SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the fiscal year ended July 31, 1998 Commission File No. 0-8675

OIL-DRI CORPORATION OF AMERICA
(Exact name of registrant as specified in its Charter)

Delaware	36-2048898
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer identification no.)
410 North Michigan Avenue Chicago, Illinois	60611
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (312) 321-1515

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $.10 per share	New York Stock Exchange

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

None
(Title of Class)

Number of Shares of each class of Registrant's common stock outstanding as of September 30, 1998:

Common Stock - 5,456,098 shares (including 1,031,960 treasury shares)
Class B Stock - 1,779,420 shares (including 342,241 treasury shares)
Class A Common Stock - 0 shares

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

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

Aggregate market value of Registrant's Common Stock owned by non-affiliates - $53,926,544 (based on the closing price on September 30, 1998).

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated herein by reference:

1. Registrant's Proxy Statement for its 1998 Annual Meeting of Stockholders ("Proxy Statement"), which will be filed with the Securities and Exchange Commission not later than November 27, 1998 (120 days after the end of Registrant's fiscal year ended July 31, 1998), is incorporated into Part III of this Annual Report on Form 10-K, as indicated herein.

2. The following portions of Registrant's 1998 Annual Report to Stockholders ("Annual Report"), which is an exhibit to this Annual Report on Form 10-K, are incorporated into Parts I, II and IV of this Annual Report on Form 10-K, as indicated herein (page numbers refer to the Annual Report):

   a) Common Stock on page 36.

   b) Ten-Year Summary of Financial Data on pages 12 and 13.

   c) Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 14 to 17.

   d) Consolidated Statements of Income on page 20.

   e) Consolidated Statements of Stockholders' Equity on page 21.

   f) Consolidated Balance Sheets on pages 18 and 19.

   g) Consolidated Statements of Cash Flows on page 22.

   h) Notes to Consolidated Financial Statements on pages 23 to 36.

   i) Independent Auditor's Report on page 37.

   j) Selected Quarterly Financial Data on page 36.

   k) Financial Highlights, including Sales Trends, on page 1.

PART I

Item 1. BUSINESS

Oil-Dri Corporation of America was incorporated in 1969 in Delaware as the successor to an Illinois corporation incorporated in 1946 which was the successor to a partnership which commenced business in 1941. Except as otherwise indicated herein or as the context otherwise requires, references herein to "Registrant" or to "Company" are to Oil-Dri Corporation of America and its subsidiaries. The Registrant is a leader in developing, manufacturing and marketing sorbent products and related services for the consumer, industrial, environmental, agricultural and fluids purification markets. The Registrant's products are principally produced from clay minerals and, to a lesser extent, other sorbent materials. Consumer products, consisting primarily of cat litter, are sold through the grocery products industry, mass merchandisers, warehouse clubs, and pet specialty retail outlets. Industrial and environmental products, consisting primarily of oil, grease and water sorbents (both clay and non-clay), are sold to distributors of industrial cleanup and automotive products, environmental service companies, and retail outlets. Agricultural products, which include carriers for crop protection chemicals and fertilizers, drying agents, soil conditioners, pellet binders for animal feeds and flowability aids, are sold to manufacturers of agricultural chemicals and distributors of other agricultural products. Fluids purification products, consisting primarily of bleaching, filtration and clarification clays, are sold to processors and refiners of edible and petroleum-based oils.

The Registrant's sorbent technologies include absorbent and adsorbent products. Absorbents, like sponges, draw liquids up into their many pores. Examples of Oil-Dri's absorbent products are CAT'S PRIDE(R) Premium Cat Litter and other cat litters, OIL-DRI ALL PURPOSE(R) clay floor absorbent and AGSORB(R) granular agricultural chemical carriers.

Adsorbent products attract liquids, impurities, metals and surfactants to themselves and form low level chemical bonds. The Registrant's adsorbents are used for cleanup and filtration mediums. The Registrant's adsorbent products include OIL-DRI LITE(R) Sorbents for industrial and environmental cleanup, PURE-FLO(R), PURE-FLO(R) SUPREME, Perform(TM) and Select(TM) Bleaching Clays for edible oils, fats and tallows, and ULTRA-CLEAR(R) Clarification Aids for petroleum based oils and by-products.

The Registrant has pursued a strategy of developing value-added and branded products for consumer, industrial and environmental, agricultural and fluids purification uses, where the Registrant's marketing and research and development capabilities can play important roles. The Registrant's products are sold through its specialized divisional sales staffs supported by technical service representatives and through a network of industrial distributors and food brokers. The Registrant maintains its own research and development facility and staff.

Certain financial information about Registrant's foreign and domestic operations is contained in Note 4 of Notes to Consolidated Financial Statements on pages 25 and 26 of the Annual Report and is incorporated herein by reference. Certain financial information on revenues from classes of similar products and services is contained in Sales Trends on page 1 of the Annual Report to Stockholders and incorporated herein by reference.

Consumer Products

The Registrant's cat litter products, in both coarse granular and fine granular clumping (scoopable) forms, are sold under the Registrant's CAT'S PRIDE(R) and LASTING PRIDE(TM) brand names, and FRESH STEP(R) brand manufactured for The Clorox Company and private label cat litters manufactured for mass merchandisers, wholesale clubs, drug chains, pet superstores and retail grocery stores. The registrant also packages and markets Cat's Pride(R) Kat Kit(TM) which contains cat litter in a disposable tray. These products are sold through independent food brokers and the Registrant's representatives to major grocery outlets such as Food Lion, Publix, Kroger, Stop and Shop, and others. LASTING PRIDE(TM) is principally sold to mass merchandisers such as Wal-Mart and K-Mart. During fiscal year 1998, the Registrant developed both traditional coarse, as well as scoopable cat litter products made from recycled paper. These products, sold under the Registrant's DUST STOPPER(TM) and SCOOP `N FLUSH(TM) brands, are expected to produce incremental sales in fiscal 1999 and years beyond.

The Registrant and The Clorox Company have long-term arrangements under which they developed FRESH STEP(R) premium-priced cat litter products. FRESH STEP(R) brand, which is owned, trademarked and marketed by The Clorox Company, utilizes the Registrant's special low density, highly absorbent clay mineral. FRESH STEP(R) contains microencapsulated odor controllers which are activated by the cat. The Registrant has a long-term exclusive right to supply The Clorox Company's requirements for FRESH STEP(R) up to certain levels. According to independently published supermarket industry reports, FRESH STEP(R) Scoopable was the largest dollar grossing branded cat litter sold through grocery chains in the United States during the year ended August 9, 1998.

Traditional coarse granular clay litters once represented approximately 98% of the market. Beginning in 1990, the cat litter market changed and traditional coarse litters are now complemented by new, fine granule clumping (scoopable) products. These clumping products have the characteristic of binding together and expanding when moisture is introduced. The Registrant's clumping cat litter is based on naturally occurring organic ingredients which are biodegradable. On an industry-wide basis, clumping cat litters have assumed market shares in excess of 49% of retail dollar sales volume in the grocery industry and 61% of retail dollar sales volume in the mass merchandiser industry in the 52 week period ended August 9, 1998, compared with 46% and 57%, respectively, in a similar period last year.

Industrial and Environmental Products

Products for industrial applications include the Registrant's oil, grease, and water sorbents, which are cost effective floor maintenance products that provide a nonslip and nonflammable surface for workers. These products are sold through a wide range of distribution channels and have achieved a high level of brand name recognition. The Registrant distributes clay-based sorbents sold in granular form and in other configurations such as pillows and socks. The Registrant also distributes non-clay sorbents including its OIL-DRI(R) Industrial Pad and OIL-DRI(R) Industrial Rug, which are made of needle-punched polypropylene.

The Registrant sells its industrial and environmental products through a distributor network that includes industrial, auto parts, safety, sanitary supply, chemical and paper distributors and environmental service companies. The Registrant supports the efforts of the industrial distributors with specialized divisional sales personnel.

The Registrant also produces for the consumer market OIL-DRI(R) Automotive, a floor absorbent for home and garage use. This product is sold through automobile parts distributors and mass merchandisers.

Agrisorbents Product Group

The Registrant produces and markets a wide range of granular and powdered mineral absorbent products that are used with crop protection chemicals, animal feed, fertilizers and other horticultural applications. Products include AGSORB(R) agricultural chemical carriers and drying agents; FLO-FRE(R), a highly absorbent microgranule flowability aid; PEL-UNITE(R) and CONDITIONADE(TM), pelleting aids, used in the manufacture of animal feeds, and TERRA GREEN(R) Soil Conditioner.

The AGSORB(R) Carriers are used as mediums of distribution for crop protection chemicals, including herbicides, fungicides, insecticides, and fertilizers. AGSORB(R) customized carriers are designed to reduce dust and to increase accuracy of application. The Registrant's AGSORB(R) Drying Agent is used to prevent clogging in specialized farm machinery and enables farmers to evenly apply granular fertilizers and liquid pesticides to their fields in one application.

The Registrant has also developed AGSORB(R) as a blending agent for fertilizers and chemicals used in the lawn and garden market.

Agricultural products are marketed in the United States by technical salesmen employed by the Company who sell to crop protection chemical manufacturers, feed producers and agricultural product distributors. The Registrant's principal customers for these products include the agricultural groups of Monsanto, DowElanco and Zeneca.

Fluids Purification Products Group

Fluids purification products include PURE-FLO(R) Bleaching Clays, ULTRA-CLEAR(R) clarification aids, and PURE-FLO(R) Supreme. These products are supported by a team of technical sales and support representatives employed by the Company and the services of the Registrant's research and development group. The products are marketed in the United States and international markets.

PURE-FLO(R) Bleaching Clays, used in the bleaching of edible oils, remove impurities and color bodies from these oils. The primary customers for these products are refiners of food oils. ULTRA-CLEAR(R) Clarification Aid is used as a filtration and purification medium for jet fuel and other petroleum based oils. This product adsorbs unwanted moisture and other impurities, and is primarily sold to oil refiners.

The Registrant also produces PERFORM(TM) and SELECT(TM) which offer performance advances to refiners. The Perform(TM) products are the next generation of bleaching clays, providing increased activity for hard-to-bleach oils. The SELECT(TM) line of products is used earlier in the process stream to remove a variety of impurities from edible oils. SELECT(TM) can also be used to replace the water wash step in the caustic refining of edible oils.

Transportation Services

In the second quarter of fiscal 1998, the Registrant exited the transportation business and formed a strategic alliance with CRST, who will service the majority of the Registrant's over-the-road shipping requirements.

Patents

Registrant has obtained or applied for patents for certain of its processes and products. These patents expire at various times, beginning in 1998. Patented processes and products are not material to Registrant's overall business.

Foreign

SAULAR(R), manufactured and marketed by Favorite Products Company, Ltd. (d.b.a. Oil-Dri Canada), the Registrant's wholly-owned Canadian subsidiary, is a leading brand of cat litter sold in Canada. Favorite Products Company, Ltd. also packages and markets the SAULAR KAT-KIT which contains cat litter in a disposable tray. Certain of the products sold in Canada are blends of clay and synthetic sorbent materials.

The Registrant's wholly-owned subsidiary in England, Oil-Dri, U.K., LTD., packages clay granules produced by the Registrant's domestic manufacturing facilities and, for certain applications, blends a synthetic sorbent material which it manufactures locally. Oil-Dri, U.K., LTD. markets these products, primarily in the United Kingdom, as an oil and grease absorbent and as a cat litter.

The Registrant's wholly-owned subsidiary in Switzerland, Oil-Dri S.A., performs various management, sales and administrative functions for the Registrant and its foreign subsidiaries.

The Company's foreign operations are subject to the normal risks of doing business overseas, such as currency devaluations and fluctuations, restrictions on the transfer of funds and import/export duties. The Registrant to date has not been materially affected by these risks.

Backlog; Seasonality

At July 31, 1998 and 1997, Registrant's backlog of orders was approximately $7,741,000 and $3,049,000, respectively. The Registrant does not consider its clay sorbent business, taken as a whole, to be seasonal to any material extent. However, certain business activities of certain customers of the Registrant (such as agricultural) are subject to such factors as crop acreage planted and product formulation cycles.

Customers

Sales to Wal-Mart Stores, Inc. and its affiliate Sam's Club accounted for approximately 23% of the Registrant's net sales for the fiscal year ended July 31, 1998. Sales to The Clorox Company accounted for approximately 9% of the Registrant's net sales for the fiscal year ended July 31, 1998. Clorox and the Registrant are parties to a long-term supply contract. The loss of any other of Registrant's customers would not have a materially adverse effect on the Registrant.

Competition

Registrant has approximately seven principal competitors in the United States, some of which have substantially greater financial resources than the Company, which compete with the Registrant in certain markets and with respect to certain products. Price, service and technical support, product quality and delivery are the principal methods of competition in Registrant's markets and competition has historically been very vigorous. The Registrant believes that it can compete favorably in all of its present markets.

Reserves

Registrant mines sorbent materials, consisting of either montmorillonite, attapulgite or diatomaceous earth on leased or owned land near its mills in Mississippi, Georgia, Illinois and Oregon, and on leased and owned land in Florida (see "Item 2- Properties" below). The Registrant estimates that its proven recoverable reserves of these sorbent materials aggregate approximately 498,205,000 tons. Based on its rate of consumption during the 1998 fiscal year, Registrant considers its proven recoverable reserves adequate to supply Registrant's needs for over 40 years. It is the Registrant's policy to attempt to add to reserves in most years, but not in the most recent year, an amount at least equal to the amount of reserves consumed in that year. Registrant has a program of exploration for additional reserves and, although reserves have increased, Registrant cannot assure that such reserves will continue to increase. The Registrant's use of these reserves will be subject to compliance with existing and future federal and state statutes and regulations regarding mining and environmental compliance. Also, requirements for environmental compliance may restrict exploration or use of lands that might otherwise be utilized as a source of reserves. During the fiscal year ended July 31, 1998, the Registrant utilized these reserves to produce substantially all of the sorbent minerals that it sold.

