominees were elected.

(C) A majority of the outstanding shares voted to ratify the appointment of Arthur Andersen LLP as independent auditors for the company for 1997

9,882,856	For
19,523	Against
26,533	Abstentions

Item 6 - Exhibits and Reports on Form 8-K

(A) Exhibits

(11) Statement re computation of Per Share Earnings

(27) Financial Data Schedule

(B) Reports on Form 8-K

None

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: May 9, 1997

Exhibit (11)

STEPAN COMPANY
STATEMENT RE COMPUTATION OF PER SHARE EARNINGS
For the Three Months Ended March 31, 1997 and 1996
Unaudited

(In Thousands, except per share amounts)	Three Months Ended March 31 1997	1996
Computation of per Share Earnings		
Net income	$ 4,477	$ 5,635
Deduct dividends on preferred stock	267	267
Income applicable to common stock	$ 4,210	$ 5,368
Weighted average number of shares outstanding	9,839	10,016
Per share earnings*	$ 0.428	$ 0.536
Computation of Per Share Primary Earnings		
Income applicable to common stock	$ 4,210	$ 5,368
Weighted average number of shares outstanding	9,839	10,016
Add net shares issuable from assumed exercise of options (under treasury stock method)	276	157
Shares applicable to primary earnings	10,115	10,173
Per share primary earnings*	$ 0.416	$ 0.528
Dilutive effect	2.8%	1.5%
Computation of Per Share Fully Diluted Earnings		
Net income	$ 4,477	$ 5,635
Weighted average number of shares outstanding	9,839	10,016
Add net shares issuable from assumed exercise of options (under treasury stock method)	276	180
Add weighted average shares issuable from assumed conversion of convertible preferred stock	887	887
Shares applicable to fully diluted earnings	11,002	11,083
Per share fully diluted earnings*	$ 0.407	$ 0.508
Dilutive effect	4.9%	5.2%

* Rounded

This calculation is submitted in accordance with Regulation S-K, item 601(b)(11).

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM CONDENSED CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 1997 AND CONSOLIDATED STATEMENT OF INCOME FOR THE THREE MONTHS THEN ENDED AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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3-MOS
DEC-31-1997
MAR-31-1997
3,033
0
84,194
0
45,040
145,878
504,477
297,768
372,138
77,792
97,848
0
19,924
10,137
102,922
372,138
139,670
139,670
115,625
130,165
96
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1,870
7,539
3,062
4,477
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4,477
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0.41