In 1997, the Registrant acquired mineral reserves on approximately 4,735 acres in Nevada. This acreage is in addition to approximately 598 acres acquired in 1991 in Washoe County, Nevada of which 415 acres are mineral in character. The Registrant estimates that there are 298 million tons of proven reserves of sorbent materials on the combined acreage. Mining these reserves requires the approval of federal, state and local agencies, which approvals the Registrant is in the process of seeking. In the future, the Registrant hopes to develop facilities so as to use these reserves as a source of supply for its West Coast customers. However, there can be no assurance that this will be accomplished.

In 1998, mineral reserves on approximately 778 acres in Tennessee and 755 acres in Illinois were acquired in conjunction with the purchase of Oil-Dri, Mounds Production Company.

Mining Operations

The Registrant has conducted mining operations in Ripley, Mississippi since 1963; in Ochlocknee, Georgia since 1971; in Christmas Valley, Oregon since 1979; in Blue Mountain, Mississippi since 1989; and in Mounds, Illinois beginning in 1998.

The Registrant's raw materials are open pit mined on a year round basis, generally using large earth moving scrapers and bulldozers to remove overburden, and then loaded into dump trucks with backhoe or dragline equipment for movement to the processing facilities. The mining and hauling of the Registrant's clay is performed by the Registrant and by independent contractors.

The Registrant's current operating mines range in distance from immediately adjacent to several miles from its processing plants. Access to processing facilities from the mining areas is generally by private road; and in some instances public highways are utilized.

Each of the Registrant's processing facilities maintains stockpiles of unprocessed clay of approximately one to three weeks production requirements.

Proven reserves are those reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from results of detailed sampling, and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well established. Probable reserves are computed from information similar to that used for proven reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.

The Registrant employs a staff of geologists and mineral specialists who estimate and evaluate existing and potential reserves in terms of quality, quantity and availability.

The following schedule summarizes, for each of the Registrant's manufacturing facilities the net book value of land and other plant and equipment.

	LAND	PLANT AND EQUIPMENT
Ochlocknee, Georgia	$ 1,785	$ 15,989
Ripley, Mississippi	$ 1,513	$ 12,856
Mounds, Illinois	$ 325	$ 8,563
Blue Mountain, Mississippi	$ 939	$ 7,340
Christmas Valley, Oregon	$ 68	$ 535

Employees

As of July 31, 1998, the Registrant employed 705 persons, 55 of whom were employed by the Registrant's foreign subsidiaries. The Registrant's corporate offices, research and development center and manufacturing facilities are adequately staffed and no material labor shortages are anticipated. Approximately 44 of the Registrant's employees in the U.S. and approximately 13 of the Registrant's employees in Canada are represented by labor unions, which have entered into separate collective bargaining agreements with the Company. Employee relations are considered satisfactory.

Environmental Compliance

The Registrant's mining and manufacturing operations and facilities in Georgia, Mississippi and Oregon are required to comply with state strip mining statutes and various federal, state and local statutes, regulations and ordinances which govern the discharge of materials, water and waste into the environment and restrict mining on "wetlands" or otherwise regulate the Registrant's operations. In recent years, environmental regulation has grown increasingly stringent, a trend which the Registrant expects will continue. The Registrant endeavors to stay in substantial compliance with applicable environmental controls and regulations and to work with regulators to correct any deficiency. As a result, expenditures relating to environmental compliance have increased over the years; however, in recent years expenditures have not been material. The Registrant continues, and will continue, to incur costs in connection with reclaiming exhausted mining sites. The costs of reclamation have not had a material effect on its mining costs. These costs are treated as part of the Registrant's mining expense.

In addition to the environmental requirements relating to mining and manufacturing operations and facilities, there is increasing federal and state legislation and regulation with respect to the labeling, use, and disposal after use, of various of the Registrant's products. The Registrant endeavors to stay in substantial compliance with that legislation and regulation and to assist its customers in that compliance.

The Registrant cannot assure that, despite its best efforts, it will always be in compliance with environmental legislation and regulations or with requirements regarding the labeling, use, and disposal after use, of its products; nor can it assure that from time to time enforcement of such requirements will not have an adverse impact on its business.

Energy

The Registrant uses natural gas and recycled fuel oil as energy sources for the processing of its clay products. In prior years, the Registrant has switched from natural gas to fuel oil during the winter months due to the seasonal unavailability and higher cost of natural gas relative to fuel oil.

Research and Development

At the Registrant's research facility, the research and development staff develops new products and applications and improves existing products. The staff and various consultants consist of geologists, mineralogists and chemists. In the past several years, the Registrant's research efforts have resulted in a number of new sorbent products and processes including PURE-FLO(R) Supreme, PURE-FLO(R) B80, B81, PERFORM(TM), SELECT(TM) CAT'S PRIDE(R) Scoopable, LASTING PRIDE(TM), Dust Stopper(TM) and Scoop 'N Flush(TM). The technical center produces prototype samples and tests new products for customer trial and evaluation.

Registrant spent approximately $2,376,000, $2,049,000 and $2,026,000 during its fiscal years ended July 31, 1998, 1997 and 1996, respectively, for research and development. None of such research and development was customer sponsored, and all research and development costs are expensed in the year in which incurred.

Item 2. PROPERTIES

Registrant's properties are generally described below:

LAND HOLDINGS & MINERAL RESERVES

	LAND OWNED (acres)	LAND LEASED (acres)	TOTAL (acres)	PROVEN RESERVES (000s of tons)	PROBABLE RESERVES (000s of tons)	TOTAL (000s of tons)
Florida	537	446	983	4,512	1,092	5,604
Georgia	1,852	1,804	3,656	44,295	10,894	55,189
Illinois	161	598	759	9,000	6,000	15,000
Mississippi	2,354	1,431	3,785	129,235	118,633	247,868
Nevada	415	6,747	7,162	306,830	250,874	557,704
Oregon	360	640	1,000	83	420	503
Tennessee	778	--	778	4,250	4,250	8,500
	6,457	11,666	18,123	498,205	392,163	890,368

See "Item 1. Business-Reserves"

There are no mortgages on the property owned by Registrant. The Mississippi, Georgia, Oregon, Florida and Illinois land is used primarily for mining. Parcels of such land are also sites of mills operated by Registrant. The Illinois land also includes the site of Registrant's research and development facility. The Registrant owns approximately one acre of land in Laval, Quebec, Canada, which is the site of the processing and packaging facility for the Registrant's Canadian subsidiary.

The Registrant's mining operations are conducted on leased or owned land. The Georgia, Illinois, Florida and Mississippi mining leases, with expiration dates ranging from 1999 to 2053, no one of which is material, generally provide for a lease term which continues as long as the Registrant pays a minimum monthly rental. This rental payment is applied against a royalty related to the number of unprocessed, or in some cases processed, tons of mineral extracted from the leased property.

The Registrant operates mills at Ripley, Mississippi, Ochlocknee, Georgia, Christmas Valley, Oregon, Blue Mountain, Mississippi and Mounds, Illinois; production and packaging plants at Laval, Quebec, Canada and Wisbech, United Kingdom; and a dog biscuit manufacturing plant in Kiel, Wisconsin. Registrant's facilities at Ripley, Mississippi; Ochlocknee, Georgia; Christmas Valley, Oregon; Mounds, Illinois; Kiel, Wisconsin; Laval, Quebec, Canada and Wisbech, United Kingdom are wholly owned by Registrant and Registrant's mill at Blue Mountain, Mississippi is owned in-part by Registrant, with the balance leased as herein after described. Registrant is a party to leases that relate to certain plant acquisition and expansion projects at the Registrant's mill at Blue Mountain, Mississippi. The Blue Mountain, Mississippi lease was entered into with The Town of Blue Mountain, Mississippi in 1988 in connection with the issuance by the Town of $7,500,000 in aggregate principal amount of industrial revenue bonds, ($5,000,000 of which has been subsequently retired), full payment of which is guaranteed by the Registrant. Upon expiration of the leases in 2008, a subsidiary of the Registrant has the right to purchase the leased property for $100 upon full payment of the bonds. The land on which the mill at Wisbech, United Kingdom is located is leased pursuant to a long-term lease arrangement with the Port Authority of Wisbech which expires in 2032. The facility in Kiel, Wisconsin is leased.

All of Registrant's domestic mills, whether owned or leased, consist of related steel frame, sheet steel covered or brick buildings of various heights, with concrete floors and storage tanks. The buildings occupy approximately 208,000 square feet at Ripley, Mississippi, 247,000 square feet at Ochlocknee, Georgia, 129,000 square feet at Mounds, Illinois, 18,000 square feet at Christmas Valley, Oregon, 16,000 square feet at Kiel, Wisconsin and 140,000 square feet at Blue Mountain, Mississippi. Registrant maintains railroad siding facilities near the Ripley, Mississippi; Ochlocknee, Georgia, Blue Mountain, Mississippi and Mounds, Illinois mills. Equipment at all mills is in good condition, well maintained and adequate for current processing levels.

All of the Registrant's foreign facilities are owned and consist of related steel frame, sheet steel covered or brick buildings of various heights, with concrete floors and storage tanks. The buildings occupy 22,500 square feet at Laval, Quebec, Canada and 66,850 square feet at Wisbech, United Kingdom.

Registrant's research and development facility is located on land in Vernon Hills, Illinois and consists of brick buildings of approximately 19,100 square feet, including a pilot plant facility.

Registrant's principal office, consisting of approximately 20,000 square feet in Chicago, Illinois, is presently occupied under a lease expiring on June 30, 2008.

Item 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings.

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

Not applicable.

Item 401(b) OF REGULATION S-K. EXECUTIVE OFFICERS OF REGISTRANT

The following table gives certain information with respect to the Executive Officers of the Registrant.

NAME (3)	PRINCIPAL OCCUPATION FOR LAST FIVE YEARS	AGE
Richard M. Jaffee	Chairman of the Board of the Registrant; President from 1960 to June, 1995; Chief Executive Officer from 1962 until 1997.	62
Daniel S. Jaffee (2)	President and Chief Executive Officer of the Registrant; President and Chief Operating Officer from June, 1995 until August , 1997; Chief Executive Officer of Favorite Products Company, Ltd., a subsidiary of the Registrant since 1990; Chief Financial Officer of the Registrant from 1990 to 1995; Group Vice President, Consumer Products of the Registrant from 1994 to 1995; Group Vice President Canadian Operations and Consumer Products - Grocery from 1992 until June, 1994.	34
Joseph C. Miller	Vice-Chairman of The Board of the Registrant; Senior Vice President for Consumer, Industrial & Environmental and Transportation from 1993 to 1995; Group Vice President for Sales, Marketing and Distribution, from 1990 to 1993.	56
Michael L. Goldberg	Executive Vice-President & Chief Financial Officer of the Registrant; Vice President & Chief Financial Officer from May, 1996 until August, 1997; Vice President & Controller, Alberto-Culver USA, Inc. from August 1991 until April, 1996.	48
Richard V. Hardin (1)	Group Vice-President, Technology, of the Registrant.	59
Daniel J. Jones	Vice-President of Favorite Products Co., LTD, a subsidiary of the Registrant; Div. III National Sales Manager - Grocery of the Registrant 1994 to 1996; National Sales Manager, Favorite Products Co. 1990 to 1994.	36

Eugene W. Kiesel	Vice President & General Manager, Global Fluids Purification Group of the Registrant since October, 1997; Vice-President of Radian International, LLC, a subsidiary of Dow Chemical Company from July, 1996 to October, 1997; General Manager of ACS, a division of Dow Chemical Company from November, 1993 to July, 1996; Director of Gas Applications for AGA Gas, Inc. from June, 1990 to November, 1993.	41
Steven M. Levy	Vice-President & General Manager, Consumer Products Group of the Registrant; General Manager Consumer Products Div. 1995 to 1996; Miles, Inc. Director of Marketing, 1992 to 1995.	38

The term of each executive officer expires at the 1998 Annual Meeting of the Stockholders and when his successor is elected and qualified.

(1) Richard V. Hardin is Richard M. Jaffee's son-in-law.

(2) Daniel S. Jaffee and Richard M. Jaffee, his father, are the nephew and brother, respectively, of Robert D. Jaffee, a director of the registrant.

(3) Of the persons in this table, only Richard M. Jaffee and Daniel S. Jaffee are directors.

PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED SECURITY HOLDER MATTERS

Information concerning stock prices and dividends with regard to the Common Stock of Registrant, which is traded on the New York Stock Exchange, and information concerning dividends with regard to the Class B Stock of Registrant, for which there is no established public trading market, is contained in Note 14 of the "Notes to Consolidated Financial Statements" in the Annual Report, incorporated herein by reference. No shares of Class A common stock are outstanding. Registrant's ability to pay dividends is limited by the Registrant's Credit Agreement with Harris Trust and Savings Bank dated September 21, 1994. See Note 5 of "Notes to Consolidated Financial Statements" in the Annual Report, incorporated herein by reference.

Item 6. SELECTED FINANCIAL DATA

See the "Ten Year Summary of Financial Data" on pages 12 and 13 of the Annual Report, and "Financial Highlights" on page 1 incorporated herein by reference.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 14 to 17 of the Annual Report, incorporated herein by reference.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See "Consolidated Statements of Income," "Consolidated Statements of Stockholders' Equity," "Consolidated Balance Sheets," "Consolidated Statements of Cash Flows," "Notes to Consolidated Financial Statements" and "Independent Auditor's Report" on pages 18 to 37 of the Annual Report, "Ten Year Summary of Financial Data" on page 12 and 13 of the Annual Report, and "Selected Quarterly Financial Data" on page 36 of the Annual Report, incorporated herein by reference.

Item 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item is (except for information in Part I, hereof, concerning executive officers) contained in the Registrant's Proxy Statement for its 1998 Annual Meeting of stockholders ("Proxy Statement") under the caption "Election of Directors" and is incorporated herein by this reference.

Item 11. EXECUTIVE COMPENSATION

The information required by this Item is contained in the Registrant's Proxy Statement under the captions "Executive Compensation," "Report of the Compensation and Stock Option Committees of Oil-Dri Corporation of America on Executive Compensation," "Compensation Committee Interlocks and Insider Participation" and "Performance Graph" and is incorporated herein by this reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is contained in the Registrant's Proxy Statement under the captions "General - Principal Stockholders" and "Security Ownership of Management" and is incorporated herein by this reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is contained in the Registrant's Proxy Statement under the caption "Compensation Committee Interlocks and Insider Participation" and is incorporated herein by this reference.

PART IV

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

(a)(1) The following financial statements are contained on pages 18 to 37 of the Annual Report and are incorporated herein by this reference:

Consolidated Balance Sheets as of July 31, 1998 (audited) and July 31, 1997 (audited).

Consolidated Statements of Income for the fiscal years ended July 31, 1998 (audited), July 31, 1997 (audited) and July 31, 1996 (audited).

Consolidated Statements of Stockholders' Equity for the fiscal years ended July 31, 1998 (audited), July 31, 1997 (audited) and July 31, 1996 (audited).

Consolidated Statements of Cash Flows for the fiscal years ended July 31, 1998 (audited), July 31, 1997 (audited) and July 31, 1996 (audited).

Notes to Consolidated Financial Statements.

Independent Auditor's Report.

(a)(2) The following financial statement schedules are contained herein:

Independent Auditor's Report on Schedules.

Schedules to Financial Statements, as follows:

Schedule II - Valuation and Qualifying Accounts, years ended July 31, 1998, 1997 and 1996.

(a)(3) The following documents are exhibits to this Report:

(3)(a)(1) Articles of Incorporation of Registrant, as amended.

(3)(b)(2) By-Laws of Registrant, as amended of June 16, 1995.

(10)(c)(1)(3) Agreement ("Clorox Agreement") dated January 12, 1981 between The Clorox Company and Registrant, as amended. (Confidential treatment of certain portions of this Exhibit has been granted.)

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(1) Incorporated by reference to Exhibit (4.1) to Registrant's Registration Statement on Form S-8 (Registration No. 333-57625), made effective on June 24, 1998.

(2) Incorporated by reference to Exhibit (3)(b) to Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1995.

(3) Incorporated by reference to Exhibit 10(f) to Registrant's Registration Statement on Form S-2 (Registration No. 2-97248) made effective on May 29, 1985.

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(10)(c)(2)(4)	Amendment to Clorox Agreement dated March 3, 1989, as accepted by the Registrant on March 20, 1989, between The Clorox Company and the Registrant. (Confidential treatment of certain portions of this Exhibit has been granted.)
(10)(c)(3)(5)	Amendment to Clorox Agreement dated February 14, 1991, between The Clorox Company and Registrant (Confidential treatment of certain portions of this Exhibit has been granted).
(10)(d)(6)	Description of 1987 Executive Deferred Compensation Program.*
(10)(e)(1)(7)	Salary Continuation Agreement dated August 1, l989 between Richard M. Jaffee and the Registrant ("1989 Agreement").*
(10)(e)(2)	Extension and Amendment, dated October 9, 1998, to the 1989 Agreement.*
(10)(f)(8)	1988 Stock Option Plan.*
(10)(g)(9)	Note Agreement, dated April 5, 1991, between Registrant and the Teacher's Insurance and Annuity Association of America regarding $8,000,000 9.38% Senior Notes due November 15, 2001.
(10)(h)(10)	Note Agreement, dated as of April 15, 1993, between Registrant and the Teacher's Insurance and Annuity Association of America regarding $6,500,000 7.17% Senior Notes due August 15, 2004.

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(4) Incorporated by reference to Exhibit 10(e)(2) to Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1989.

(5) Incorporated by reference to Exhibit 10(e)(3) to Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1991.

(6) Incorporated by reference to Exhibit 10(f) to Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1988.

(7) Incorporated by reference to Exhibit 10(g) to Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1989.

(8) Incorporated by reference to Exhibit 4(a) to Registrant's Registration Statement on Form S-8, filed June 30, 1989, Registration No. 33-29650.

(9) Incorporated by reference to Exhibit 10(h) to Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1991.

(10) Incorporated by reference to Exhibit 10(i) to Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1993.

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	(10)(i)(11)	Credit Agreement, dated as of September 21, 1994, between Registrant and Harris Trust and Savings Bank regarding $5,000,000 7.78% Term Loan Note and $5,000,000 Revolving Credit Note.
	(10)(i)(12)	Credit Agreement, dated as of September 21, 1994, between Registrant and Harris Trust and Savings Bank regarding $5,000,000 7.78% Term Loan Note and $5,000,000 Revolving Credit Note.
	(10)(j)(13)	The Oil-Dri Corporation of America Deferred Compensation Plan adopted November 15, 1995 and related resolution.*
	(10)(k)(14)	Oil-Dri Corporation of America 1995 Long Term Incentive Plan as amended through July 31, 1998.*
	(10)(l)	$10,000,000 unsecured line of credit agreement dated as of July 25, 1996 between Registrant and Harris Trust and Savings Bank incorporated by reference to Exhibit 10(l) to Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1996.
	(10)(m)(15)	$25,000,000 Note Purchase Agreement dated as of April 15, 1998 between the Company and Teachers Insurance and Annuity Association of America and Cigna Investments, Inc.
23	(10)(n)	Oil-Dri Corporation of America Outside Director Stock Plan effective June 9, 1998.*
40	(11)	Statement re: computation of per share earnings.
41	(13)	1998 Annual Report to Stockholders of Registrant.
78	(21)	Subsidiaries of Registrant.
79	(23)	Consent of Blackman Kallick Bartelstein, LLP.
80	(27)	Financial Data Schedule.

*Management contract or compensatory plan or arrangement.

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(11) Incorporated by reference to Exhibit 10(i) to Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1994.

(12) Incorporated by reference to Exhibit 10(i) to Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1994.

(13) Incorporated by reference to Exhibit 10(j) to Registrant's Annual Report on Form 10-K for the year ended July 31, 1995.

(14) Incorporated by reference to Exhibit 10(k)(I) to Registrant's Report on Form 8-K dated April 20, 1998.

(15) Incorporated by reference to Exhibit (10)(m) to Registrant's Quarterly Report on Form 10-Q for the quarter ended April 30, 1998.

The Registrant agrees to furnish the following agreements upon the request of the Commission:

Exhibit 4(b) Letter of Credit Agreement, dated as of October 1, 1988 between Harris Trust and Savings Bank and Blue Mountain Production Company in the amount of $2,634,590 in connection with the issuance by Town of Blue Mountain, Mississippi of Variable/Fixed Rate Industrial Development Revenue Bonds, Series 1988 B (Blue Mountain Production Company Project) in the aggregate principal amount of $2,500,000 and related Indenture of Trust, Lease Agreement, Remarketing Agreement and Guaranties.

(b) On May 7, 1998, the Company filed a Report on Form 8-K announcing that the Company completed the purchase of the Fuller's Earth absorbent business of American Colloid Company pursuant to an Asset Purchase Agreement dated as of April 20, 1998.

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.

OIL-DRI CORPORATION OF AMERICA
(Registrant)

By /s/ Daniel S. Jaffee

Daniel S. Jaffee,
President and Chief Executive Officer
Director

Dated: October 20, 1998

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:

/s/ Richard M. Jaffee -- Richard M. Jaffee Chairman of the Board of Directors	October 20, 1998
/s/ Michael L. Goldberg -- Michael L. Goldberg Executive Vice President and Chief Financial Officer Principal Financial Officer	October 20, 1998
/s/ James F. Japczyk -- James F. Japczyk Corporate Controller Principal Accounting Officer	October 20, 1998
/s/ Robert D. Jaffee -- Robert D. Jaffee Director	October 20, 1998
/s/ J. Steven Cole -- J. Steven Cole Director	October 20, 1998
/s/ Arnold W. Donald -- Arnold W. Donald Director	October 20, 1998

/s/ Ronald B. Gordon   October 20, 1998

Ronald B. Gordon
Director

/s/ Edgar D. Jannotta   October 20, 1998

Edgar D. Jannotta
Director

/s/ Joseph C. Miller   October 20, 1998

Joseph C. Miller
Director

/s/ Paul J. Miller   October 20, 1998

Paul J. Miller
Director

/s/ Haydn H. Murray   October 20, 1998

Haydn H. Murray
Director

/s/ Allan H. Selig   October 20, 1998

Allan H. Selig
Director

INDEPENDENT AUDITOR'S REPORT ON SCHEDULES

Board of Directors
Oil-Dri Corporation of America
Chicago, Illinois

In connection with our audit of the consolidated financial statements of OIL-DRI CORPORATION OF AMERICA AND SUBSIDIARIES as of July 31, 1998 and 1997 and for each of the three years in the period ended July 31, 1998, which report thereon dated September 18, 1998, is incorporated by reference in this Annual Report on Form 10-K, we also examined the financial statement schedules listed in the accompanying index at Item 14(A)(2). In our opinion, these financial statement schedules present fairly, when read in conjunction with the related consolidated financial statements, the financial data required to be set forth therein.

Blackman Kallick Bartelstein, LLP

September 18, 1998

OIL-DRI CORPORATION OF AMERICA AND SUBSIDIARIES

Valuation and Qualifying Accounts

Years Ended July 31, 1998, 1997 and 1996

Description	Balance at Beginning of Period	Additions* Charged to Costs and Expenses	Deductions**	Balance at End of Period
Allowance for doubtful accounts:				
Year Ended July 31, 1998	$260,530	$201,901	$111,094	$351,337
Year Ended July 31, 1997	$225,970	$125,000	$ 90,440	$260,530
Year Ended July 31, 1996	$180,602	$202,690	$157,322	$225,970

*Includes transfers from Restructuring Reserve.
**Net of recoveries.

EXHIBIT 10(10)(n)

OIL-DRI CORPORATION OF AMERICA
OUTSIDE DIRECTOR STOCK PLAN

ARTICLE 1. ESTABLISHMENT, OBJECTIVES, AND DURATION

1.1. Establishment of the Plan. Oil-Dri Corporation of America, a Delaware corporation (the "Company"), hereby establishes its Outside Director Stock Plan (the "Plan").

1.2. Objectives of the Plan. The objectives of the Plan are to enhance the ability of the Company to attract and retain the best-qualified directors, to increase the identity of interest between directors and the Company's shareholders, and to provide additional incentives for directors to maximize the long-term success of the Company's business.

1.3. Duration of the Plan. The Plan shall become effective on June 9, 1998 (the "Effective Date") upon its adoption by the Board (which term is hereinafter defined to include the Executive Committee of the Board). Subject to the right of the Board to amend or terminate the Plan pursuant to Article 14, (i) Awards may be granted from time to time on or after the Effective Date so long as Shares reserved for delivery under Section 4.1 remain available and (ii) Compensation earned by the Outside Directors from time to time after the Effective Date may be deferred.

ARTICLE 2. DEFINITIONS

For purposes of the Plan, the following capitalized terms shall have the meanings set forth below:

2.1. "Account": see Section 8.1.

2.2. "Award" means, individually or collectively, a grant by the Committee under this Plan of Options, Restricted Stock, Stock, or Stock Units, whether formula-based or otherwise.

2.3. "Annual Meeting" means an annual meeting of the shareholders of the Company.

2.4. "Award Agreement" means an agreement between the Company and an Outside Director setting forth the terms applicable to an Award. Except as otherwise provided in the Plan, the terms of an Award Agreement need not be the same for each Outside Director, nor for each grant, and may reflect distinctions based on the reasons for termination of Service.

2.5. "Board" means the Board of Directors of the Company or the Executive Committee of the Board of Directors of the Company.

2.6. "Committee" means the Compensation Committee of the Board, which shall be comprised entirely of Outside Directors.

2.7. "Company": see Section 1.1.

2.8. "Compensation" means all retainer, meeting, committee and chair fees payable in cash to an Outside Director for Service.

2.9. "Deferral Election" see Section 10.2.

2.10. "Director" means any member of the Board.

2.11. "Distribution Election" see Section 8.6.

2.12. "Effective Date": see Section 1.3.

2.13. "Exchange Act" means the Securities Exchange Act of 1934, as amended.

2.14. "Expiration Date": see Section 5.4.

2.15. "Fair Market Value" means, as of any specified date, the closing price of the Shares on the New York Stock Exchange, or any other national stock exchange or national market system on which the Shares are then traded, on the last preceding trading day on which the Shares were traded.

2.16. "Option" means an option to purchase Shares granted under Article 5.

2.17. "Option Price" means the price at which a Share may be purchased under an Option.

2.18. "Outside Director" means a Director who is not an employee of the Company or a Subsidiary.

2.19. "Period of Restriction" means the period established by the Committee in its discretion during which the transfer of Restricted Stock is limited in some manner, and the Shares are subject to a substantial risk of forfeiture, all as provided in Article 6.

2.20. "Restricted Stock" means an Award granted under Article 6.

2.21. "Rule 16b-3" means Rule 16b-3 (or a successor rule) of the Securities and Exchange Commission under the Exchange Act, as such Rule may be amended from time to time.

2.22. "Service" means an Outside Director's service on the Board or any Board committee.

2.23. "Shares" means shares of Common Stock of the Company.

2.24. "Stock" means an Award of Shares granted under Article 7.

2.25. "Stock Units" means the units in which an Account is denominated. A Stock Unit is an unsecured obligation of the Company that is intended, subject to the terms of Article 8, to represent the economic equivalent of one Share.

2.26. "Subsidiary" means any corporation, partnership, joint venture, limited liability company, or other entity in which the Company owns securities representing a majority of the aggregate voting power.

ARTICLE 3. ADMINISTRATION

3.1. General. The Plan shall be administered by the Committee. Except as may be limited by law, the articles of incorporation or bylaws of the Company, or the Plan, the Committee shall have full power and discretion to determine the amounts, types and terms of Awards; to determine the terms of any Award Agreement; to construe and interpret the Plan and any Award Agreement; to establish, amend, or waive rules for the Plan's administration; to make all other determinations which may be necessary or advisable for the administration of the Plan; and (subject to Section 14.3) to amend the terms of any outstanding Award. To the extent permitted by law, the Committee shall have the authority to delegate administrative duties to officers or Directors of the Company.

3.2. Decisions Binding. All determinations and decisions made by the Committee under the Plan shall be final, conclusive and binding on all persons, including the Company, its shareholders, Outside Directors, and their respective estates and beneficiaries.

ARTICLE 4. SHARES SUBJECT TO THE PLAN

4.1. Shares Available for Grants. Subject to adjustment as provided in Section 4.2, the number of Shares reserved for delivery under the Plan is 200,000. If any Shares subject to any Award are forfeited or such Award otherwise terminates without the delivery of such Shares, the Shares subject to such Award, to the extent of any such forfeiture or termination, shall again be available for the delivery under the Plan. Shares delivered pursuant the Plan may be treasury stock or newly-issued Shares.

4.2. Adjustments in Authorized Shares. In the event of any change in corporate capitalization (such as a stock split, stock dividend, spin-off, or other distribution of stock or property of the Company), or any merger, consolidation, separation, reorganization (whether or not tax-free) or any partial or complete liquidation of the Company, the Committee may make such adjustment in the number and class of Shares which may be delivered under Section 4.1 as it may determine in its discretion to be appropriate.

ARTICLE 5. OPTIONS

5.1. Award of Options. Subject to the terms of the Plan, Options may be awarded to Outside Directors in such number, upon such terms, and at such time or times as the Committee shall determine in its discretion.

5.2. Award Agreement. Each Option shall be evidenced by an Award Agreement that shall specify the Option Price, the Expiration Date of the Option, the number of Shares subject to the Option, and such other provisions as the Committee may determine.

5.3. Option Price. The Option Price for each grant of an Option shall not be less than 100% of the Fair Market Value of a Share on the date the Option is granted.

5.4. Duration of Options. Each Option shall expire at such time as the Committee shall determine at the time of grant (the "Expiration Date"), but in no event after the tenth anniversary of the date of such grant.

5.5. Exercise of Options. Each Option shall be exercisable at such times prior to the Expiration Date and be subject to such restrictions and conditions as the Committee shall determine in its discretion, including without limitation restrictions on the Shares acquired pursuant to the exercise of such Option.

5.6. Payment. Options shall be exercised by the delivery of a written notice of exercise to the Company, setting forth the number of Shares with respect to which the Option is to be exercised, and accompanied by full payment for the Shares. Upon the exercise of any Option, the exercise price shall be payable by any one or combination of the following means:

(i) cash or its equivalent,

(ii) with the prior approval of the Committee, delivery of Shares already owned by the Outside Director and valued at the Fair Market Value thereof at the time of exercise,

(iii) with the prior approval of the Committee, a cashless exercise through a broker-dealer approved for this purpose by the Company.

5.7. Termination of Service. Each Award Agreement shall set forth the extent to which the Outside Director shall have the right to exercise an Option after termination of Service, but in no event shall any Option be exercised after its Expiration Date.

5.8. Nontransferability of Options. Except as may otherwise be specified by the Committee in its discretion, no Option may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than (i) by will, (ii) by the laws of descent and distribution, or (iii) pursuant to a beneficiary designation in accordance with Article 11.

ARTICLE 6. RESTRICTED STOCK

6.1 Award of Restricted Stock. Subject to the terms of the Plan, Restricted Stock may be awarded to Outside Directors in such number of Shares, upon such terms, and at such time or times as the Committee shall determine in its discretion.

6.2 Restricted Stock Agreement. Each Restricted Stock Award shall be evidenced by an Award Agreement that shall specify the Period of Restriction, the number of Shares of Restricted Stock granted, and such other provisions as the Committee may determine.

6.3. Nontransferability. Except may as otherwise be specified by the Committee in its discretion, Restricted Stock may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until after the end of the applicable Period of Restriction. Shares of Restricted Stock shall vest and become freely transferable after the end of the applicable Period of Restriction.

6.4. Other Restrictions. The Committee may impose such other conditions and/or restrictions on any Restricted Stock as it deems advisable, including without limitation a stipulated purchase price for any Share of Restricted Stock. The Company may retain possession of the certificates representing Shares of Restricted Stock until all conditions and/or restrictions applicable to such Shares have been satisfied.

6.5 Voting Rights. Shares of Restricted Stock shall have the same voting rights as unrestricted Shares.

6.6. Dividends and Other Distributions. Shares of Restricted Stock shall have the same dividend rights as unrestricted Shares; provided, however, that (i) the Committee may in its discretion provide that dividends shall be reinvested in additional Shares of Restricted Stock based on the Fair Market Value of the Shares on the applicable dividend payment date and on such other terms as may be determined by the Committee in its discretion and (ii) the Committee may impose any restrictions it deems appropriate on dividends payable in any form other than cash.

6.7. Termination of Service. The extent, if any, to which the Outside Director shall have the right to receive unvested Shares of Restricted Stock following termination of the Outside Director's Service shall be set forth in each Restricted Stock Award Agreement and, subject to Section 14.3, may subsequently be modified by the Committee in its discretion.

ARTICLE 7. STOCK

7.1. Award of Stock. Subject to the provisions of the Plan, Shares of Stock may be awarded to Outside Directors in such number, upon such terms, and at such time or times as the Committee shall determine in its discretion.

7.2. Award Agreement. Each Stock Award may, but need not, be evidenced by an Award Agreement that shall specify the number of Shares to which the Award pertains, the purchase price (if any), and such other provisions as the Committee shall determine.

ARTICLE 8. STOCK UNITS AND ACCOUNTS

8.1. Accounts. One or more accounts (each, an "Account") shall be created and maintained on the books of the Company for each Outside Director to which shall be credited all Stock Units that may be attributed to such Outside Director from time to time in connection with (i) Awards of Stock Units by the Committee pursuant to Article 9, (ii) deferrals of Compensation by such Outside Director pursuant to Article 10, or (iii) the automatic reinvestment of dividend equivalents pursuant to Section 8.3. Accounts shall be maintained solely for accounting purposes and shall not require a segregation of any assets of the Company.

8.2. Vesting. Stock Units awarded by the Committee pursuant to Article 9 shall become vested and nonforfeitable upon such terms as the Committee may determine. Stock Units credited to an Outside Director's Account by reason of his or her election to defer Compensation pursuant to Article 10 shall at all times be fully vested and nonforfeitable. Any additional Stock Units resulting from the crediting of dividend equivalents to an Outside Director's Account or Accounts pursuant to Section 8.3 shall be vested and nonforfeitable to the same extent and at the same time or times as the underlying Stock Units on account of which such dividend equivalents were credited.

8.3. Dividend Equivalents. Dividend equivalents shall be earned on Stock Units and credited to an Outside Director's Account as of any date (a "Dividend Payment Date") on which the Company pays any dividend on the outstanding Shares (a "Dividend"). Such dividend equivalents shall be expressed as a number of Stock Units equal to:

(i) the number of Stock Units credited to an Outside Director's Account as of the record date for such Dividend multiplied by the value of the per Share amount of such Dividend (as determined by the Committee in the case of dividends paid other than in cash),

divided by:

(ii) the Fair Market Value of a Share as of the Dividend Payment Date.

8.4. Amount of Payment. The amount of value payable to an Outside Director on account of a Stock Unit as of the date of any payment determined in accordance with Section 8.5 shall equal the Fair Market Value of a Share on such date.

8.5. Timing and Method of Payment. The value of vested Stock Units shall be paid to an Outside Director in a lump sum as soon as administratively possible following the termination of such Outside Director's service as a Director, except that (i) the Committee may otherwise provide in an Award Agreement, (ii) an Outside Director may otherwise provide in Distribution Election, or (iii) the Company may defer such payment on account of any or all Stock Units for up to six months after the date of such termination of such service to the extent necessary to ensure the availability of an exemption under Rule 16b-3. All payments on account of Stock Units shall be made in cash unless the Committee determines in its discretion to make a payment or payments in Shares; provided that any fractional Shares shall be paid in cash based on the Fair Market Value of a Share on the date of such payment.

8.6. Distribution Elections. The Committee may in its discretion permit the Outside Director to specify in a written notice delivered to the Secretary of the Company (a "Distribution Election") such Outside Director's election with respect to (i) when payment to such Outside Director in respect of Stock Units (whether resulting from an Award under Article 9 or from deferrals pursuant Article 10) shall commence, and (ii) whether such payment shall be in a lump sum or in such number of annual installments as the Outside Director may designate, subject to a maximum number of installments that the Committee shall determine from time to time, but not in excess of ten (10). To the extent the Committee permits Distribution Elections, an Outside Director may make or change such a Distribution Election as to the entire balance of his or her Account at any time or from time to time, but only by a Distribution Election filed with the Company no later than December 31 of the year next preceding such Outside Director's termination of service as a Director. Any Distribution Election that is not timely made or changed shall be disregarded.

8.7. Nontransferability of Stock Units. Except as may otherwise be specified by the Committee in its discretion, no Stock Unit may be transferred in any manner other than (i) by will, (ii) by the laws of descent and distribution, or (iii) pursuant to a beneficiary designation in accordance with Article 11.

8.8. Unsecured Obligation. An Outside Director shall be a general unsecured creditor of the Company with respect to all Stock Units credited to his or her Account or Accounts. The Committee may, but is not required to, establish a so-called "rabbi" trust or similar mechanism to fund the Company's obligations under this Plan; provided, however, that any funds contained therein shall remain subject to the claims of the Company's general creditors.

ARTICLE 9. AWARD OF STOCk UNITS BY THE COMMITTEE

9.1. Award of Stock Units. Subject to the terms of the Plan, Stock Units may be awarded to Outside Directors in such number, upon such terms, and at such time or times as the Committee shall determine in its discretion. Stock Units may be awarded in substitution for, or replacement of, the rights or interests (whether vested or unvested) of Outside Directors under other plans of the Company.

9.2. Award Agreement. Each Stock Unit Award shall be evidenced by an Award Agreement that shall specify the number of Stock Units to which the Award pertains, the vesting of such Stock Units, the extent (if any) to which a payment is to be made in respect of Stock Units that are unvested upon the termination of an Outside Director's Service, and such other provisions as the Committee shall determine.

ARTICLE 10. DEFERRALS BY OUTSIDE DIRECTORS

10.1. Deferral Election. An Outside Director may elect to defer receipt of all or any specified portion of any Compensation payable to him or her, and to have such amounts credited to his or her Account in accordance with Section 10.3; provided, however, that the Committee may in its discretion (i) provide that any such election shall be subject to the prior approval of the Committee or (ii) suspend the right of all Outside Directors to defer receipt of Compensation to be received after the date of such suspension.

10.2. Timing of Deferral Election. A deferral election shall be made by written notice (an "Deferral Election") filed with the Secretary of the Company:

(i) on or before the Effective Date (covering Compensation to be earned after the Effective Date),

(ii) no more than 30 days after a Outside Director is first elected or appointed to the Board (covering Compensation to be earned at any time after the filing of such election),

(iii) on or before the date of any Annual Meeting (covering Compensation to be earned after such Annual Meeting), or

(iv) on or before such other date or dates as may be approved in advance by the Committee (covering Compensation earned for such period or periods commencing after such other date as may be specified by the Committee).

Subject to Section 8.6, a Deferral Election may be accompanied by a Distribution Election. Subject to Section 10.1, any Deferral Election shall continue in effect (including with respect to the Compensation relating to subsequent periods) unless and until revoked or modified by a new Deferral Election filed with the Secretary of the Company. Amounts credited to an Outside Director's Account prior to the effective date of any such revocation or modification of a deferral election shall not be affected by such revocation or modification. An Outside Director who has revoked a Deferral Election may file a new Deferral Election to defer Compensation relating exclusively to services to be rendered during the calendar year following the year in which such new Deferral Election is filed with the Company.

10.3. Deferrals Credited to Account. Any Compensation deferred by an Outside Director pursuant to this Article 10 shall be allocated to his or her Account and deemed to be invested in a number of Stock Units equal to (i) the amount of such Compensation divided by (ii) the Fair Market Value of a Share on the date Compensation would otherwise have been paid.

ARTICLE 11. BENEFICIARY DESIGNATION

Unless the Committee in its discretion determines otherwise, each Outside Director may from time to time name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in the event of such Outside Director's death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by such Outside Director, shall be in a form prescribed by the Company, and will be effective only when filed by the Outside Director in writing with the Company during the Outside Director's lifetime. In the absence of any such designation, benefits remaining unpaid at the Outside Director's death shall be paid to his or her estate.

ARTICLE 12. TAX WITHHOLDING

If any federal, state, and local tax withholding may from time to time be required in respect of the grant, vesting or exercise of any Award or the settlement of any Stock Unit (any such event, "Taxable Event"), the Company shall have the authority to withhold, or require an Outside Director to remit to the Company, an amount sufficient to satisfy such tax withholding. The Company may defer the payment of cash or delivery of Shares in connection with a Taxable Event until such withholding requirements have been satisfied. The Committee may, in its discretion, permit an Outside Director to elect, subject to such conditions as the Committee may require, to have the Company withhold Shares otherwise deliverable pursuant to the Plan and having a Fair Market Value sufficient to satisfy all or part of any Outside Director's estimated total federal, state, and local tax obligation associated with a Taxable Event.

ARTICLE 13. RIGHTS OF DIRECTORS

Nothing in the Plan shall interfere with or limit in any way the right of the Company's shareholders to terminate any Outside Director's Service at any time, nor confer upon any Outside Director any right to continue in Service.

ARTICLE 14. AMENDMENT, MODIFICATIONS, AND TERMINATION

14.1. Amendment, Modification, and Termination. Subject to the terms of the Plan, the Board may at any time and from time to time, alter, amend, suspend or terminate the Plan in whole or in part without the approval of the Company's shareholders, except that no such amendment shall increase the number of Shares available for delivery under the Plan, change the minimum Option Price or maximum term of an option, or change the requirements relating to the composition of the Committee.

14.2. Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. In connection with any unusual or nonrecurring events (including, without limitation, the events described in Section 4.2) affecting the Company or of changes in applicable laws, regulations, or accounting principles, the Committee may in its discretion adjust:

(i) the terms of Options, Restricted Stock, Stock and Stock Units (including without limitation in the number, class and/or price of Shares or Stock Units subject to, or to be distributed in connection with, outstanding Awards or Stock Units) and

(ii) the criteria specified in the Award Agreements related to outstanding Awards,

whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits intended to be made available under the Plan.

14.3. Awards Previously Granted. Notwithstanding any other provision of the Plan to the contrary, no termination, amendment, or modification of the Plan shall adversely affect in any material way any previously granted Award, without the written consent of the Outside Director holding such Award.

ARTICLE 15. NONALIENABILITY

Except as may otherwise be specified by the Committee in its discretion, no Award, Stock Unit, nor any right to a payment of Stock Units pursuant to Section 8.5 shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Outside Director or the Outside Director's beneficiary, other than (i) by will, (ii) by the laws of descent and distribution, or (iii) pursuant to a beneficiary designation in accordance with Article 11.

ARTICLE 16. SUCCESSORS

All obligations of the Company under the Plan shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company. The Company and such successor shall be jointly and severally liable for all of the Company's obligations under the Plan.

ARTICLE 17. LEGAL CONSTRUCTION

17.1. Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

17.2. Articles and Sections. Except where otherwise indicated by the context, any reference to an "Article" or "Section" shall be to an Article or Section of this Plan.

17.3. Severability. If any part of the Plan is declared to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any other part of the Plan. Any part of the Plan so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such part to the fullest extent possible while remaining lawful and valid.

17.4. Legal Compliance. If the Company determines that the exercise or nonforfeitability of, or delivery of benefits pursuant to, any Award or Deferral Election would violate any applicable provision of (i) federal or state securities laws or (ii) the listing requirements of any national securities exchange or national market system on which are then listed any of the Company's equity securities, then the Company may postpone any such exercise, nonforfeitability or delivery, as applicable, but the Company shall use all reasonable efforts to cause such exercise, nonforfeitability or delivery to comply with all such provisions at the earliest practicable date. If the Company deems necessary to comply with any applicable securities law, the Company may require a written investment intent representation by an Outside Director and may require that a restrictive legend be affixed to certificates for Shares delivered pursuant to the Plan.

17.5. Governing Law. The Plan and all Award Agreements shall be construed in accordance with and governed by the laws of the State of Illinois, without regard to the conflict of laws principles thereof.

EXHIBIT 11

OIL-DRI CORPORATION OF AMERICA AND SUBSIDIARIES

Computation of Earnings per Share

	1998	1997	1996	1995	1994
Average number of shares outstanding during the year	6,125,057	6,595,782	6,806,448	6,931,726	6,990,435
Options exercisable, less shares that could have been purchased based on the average market value for the period	39,466	3,314	443	4,429	20,289
Average number of common and common equivalent shares outstanding during the year (a)	6,164,523	6,599,096	6,806,891	6,935,975	7,010,724
Net earnings	4,723,226	$6,793,473	$3,374,257	$8,002,828	$9,852,200
Net earnings per share	$ 0.77	$ 1.03	$ 0.50	$ 1.15	$ 1.41

(a) Does not include options which are not dilutive. Effect under fully diluted computations is not material.

EXHIBIT 13

OIL-DRI CORPORATION OF AMERICA

FINANCIAL HIGHLIGHTS

(in thousands except for per share amounts)	1998	1997	1996	1995	1994
INCOME STATEMENT DATA					
Net Sales	$160,252	$156,616	$153,787	$152,899	$147,147
Income from Operations(1)$	8,429	$ 10,669	$ 5,983	$ 12,710	$ 14,296
Net Income(1).....................	$ 4,723	$ 6,793	$ 3,374	$ 8,003	$ 9,852
BALANCE SHEET DATA					
Working Capital	$ 36,283	$ 31,165	$ 30,399	$ 33,074	$ 29,337
Total Assets	$134,215	$114,558	$117,693	$116,988	$112,267
Long-Term Debt	$ 39,976	$ 17,052	$ 18,978	$ 20,422	$ 21,521
PER SHARE DATA					
Net Income per Share(1)	$ 0.77	$ 1.03	$ 0.50	$ 1.15	$ 1.41
Book Value per Share	$ 12.15	$ 12.03	$ 11.46	$ 11.35	$ 10.51

(1) Includes pre-tax special charges of $3,129,000 or $0.36 per share in 1998 and $921,000 or $0.10 per share in 1996.

NET SALE millions of dollars		NET INCOME PER SHARE(1) millions of dollars	
1994	145 million	1994	1.4 million
1995	150 million	1995	1.1 million
1996	155 million	1996	5.0 million
1997	157 million	1997	1.0 million
1998	165 million	1998	.75 million

LAND HOLDINGS & MINERAL RESERVES	Owned (acres)	Leased (acres)	Total (acres)	Proven Reserves (thousands of tons)
Florida..........................	537	446	983	4,512
Georgia..........................	1,852	1,804	3,656	44,295
Illinois.........................	161	598	759	9,000
Mississippi......................	2,354	1,431	3,785	129,235
Nevada...........................	415	6,747	7,162	306,830
Oregon...........................	360	640	1,000	83
Tennessee........................	778	--	778	4,250
	6,457	11,666	18,123	498,205

BUSINESS OVERVIEW

Oil-Dri Corporation of America delivers innovative solutions that help our customers make the world cleaner, safer and healthier. The company is the leading developer, manufacturer and marketer of sorbent products for a variety of markets.

[PHOTO OF PET PRODUCTS]

PET PRODUCTS

Oil-Dri is the largest manufacturer of cat litters in North America. The company's Cat's Pride(R) brand has grown faster than both the market and all other major brands over the past two years. During the past year, the company increased retail sales and product distribution. Recent acquisitions and new product launches are expected to strengthen Oil-Dri's position in this competitive market.

[PHOTO OF INDUSTRIAL & AUTOMOTIVE PRODUCTS]

INDUSTRIAL & AUTOMOTIVE PRODUCTS

Oil-Dri(R) branded oil and grease absorbents have been the professional's choice for cleanup since 1941. The company continues to distinguish itself as the premier supplier by offering a breadth of cleanup solutions, including clay and polypropylene sorbents. In addition, Oil-Dri products are being offered to consumers through wholesale clubs and automotive aftermarket retailers.

[PHOTO OF AGRICULTURAL PRODUCTS]

AGRICULTURAL PRODUCTS

Oil-Dri sets the standard for the highest quality carriers for crop protection products in the agricultural chemical industry. The company is expanding its participation in the agricultural industry with animal health products, including feed binders and conditioners. The company's position in the turf and ornamental market is expanding with Terra-Green(R) soil conditioner.

[PHOTO OF FLUIDS PURIFICATION PRODUCTS]

FLUIDS PURIFICATION PRODUCTS

These specialty adsorbents are used to remove impurities from food oils and petroleum products. This past year, sales of Pure-Flo(R) adsorbents to Malaysia, the world's largest producer of palm oil, were down substantially due to devaluation of the local currency. On the positive side, business in Europe was very strong. Oil-Dri is consolidating global fluids purification activities and expanding business opportunities worldwide.

SALES TRENDS (millions of dollars)	1998	1997	1996	1995	1994
Pet Products	$ 99.9	$ 95.0	$ 90.5	$ 91.1	$84.4
Industrial and Automotive Products	20.6	19.6	20.2	22.2	22.8
Agricultural Products	19.7	18.6	19.9	16.6	18.3
Fluids Purification Products	17.7	15.7	13.6	13.7	14.1
Transportation Services(2)	2.4	7.7	9.6	9.3	7.5
	$160.3	$156.6	$153.8	$152.9	$147.1

(2) Oil-Dri exited the transportation business in the second quarter of fiscal 1998.

[PHOTO OF RICHARD M. JAFFEE]

To Our Shareholders

FROM THE CHAIRMAN

Fiscal 1998 was a year of significant progress and solid achievement. Dan Jaffee and his team completed two important acquisitions and exited a non-core business. These strategic steps were consistent with the company's five-year business plan. The financial results achieved were in line with the company's stated growth objectives.

The success recorded this year should be particularly gratifying to all Oil-Dri shareholders since it was accomplished against a background of difficult and unexpected external events. Worldwide currency devaluations, so much in the news this past year, had a very negative impact on our Malaysian Pure-Flo(R) business and slowed the introduction of our agricultural products in Asia. The Canadian dollar depreciated in value steadily throughout the year, negatively impacting profitability.

When good results are achieved in a difficult economic environment, it is particularly important. I want to take this opportunity to congratulate Dan, the senior management and all of our Oil-Dri employees on a job well done.

I would also like to thank the Board of Directors for their ongoing support and counsel. Their dedication to the success of Oil-Dri is one of our greatest assets. The strength of our board comes from the wisdom and long-term business experience of some members and the fresh perspective of others.

At the start of the year, Arnold W. Donald, Senior Vice-President of the Monsanto Company, joined our board. Mr. Donald's experience in agriculture and biotechnology is invaluable. In addition, his general management experience, particularly in international marketing, is important. Mr. Donald's integrity and social responsibility complement the corporate culture and core values of our organization.

All of us at Oil-Dri were very proud when our long-time friend and director, Allan H. (Bud) Selig, was unanimously chosen as the ninth Commissioner of Baseball. We are proud of Bud's accomplishments and pleased that his first official year as commissioner has been one of greatly renewed interest in our national pastime.

My brother, Robert Jaffee, an Oil-Dri director since 1956, is retiring from the board this year. I want to extend my sincere and deepest thanks to Bob for his years of service. He has both challenged and supported me over these many years and I am grateful for his input and guidance.

While these are difficult times in the financial markets and particularly tough for small capitalization stocks such as ours, the future of Oil-Dri has never been brighter. Sales and earnings growth have reaccelerated and our business continues to generate excess free cash. In the past few years, a portion of that cash has been returned to shareholders in the form of dividends and the repurchase of our common stock. Since 1994, the company has repurchased more than one million shares of its common stock, reducing shares outstanding by approximately 15%.

Fiscal 1999 promises to be a very exciting year. We will continue to profitably integrate our recent acquisitions while launching several significant new products.

We thank you for your continued support and look forward to another successful year.

/S/ Richard M. Jaffee
Richard M. Jaffee
Chairman

To Our Shareholders [Photo of Daniel S. Jaffee]

FROM THE PRESIDENT AND CEO

This year, my letter is being written as if you, our shareholder, are sitting in my office and giving me five minutes to communicate why Oil-Dri is a company worthy of your investment. The only rules are that I stick to what transpired during fiscal 1998 and that I cover the positive and negative events with equal attention. When my time is up, I hope you will have a clear picture of where Oil-Dri is heading so you can decide for yourself whether Oil-Dri is a company you will be glad to own over the long term. With that, turn over your five-minute egg timer and say, "Go."

By focusing on the businesses which give Oil-Dri the best chance to succeed over the long term, we are committed to growing the sales and earnings by 10% per year; some years will be more, some less, but over time we fully expect to achieve double-digit growth on both the top and bottom lines.

We finished the year with record sales of $160 million and, due to our stock repurchase program, we were able to deliver a 10% increase in earnings per share (before a special charge) from $1.03 to $1.13. This made fiscal 1998 the second consecutive year of double-digit growth in per share earnings.

Fiscally, Oil-Dri had a good year in 1998. Strategically, we had a great year. We opened the year by acquiring the Phoebe Products Company, a manufacturer of high-quality pet treats. While retail sales of cat litter in the United States are roughly $850 million, pet treats represent nearly $1 billion annually. This acquisition broadens Oil-Dri's position as a pet products company. We spent this year doing our homework. We talked to consumers about what they did and did not like about treats on the market today. In fiscal 1999 we will test market our new line of pet treats. We plan to leverage Oil-Dri's critical mass in the grocery and mass merchandiser channels to build a sizable and profitable pet treat business. Provided we have a successful test market, this new product line will be prominently featured in next year's annual report.

In the second quarter, we exited the transportation business and formed a strategic alliance with CRST. This divestiture and the ensuing alliance were all about focusing on core strengths. Oil-Dri needs to invest your money in businesses that can give you a better than average return. Trucking was not one of those businesses. CRST is doing what they do best, so Oil-Dri can focus on doing what it does best.

As Sir Winston Churchill said after Dunkirk, "Wars are

[ILLUSTRATION]

TO OUR SHAREHOLDERS

not won in retreat." With that in mind, let's turn from defense to offense. In April of this year, after months of negotiations, we acquired the Oil-Dri, Mounds Production Company from one of our competitors. This acquisition enhanced our position as a supplier of quality private label cat litter products. By manufacturing an account's private label cat litter, we in effect become a partner with them. We know from experience that retailers are more receptive to stocking our Cat's Pride(R) brand of products when we are supplying their private label requirements. Additionally, the geographic location of this plant has allowed us to better serve our agricultural, industrial and automotive customers.

Not all events were positive during the year. When the Malaysian ringgit's value plummeted versus the US dollar, our Pure-Flo(R) business in that country evaporated. Our products are sold in US dollars and became too expensive as compared to locally available bleaching clays. Year over year, we saw sales to Malaysia drop $1,540,000. We have not budgeted any Malaysian sales for fiscal 1999.

The second negative event of the year was the loss of most of our Sam's Wholesale Club business. Eighteen months ago, Sam's decided to discontinue our brand of scoopable litter in favor of stocking their own private label. However, Cat's Pride Premium traditional litter was awarded distribution in over 80% of their clubs after winning head-to-head, in-store tests against our competitors. During the ensuing year and a half, sales of our Cat's Pride Premium traditional litter grew dramatically faster than the category. Despite this, Sam's decided to replace our brand with a competitor's product.

To put this in perspective, over the past four years we have lost $14 million of sales with Sam's, yet companywide sales have increased $7 million. This means that our non-Sam's business has grown by $21 million during this period. This is a good news/bad news story. The bad news is that we never like to lose business. The good news is that in spite of the loss of what was once our single largest account, the company has been able to offset these losses and show small sales growth and greater diversification. Furthermore, our relationship with Wal-Mart Stores, Sam's sister company, has never been stronger. All-in-all, our total business with Wal-Mart is doing very well.

Finally, the cost of natural gas impacted profitability this year. In March 1997, the manufacturing team was given the authority to forward-purchase a significant percentage of our gas requirements for the 1998 fiscal year. In an effort to bottom fish, we waited for the market to go lower and lower. This left us unprotected against the unexpected run-up in prices which occurred during the first six months of the fiscal year, and cost us 7 cents per share during fiscal 1998.

My grandfather, Nick Jaffee, the founder of this business, was fond of the saying, "You don't learn anything by getting kicked by a mule a second time." We got kicked last year and are not about to let it happen again. We have implemented a policy which dictates when and how much we will forward buy so as to minimize the impact that the volatility of natural gas prices can have on our business.

Despite the negative events of the year, Oil-Dri reported sales and earnings growth. In addition, we successfully digested two acquisitions, restructured our over-the-road shipping program, and continued to reduce costs by investing in productivity improvements throughout the organization.

I wish I could say that our stock price reflected these successes. The positive spin on our stock price is that, at September 30, 1998, it's trading near book value and selling at only 11.3 times operating income per share.

Beginning in the new fiscal year, we are implementing a management tool we call "NOVA," an acronym for Net Oil-Dri Value Added. Here is how it works. Every investment decision, whether it be in fixed assets or working capital, carries with it a cost of capital. We were able to borrow $25 million this past year at an excellent fixed rate of 6.55% over the 15-year term of the debt. With our mix of debt and equity, along with the higher cost associated with equity, our weighted average cost of capital is 10%. This

TO OUR SHAREHOLDERS

means that for a project to add value to the company, it must yield a positive return after being charged approximately 10% for the cost of all capital necessary to realize the opportunity.

As an example, let's look at two very different projects. The first (Project A) involves building a plant while the second (Project B) is a marketing opportunity whereby the manufacturing will be done by a third party. For simplicity's sake, let's assume that all other variables are the same (i.e., inventory levels, payment terms, etc.). The only difference in the cost is the fixed investment in the first opportunity. Here's what the two projects look like:

	PROJECT A	PROJECT B
Annual Sales	$ 15.0 million	$ 15.0 million
Pre-Tax Earnings	$ 2.0 million	$ 1.5 million
Fixed Investment	$ 10.0 million	$ 0.0

In which one do you invest? In the past, we might have bet on Project A because the depreciation on the fixed assets is in the pre-tax number and it still yields a better return. However, starting August 1, 1998, the individual business units at Oil-Dri will be charged for the cost of the capital employed related to each specific business unit. This requires our business managers to go to the "bank" and borrow at a rate of 10% for all the capital required to run their businesses. Once you charge Project A 10% of the $10 million fixed investment, the NOVA (Net Oil-Dri Value Added) drops to $1.0 million, while the NOVA for Project B remains $1.5 million and becomes the project of choice.

In the past, the business units were given a free pass for the capital used in their respective areas. They were charged for depreciation, but not for the carrying cost of the inventory, outstanding accounts receivable, or the funds necessary to finance a growth initiative. That has all changed. NOVA will put the responsibility for making informed investment decisions where it needs to be, in the hands of our general managers. Once we've had a year to work with it, a significant piece of annual incentive bonuses will be tied to NOVA growth.

This leads to our growth opportunities. In fiscal 1999, we will be launching two new cat litters made from recycled paper. A third-party supplier will provide the raw material and we will add the technical know-how to make the materials perform like cat litter. The traditional cat litter, DustStopperTM, performs like the best cat litters except for one notable omission - it's virtually dust-free.

The new scoopable litter is equally exciting. Demographics of cat owners show that a large percentage of them live in high rises and keep their cat box in a bathroom. Consumer research indicates they would prefer to flush the used litter rather than dispose of it in a waste can. Our new product, Scoop'N FlushTM, acts just like the leading scoopable litters, but unlike the other litters, has been certified safe-to-flush through residential plumbing systems. The initial reaction from the trade has been very favorable.

My time is up. The remainder of this annual report provides additional detail on the positive events of the year and opportunities for the future. The Oil-Dri team is extremely bullish about our prospects. I hope at the end of your analysis, you will decide that Oil-Dri is a company worthy of your investment and whose stock you can be proud to own.

/s/ Daniel S. Jaffee
DANIEL S. JAFFEE
President and CEO

[DIAGRAM]

FOCUSING ON CORE STRENGTHS

CUSTOMER BASE

MANUFACTURING EXPERTISE

MINERAL RESERVES

RESEARCH AND DEVELOPMENT CAPABILITIES

INNOVATIVE PRODUCTS

CREATIVE MARKETING

Seeing the Forest for the Trees

During Oil-Dri's strategic planning process, each business unit was examined and the company's strengths and weaknesses were defined. The strengths far outnumbered the weaknesses, but during this introspection, it became clear that Oil-Dri Transportation Company was no longer an integral part of Oil-Dri's strategy. The reasons behind entering the transportation business (direct store door deliveries for major customers, over-the-road shipments to the West Coast, heavy competition for drivers and equipment) were no longer issues. Shipping to distribution centers is more common, rail shipments to the West Coast have become more economical, and drivers and equipment are more readily available. Oil-Dri Transportation Company was no longer providing a strategic, competitive advantage, and, while it generated sales of almost $8,000,000 in fiscal 1997, it has historically not contributed to profitability.

The question was then, "How to serve our customers with convenient, cost-effective transportation options while focusing energies and resources on Oil-Dri's core strengths, delivering innovative solutions that help our customers make the world cleaner, safer and healthier?"

The answer was to exit the trucking business and form a strategic alliance with a firm that could handle Oil-Dri's over-the-road shipping needs. CRST was just the kind of partner Oil-Dri was looking for. In this new relationship, CRST has assumed all equipment leases and set up logistics centers at our facilities to handle over-the-road shipments for our customers.

A special charge of $0.36 per share was taken in fiscal 1998 to cover the cost of exiting the transportation business as well as writing down certain nonperforming assets. Going forward, trucking rates are expected to be more competitive through CRST, and because we no longer need to support Oil-Dri's backhaul business, many of our traditional over-the-road shipping lanes are being replaced with less expensive rail shipping. We anticipate related savings will be approximately $1,000,000 annually.

[ILLUSTRATION]

Spreading Our Roots

Oil-Dri has significant roots in the sorbent mineral business. The acquisition of American Colloid's Fuller's Earth business has helped spread these roots even further. The purchase will contribute approximately $15,000,000 in revenues next year, including coarse private label cat litter, oil and grease absorbents, and agricultural carriers.

With this acquisition, Oil-Dri has become the largest manufacturer of cat litters in North America and a consolidated source for private label and branded cat litter products. The acquisition also increased manufacturing capacity for clay sorbents to over 1,000,000 finished tons, provided a Midwestern distribution point, and expanded Oil-Dri's mineral reserve base in the western United States.

Strategically, the acquisition will allow Oil-Dri to more effectively partner with retailers. As the only manufacturer dedicated to providing private label and branded cat litter products in coarse and scoopable varieties, Oil-Dri can offer retailers a consolidated source for all their cat litter needs. The breadth of our product offerings is important to retailers who want to reduce the number of vendors providing products. It also allows them to enjoy the logistic synergies of receiving truckload orders with a variety of branded, private label, scoopable and traditional cat litters. Combining these orders will help reduce inventories, purchase orders and logistical difficulties.

At the same time, in accounts where Oil-Dri provides private label products, its branded products are represented, on average, three times more often, increasing the profitability and value for Oil-Dri from these partnerships.

The acquisition is also benefiting our agricultural, industrial and automotive product groups. The new Mounds, Illinois plant is Oil-Dri's northernmost facility for these products. It has added capacity and provided more flexibility in both manufacturing and shipping options for our customers.

The cost of the acquisition was less than a dollar for a dollar of sales. Financing was done with a long-term, fixed-rate private debt placement at 6.55% over a fifteen-year life.

[ILLUSTRATION]

Branching Out

Diversification and continued innovation in our pet product line was marked this year by two exciting developments. First, Oil-Dri's research and development team, in conjunction with a major paper manufacturer, created two new cat litters made from recycled paper. DustStopperTM and Scoop'N FlushTM cat litters perform as well as, or better than, clay cat litters while offering consumer benefits clay products can't. They're like "toilet paper for your cat."

Consumers demand absorbency and odor control from their cat litters. DustStopper granular cat litter performs these mandatory tasks, and because it is made from recycled paper, it has none of the nuisance dust that consumers associate with clay cat litters.

Scoop'N Flush scoopable litter offers the same odor control and absorptivity, and it is completely safe to flush. This is particularly important because most consumers keep their litter boxes in the bathroom and would prefer to flush the litter. It's the more convenient scoopable cat litter.

In addition to product performance, consumers can feel good about the fact that DustStopper and Scoop'N Flush are environmentally responsible and carry the recommendation of the American Humane Association.

The second event related to branching out in the pet aisle was the acquisition of a dog biscuit manufacturer. Phoebe Products Company, named, appropriately enough, after a labrador retriever, will produce a line of high-quality dog biscuits that address specific pet issues. Special, 100% American-made rawhides and healthy jerky treats, which will be outsourced, will round out the dog treat line.

During the past year, consumer research and product testing were completed. The dog treats will be launched into test markets around mid-year of fiscal 1999.

Oil-Dri continues to deliver innovation to the pet aisle and expand its product offerings for retailers and consumers. In a time of vendor rationalization, Oil-Dri is establishing itself, not just as a leading manufacturer of cat litters, but as a leading supplier of pet products - delivering clay cat litters, new paper cat litters, and soon, a full line of dog treats.

[PHOTO OF PET PRODUCTS]

TEN YEAR SUMMARY OF FINANCIAL DATA

GROSS PROFIT millions of dollars		CAPITAL EXPENDITURES millions of dollars	
1989	25.0 million	1989	9.0 million
1990	30.0 million	1990	7.0 million
1991	31.0 million	1991	10.5 million
1992	40.0 million	1992	8.5 million
1993	45.0 million	1993	9.0 million
1994	47.5 million	1994	13.5 million
1995	47.5 million	1995	10.5 million
1996	47.5 million	1996	10.5 million
1997	48.0 million	1997	5.0 million
1998	50.0 million	1998	7.0 million

(in thousands except for per share amounts)

	1998	1997	1996	1995
SUMMARY OF OPERATIONS				
NET SALES	$160,252	$156,616	$153,787	$152,899
COST OF SALES	110,096	108,687	107,730	108,268
GROSS PROFIT	50,156	47,929	46,057	44,631
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	38,598	37,260	39,153	31,921
SPECIAL CHARGES	3,129	--	921	--
INCOME FROM OPERATIONS	8,429	10,669	5,983	12,710
OTHER INCOME (EXPENSE)				
Interest Income	491	637	587	448
Interest Expense	(2,049)	(1,775)	(1,917)	(1,921)
Foreign Exchange (Losses) Gains	(146)	--	(7)	(5)
Other, Net	(119)	(17)	137	(84)
Total Other Expense, Net	(1,823)	(1,155)	(1,200)	(1,562)
INCOME BEFORE INCOME TAXES	6,606	9,514	4,783	11,148
INCOME TAXES	1,883	2,721	1,409	3,145
NET INCOME	$ 4,723	$ 6,793	$ 3,374	$ 8,003
AVERAGE SHARES OUTSTANDING	6,165	6,599	6,807	6,936
NET INCOME PER SHARE	$ 0.77	$ 1.03	$ 0.50	$ 1.15
IMPORTANT HIGHLIGHTS				
Total Assets	$134,215	$114,558	$117,693	$116,988
Long-Term Debt	$ 39,976	$ 17,052	$ 18,978	$ 20,422
Working Capital	$ 36,283	$ 31,165	$ 30,399	$ 33,074
Working Capital Ratio	3.1	3.0	2.7	3.1
Dividends Declared	$ 1,808	$ 1,936	$ 2,022	$ 2,047
Capital Expenditures	$ 6,496	$ 5,395	$ 7,184	$ 7,032
Depreciation and Amortization	$ 7,832	$ 7,587	$ 7,926	$ 7,808
Operating Cash Flows, less Capital Expenditures	$ 2,331	$ 8,349	$ 6,869	$ 5,285
Long-Term Debt to Total Capital	35.8%	18.1%	19.7%	20.7%
Net Income as a Percent of Net Sales	3.0%	4.3%	2.2%	5.2%
Return on Average Stockholder's Equity	6.3%	8.8%	4.3%	10.6%
Gross Profit as a Percent of Net Sales	31.3%	30.6%	29.9%	29.2%
Operating Expenses as a Percent of Net Sales	26.0%	23.8%	26.1%	20.9%

ASSETS millions of dollars		SHAREHOLDERS' EQUITY millions of dollars	
1989	70 million	1989	44 million
1990	78 million	1990	50 million
1991	90 million	1991	55 million
1992	92 million	1992	60 million
1993	103 million	1993	65 million
1994	112 million	1994	72 million
1995	120 million	1995	78 million
1996	122 million	1996	76 million
1997	112 million	1997	76 million
1998	140 million	1998	70 million

YEAR ENDED JULY 31

1994	1993	1992	1991	1990	1989
$ 147,147	$ 140,866	$ 124,585	$ 106,054	$ 97,677	$ 85,652
102,457	97,396	85,116	74,370	68,110	61,508
44,690	43,470	39,469	31,684	29,567	24,144
30,394	29,553	28,967	21,778	20,016	16,252
--	--	--	--	--	--
14,296	13,917	10,502	9,906	9,551	7,892
441	452	515	602	633	567
(1,752)	(1,729)	(1,884)	(1,363)	(1,156)	(979)
3	(88)	63	(23)	37	11
171	(298)	15	50	73	(9)
(1,137)	(1,663)	(1,291)	(734)	(413)	(410)
13,159	12,254	9,211	9,172	9,138	7,482
3,307	2,834	2,110	2,092	2,351	1,935
$ 9,852	$ 9,420	$ 7,101	$ 7,080	$ 6,787	$ 5,547
7,011	7,031	7,026	7,055	7,042	7,003
$ 1.41	$ 1.34	$ 1.01	$ 1.00	$ 0.96	$ 0.79
$ 112,267	$ 102,117	$ 95,018	$ 89,394	$ 76,779	$ 67,193
$ 21,521	$ 17,766	$ 18,831	$ 20,176	$ 11,893	$ 11,820
$ 29,337	$ 26,043	$ 24,359	$ 24,763	$ 16,149	$ 15,170
3.0	2.7	2.8	3.4	2.3	2.7
$ 1,807	$ 1,679	$ 1,548	$ 1,422	$ 1,149	$ 959
$ 13,559	$ 9,158	$ 8,040	$ 10,416	$ 6,403	$ 8,936
$ 6,798	$ 5,835	$ 5,407	$ 4,831	$ 4,466	$ 3,990
$ (3,734)	$ 5,080	$ 645	$ (1,310)	$ 4,410	$ (1,976)
22.8%	21.1%	24.0%	26.6%	19.2%	21.4%
6.7%	6.7%	5.7%	6.7%	6.9%	6.5%
14.1%	14.9%	12.3%	13.4%	14.5%	13.5%
30.4%	30.9%	31.7%	29.9%	30.3%	28.2%
20.7%	21.0%	23.3%	20.5%	20.5%	19.0%

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

FISCAL 1998 COMPARED TO FISCAL 1997

Consolidated net sales for the year ended July 31, 1998, were $160,252,000, an increase of 2.3% over net sales of $156,616,000 in fiscal 1997. Excluding transportation sales, which were $2,372,000 in fiscal 1998 and $7,705,000 in fiscal 1997, sales increased 6.0% over 1997. Net income for fiscal 1998 was $4,723,000 or $0.77 per share, a decrease of 30.5% from $6,793,000 or $1.03 per share earned in fiscal 1997. This decrease was primarily due to a special charge recorded in the second quarter of fiscal 1998. The special charge, which primarily covered the costs of exiting the transportation business as well as writing off certain non-performing assets, reduced pre-tax income by $3,129,000, net income by $2,237,000 and earnings per share by $0.36 for the year ended July 31, 1998. Excluding the special charge, earnings per share were $1.13, an increase of 9.7% over the prior year.

Net sales of pet products increased $4,851,000 or 5.1% over prior year amounts, even though such sales to Sam's Club, which decided to discontinue carrying the Company's cat litter product, were down approximately $2,300,000 from the prior year. The growth resulted primarily from increased sales of branded and private label products in both the grocery and mass merchandiser markets. Additionally, sales of private label products increased as a result of the April 20, 1998 acquisition of Oil-Dri, Mounds Production Company. Net sales of fluids purification products increased $2,016,000 or 12.9% from fiscal 1997, due to increased demand for these products in the United Kingdom. Agricultural product sales increased $1,113,000 or 6.0% compared to fiscal 1997, due to increased demand in the industry for agricultural carriers. Net sales of industrial and environmental sorbents increased $1,027,000 or 5.3% from prior year levels.

Consolidated gross profit as a percentage of net sales for fiscal 1998 increased to 31.3% from 30.6% in fiscal 1997. Changes in sales mix, a companywide effort to reduce costs and exiting the transportation business contributed to this increase.

Operating expenses as a percentage of net sales increased to 26.0% for fiscal 1998 from 23.8% in fiscal 1997. This increase is primarily due to a pre-tax special charge of $3,129,000 recorded in the second quarter of fiscal 1998. Interest expense increased $274,000 while interest income decreased $146,000. The higher interest expense is primarily due to the fixed-rate financing secured during the third quarter which was used to fund the purchase of Oil-Dri, Mounds Production Company.

The Company's effective tax rate decreased to 28.5% of pre-tax income in fiscal 1998 from 28.6% in fiscal 1997.

Total assets of the Company increased $19,657,000 or 17.2% during the year ended July 31, 1998. Current assets increased $6,699,000 or 14.3% from fiscal 1997 year-end balances primarily due to higher inventory and accounts receivable levels. Property, plant and equipment, net of accumulated depreciation, increased $7,004,000 or 12.5% during the year, primarily due to the acquisition of Oil-Dri, Mounds Production Company, partially offset by depreciation expense exceeding capital expenditures. Investments in property, plant and equipment included expenditures for increased productivity. Other assets increased $5,954,000 due to intangibles resulting from the acquisition.

Total liabilities increased $25,179,000 or 67.6% during the year due primarily to an increase in long-term debt partially used to acquire Oil-Dri, Mounds Production Company. Current liabilities increased $1,581,000 or 10.0% from July 31, 1997 balances, due to an increase in freight payable related to exiting the transportation business, partially offset by a decrease in accrued trade promotions and advertising.

EXPECTATIONS

The Company anticipates net sales for fiscal 1999 will be higher than the net sales in fiscal 1998. Sales of branded cat box absorbents are expected to increase moderately as existing products and new product introductions gain incremental distribution. Sales of private label cat box absorbents, agricultural carriers, and industrial sorbents in fiscal 1999 will be at higher levels than 1998 due to incremental sales resulting from the April 20, 1998 acquisition of Oil-Dri, Mounds Production Company. However, sales growth of cat box absorbents is subject to continuing competition for shelf space in the grocery, mass merchandiser and club markets. Sales of the Company's fluids purification products are also expected to increase moderately in fiscal 1999.

The foregoing statements under this heading are "forward-looking statements" within the meaning of that term in the Securities Exchange Act of 1934, as amended. Actual results may be lower than those reflected in these forward-looking statements, due primarily to continued vigorous competition in the grocery, mass merchandiser and club markets, the level of success of new products, integration of recent acquisitions, and the cost of product introductions and promotions in the consumer market. These forward-looking statements also involve the risk of changes in market conditions in the overall economy and, for the agricultural and fluids purification markets, in planting activity, crop quality, and overall agricultural demand, including export demand and foreign exchange rate fluctuations. Other factors affecting these forward-looking statements may be detailed from time to time in reports filed with the Securities and Exchange Commission.

LIQUIDITY AND CAPITAL RESOURCES

The current ratio increased to 3.1 at July 31, 1998 from 3.0 at July 31, 1997. Working capital increased $5,118,000 during fiscal 1998 to $36,283,000. Cash provided by operations continues to be the Company's primary source of funds to finance ordinary investing and financing activities. During the year, the balances of cash, cash equivalents and investment securities decreased $958,000. Cash on hand at the beginning of the year of $9,997,000, cash provided by operating activities of $6,511,000 and $25,000,000 of fixed-rate financing secured during the third quarter was used for the purchase of Oil-Dri, Mounds Production Company ($14,657,000), the purchase of the Company's

Common Stock ($8,238,000), capital expenditures ($6,496,000), principal payments on long-term debt ($1,937,000) and dividend payments ($1,839,000). Total cash and investment balances held by the Company's foreign subsidiaries at July 31, 1998 and July 31, 1997 were $3,350,000 and $2,803,000, respectively.

RESULTS OF OPERATIONS

FISCAL 1997 COMPARED TO FISCAL 1996

Consolidated net sales for the year ended July 31, 1997, were $156,616,000, an increase of 1.8% over net sales of $153,787,000 in fiscal 1996. Net income for fiscal 1997 was $6,793,000 or $1.03 per share, an increase of 101.3% from $3,374,000 or $0.50 per share earned in fiscal 1996.

Net sales of pet products increased $4,384,000 or 4.8% over prior year amounts, even though such sales to Sam's Club were down approximately $4,100,000 from the prior year. The growth resulted from increased sales of branded and private label products in both the grocery and mass merchandiser markets. Net sales of fluids purification products increased $2,115,000 or 15.6% from fiscal 1996, due to increased demand for Pure-Flo(R) Supreme products. Agricultural product sales decreased $1,270,000 or 6.4% compared to fiscal 1996, primarily due to reduced demand in the industry for agricultural carriers. Net sales of industrial and environmental sorbents decreased $665,000 or 3.3% from prior year levels. The decrease was due to an internal focus on profitability versus sales growth as well as open positions in the sales force responsible for these products during the first quarter. Net sales of transportation services decreased $1,976,000 or 20.4% from fiscal 1996 due to lower backhaul revenue resulting from a reduction in the Company's fleet.

Consolidated gross profit as a percentage of net sales for fiscal 1997 increased to 30.6% from 29.9% in fiscal 1996. Changes in sales mix and a companywide effort to reduce costs contributed to this increase.

Operating expenses as a percentage of net sales decreased to 23.8% for fiscal 1997 from 26.1% in fiscal 1996. This decrease is primarily attributable to lower advertising and promotion costs for the consumer products introduced last year and a pre-tax special charge in the second quarter of fiscal 1996 of $921,000, reflecting settlement costs and legal fees related to patent litigation.

Interest expense decreased $142,000 while interest income increased $50,000. The lower interest expense is primarily due to reduced notes payable balances.

The Company's effective tax rate decreased to 28.6% of pre-tax income in fiscal 1997 from 29.5% in fiscal 1996 due to higher domestic income subject to depletion allowances.

Total assets of the Company decreased $3,135,000 or 2.7% during the year ended July 31, 1997. Current assets decreased $1,300,000 or 2.7% from fiscal 1996 year-end balances primarily due to lower inventory levels. Property, plant and equipment, net of accumulated depreciation, decreased

$2,331,000 during the year due to depreciation expense exceeding capital expenditures. Investments in property, plant and equipment included expenditures for increased productivity and pollution control equipment. Additionally, the Company leased substantial acreage in Nevada containing a mineral reserve for potential development in the future.

Total liabilities decreased $3,235,000 or 8.0% during the year due primarily to the repayment of long-term debt and a reduction in accounts payable. Current liabilities decreased $2,067,000 or 11.6% from July 31, 1996 balances, due to a reduction in accounts payable, income taxes payable, and accrued trade promotions and advertising, partially offset by an increase in accrued salaries, wages, and commissions.

FOREIGN OPERATIONS
Net sales by the Company's foreign subsidiaries during fiscal 1998 were $13,987,000 or 8.7% of total Company sales. This represents an increase of $1,987,000 from fiscal 1997, in which foreign subsidiary sales were $12,000,000 or 7.7% of total Company sales. The increase is due to higher demand for fluids purification products in the United Kingdom, partially offset by substantially lower demand for fluids purification products in Malaysia. Net income of the foreign subsidiaries for fiscal 1998 was $650,000 compared with $570,000 in fiscal 1997. Identifiable assets of the Company's foreign subsidiaries as of July 31, 1998 were $11,760,000, an increase of $1,894,000 from $9,866,000 as of July 31, 1997. The increase is primarily due to higher inventories and cash and cash equivalents.

Net sales by the Company's foreign subsidiaries during fiscal 1997 were $12,000,000 or 7.7% of total Company sales. This represents an increase of $113,000 from fiscal 1996, in which foreign subsidiary sales were $11,887,000 or 7.7% of total Company sales. Net income of the foreign subsidiaries for fiscal 1997 was $570,000 compared with $554,000 in fiscal 1996. Identifiable assets of the Company's foreign subsidiaries as of July 31, 1997 were $9,866,000, an increase of $830,000 from $9,036,000 as of July 31, 1996. The increase is primarily due to higher current assets.

YEAR 2000
The Year 2000 (Y2K) issue is the result of computer programs using a two-digit format, as opposed to four digits, to indicate the year. Such computer systems will be unable to interpret dates beyond 1999, which could cause a system failure or application errors, leading to disruptions in operations. The Company has completed an internal review of all systems to determine major areas of exposure to Y2K issues, and most of these issues have been resolved. In addition, third parties with whom there are systems interaction are being surveyed to assess Y2K compliance, or if contingency plans will become necessary. The cost of Y2K issue resolution will not have a material adverse impact on the Company's financial statements, and it is anticipated that the Company's computer systems will be Y2K-compliant by July 31, 1999.

Consolidated Balance Sheets

	JULY 31	
	1998	1997
ASSETS (in thousands)		
CURRENT ASSETS		
Cash and cash equivalents	$ 9,410	$ 9,997
Investment securities	1,173	1,544
Accounts receivable, less allowance of $351 in 1998 and $261 in 1997	24,210	20,080
Inventories	13,258	10,604
Prepaid expenses	5,558	4,685
Total Current Assets	53,609	46,910
PROPERTY, PLANT AND EQUIPMENT, AT COST		
Buildings and leasehold improvements	20,132	16,963
Machinery and equipment	87,070	81,666
Office furniture and equipment	8,999	8,742
Vehicles	90	95
	116,291	107,466
Less accumulated depreciation and amortization	(63,493)	(58,737)
	52,798	48,729
Construction in progress	3,390	840
Land	6,697	6,312
Total Property, Plant and Equipment, Net	62,885	55,881
OTHER ASSETS		
Goodwill and intangibles, net of accumulated amortization of $1,469 in 1998 and $1,337 in 1997	8,963	4,041
Deferred income taxes	3,697	2,446
Other	5,061	5,280
Total Other Assets	17,721	11,767
Total Assets	$134,215	$114,558

The accompanying notes are an integral part of the consolidated financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY (in thousands)	JULY 31 1998	JULY 31 1997
CURRENT LIABILITIES		
Current maturities of notes payable	$ 2,084	$ 1,946
Accounts payable	4,416	4,050
Dividends payable	444	475
Accrued expenses		
Salaries, wages and commissions	3,120	3,177
Trade promotions and advertising	1,900	2,902
Freight	1,747	554
Other	3,615	2,641
Total Current Liabilities	17,326	15,745
NONCURRENT LIABILITIES		
Notes payable	39,976	17,052
Deferred compensation	3,174	2,750
Other	1,931	1,681
Total Noncurrent Liabilities	45,081	21,483
Total Liabilities	62,407	37,228
STOCKHOLDERS' EQUITY		
Common and Class B Stock	724	724
Paid-in capital in excess of par value	7,702	7,686
Restricted unearned stock compensation	(51)	(18)
Retained earnings	85,158	82,243
Cumulative translation adjustments	(1,151)	(907)
	92,382	89,728
Less treasury stock, at cost	(20,574)	(12,398)
Total Stockholders' Equity	71,808	77,330
Total Liabilities and Stockholders' Equity	$134,215	$114,558

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Income

(in thousands except for per share amounts)	1998	1997	1996
	YEAR ENDED JULY 31		
Net Sales	$160,252	$156,616	$153,787
Cost of Sales	110,096	108,687	107,730
Gross Profit	50,156	47,929	46,057
Selling, General and Administrative Expenses	38,598	37,260	39,153
Special Charges	3,129	--	921
Income from Operations	8,429	10,669	5,983
Other Income (Expense)			
Interest income	491	637	587
Interest expense	(2,049)	(1,775)	(1,917)
Foreign exchange losses	(146)	--	(7)
Other, net	(119)	(17)	137
Total Other Expense, Net	(1,823)	(1,155)	(1,200)
Income before Income Taxes	6,606	9,514	4,783
Income Taxes	1,883	2,721	1,409
Net Income	$4,723	$6,793	$3,374
Average Shares Outstanding	6,165	6,599	6,807
Net Income Per Share	$ 0.77	$ 1.03	$ 0.50

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Stockholders' Equity

(in thousands)	Stock Shares Common	Stock Shares Class B	Stock Amount	Paid-In Capital In Excess of Par Value	Restricted Unearned Stock Compensation	Retained Earnings
BALANCE, JULY 31, 1995..................	5,119	2,114	$724	$7,657	$ --	$ 76,034
Net income.............................	--	--	--	--	--	3,374
Dividends declared.....................	--	--	--	--	--	(2,022)
Conversion of Class B Stock to Common Stock.........................	72	(72)	--	--	--	--
Issuance of stock under 1995 Long Term Incentive Plan.............	2	--	--	27	(27)	--
Amortization of Restricted unearned common stock compensation............	--	--	--	--	3	--
BALANCE, JULY 31, 1996..................	5,193	2,042	724	7,684	(24)	77,386
Net income.............................	--	--	--	--	--	6,793
Dividends declared.....................	--	--	--	--	--	(1,936)
Conversion of Class B Stock to Common Stock.........................	74	(74)	--	--	--	--
Issuance of stock under 1995 Long Term Incentive Plan.............	--	--	--	2	(18)	--
Amortization of Restricted unearned common stock compensation............	--	--	--	--	14	--
BALANCE, JULY 31, 1997..................	5,267	1,968	724	7,686	(18)	82,243
Net income.............................	--	--	--	--	--	4,723
Dividends declared.....................	--	--	--	--	--	(1,808)
Conversion of Class B Stock to Common Stock.........................	189	(189)	--	--	--	--
Issuance of stock under 1995 Long Term Incentive Plan.............	--	--	--	16	(77)	--
Amortization of Restricted unearned common stock compensation............	--	--	--	--	44	--
BALANCE, JULY 31, 1998..................	5,456	1,779	$724	$7,702	$ (51)	$ 85,158

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

(in thousands)	YEAR ENDED JULY 31 1998	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$4,723	$6,793	$3,374
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	7,832	7,587	7,926
Non-cash special charge	1,689	--	--
Deferred income taxes	(1,251)	(181)	(1,791)
Provision for bad debts	2	125	202
(Increase) decrease in			
Accounts receivable	(4,282)	235	692
Inventories	(2,381)	1,133	(838)
Prepaid expenses and taxes	(873)	(383)	1,191
Other assets	(637)	(537)	(830)
Increase (decrease) in			
Accounts payable	366	(1,289)	636
Income taxes payable	--	(691)	457
Accrued expenses	649	(361)	333
Deferred compensation	424	497	475
Other	250	261	642
Total Adjustments	1,788	6,396	9,095
Net Cash Provided by Operating Activities	6,511	13,189	12,469
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(6,496)	(5,395)	(7,184)
Proceeds from sale of property, plant and equipment	78	555	923
Purchases of investment securities	(1,173)	(350)	(167)
Dispositions of investment securities	1,544	400	906
Proceeds from sale of investments	709	--	--
Purchase of Oil-Dri, Mounds Production Company assets	(14,657)	--	--
Other	32	(141)	(267)
Net Cash Used in Investing Activities	(19,963)	(4,931)	(5,789)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal payments on long-term debt	(1,937)	(1,628)	(1,145)
Proceeds from issuance of long-term debt	25,000	21	230
Dividends paid	(1,839)	(1,961)	(2,015)
Purchase of treasury stock	(8,238)	(4,883)	(2,434)
Other	(121)	76	(32)
Net Cash Provided by (Used in) Financing Activities	12,865	(8,375)	(5,396)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(587)	(117)	1,284
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,997	10,114	8,830
CASH AND CASH EQUIVALENTS, END OF YEAR	$9,410	$9,997	$10,114

The accompanying notes are an integral part of the consolidated financial statements.

Notes to Consolidated Financial Statements

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Oil-Dri Corporation of America and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated from the consolidated financial statements.

No provision has been made for possible income taxes which may be paid on the distribution of approximately $10,251,000 and $9,870,000 as of July 31, 1998 and 1997, respectively, of retained earnings of foreign subsidiaries, as substantially all such amounts are intended to be indefinitely invested in these subsidiaries or no additional income taxes would be incurred when such earnings are distributed. It is not practicable to determine the amount of income taxes or withholding taxes that would be payable upon the remittance of assets that represent those earnings.

MANAGEMENT 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 as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION

Revenues from sales of products are recognized upon shipment.

INCOME TAXES

Deferred income taxes reflect the impact of temporary differences between the assets and liabilities recognized for financial reporting purposes and amounts recognized for tax purposes.

INTEREST RATE DERIVATIVE INSTRUMENTS

An interest rate swap agreement is utilized in the management of interest rate exposure. Interest differentials on the swap contract (Note 5) are recorded as interest expense in the contract period incurred. The Company recognized additional interest expense of $57,000, $60,100 and $58,100 in fiscal years 1998, 1997 and 1996, respectively, as a result of this contract.

RECLASSIFICATION

Certain items in prior year financial statements have been reclassified to conform to the presentation used in fiscal 1998.

TRANSLATION OF FOREIGN CURRENCIES

Assets and liabilities of foreign subsidiaries, where the local currency is the functional currency, are translated at the exchange rates in effect at period end. Income statement items are translated at the average exchange rate on a monthly basis. Resulting translation adjustments are recorded as a separate component of stockholders' equity.

Changes in the cumulative translation adjustments account for the years ended July 31 are as follows: (in thousands)

	1998	1997	1996
Balance, at beginning of year	$ (907)	$(1,018)	$ (988)
Translation adjustments resulting from exchange rate changes and intercompany transactions	(244)	111	(30)
Balance, at end of year	$(1,151)	$ (907)	$(1,018)

CASH EQUIVALENTS

Cash equivalents are highly liquid investments with maturities of three months or less when purchased.

INVENTORIES

Inventories are valued at the lower of cost (first-in, first-out) or market. The composition of inventories as of July 31 is as follows: (in thousands)

	1998	1997
Finished goods	$ 7,935	$ 6,684
Packaging	4,220	3,168
Other	1,103	752
	$13,258	$10,604

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash investments and accounts receivable. The Company places its cash investments in government backed instruments, both foreign and domestic, and with other quality institutions. Concentrations of credit risk with respect to accounts receivable are subject to the financial condition of certain major customers, principally the customer referred to in Note 4. The Company generally does not require collateral to secure customer receivables.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment expenditures are primarily depreciated using the straight-line method over their estimated useful lives as follows:

	Years
Buildings and leasehold improvements	5-30
Machinery and equipment	3-15
Office furniture and equipment	2-10
Vehicles	2- 8

RESEARCH AND DEVELOPMENT

Research and development COSTS OF $2,376,000 IN 1998, $2,049,000 IN 1997 AND $2,026,000 IN 1996 WERE CHARGED TO EXPENSE AS INCURRED.

INTANGIBLES AND GOODWILL

Intangibles and goodwill are amortized on a straight-line basis over periods ranging from 15 to 40 years. The Company periodically reviews goodwill and other intangibles to assess recoverability from projected undiscounted cash flows of the related operating entities.

ADVERTISING COSTS

The Company defers recognition of advertising production costs until the first time the advertising takes place; other advertising costs are expensed as incurred. Advertising expenses were $4,352,000, $3,650,000 and $6,295,000 for the years ended July 31, 1998, 1997 and 1996, respectively. Prepaid advertising production costs at July 31, 1998, 1997 and 1996 were not material.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Non-derivative financial instruments included in the consolidated balance sheets are cash and cash equivalents, investment securities and notes payable. These instruments, except for notes payable, were carried at amounts approximating fair value as of July 31, 1998. The fair value of notes payable was estimated based on future cash flows discounted at current interest rates available to the Company for debt with similar maturities and characteristics. The fair value of notes payable as of July 31, 1998 and 1997 was less than its carrying value by approximately $125,000 and $720,000, respectively.

EARNINGS PER SHARE

The Company adopted Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share" during the second quarter of 1998. This standard prescribes the methods of calculating basic and diluted earnings per share and requires dual presentation of these amounts on the face of the income statement. As the calculation of basic and diluted earnings per share resulted in the same amount, only one earnings per share amount has been reported for all years presented.

NEW ACCOUNTING STANDARDS

In June 1997, SFAS No. 130, "Reporting Comprehensive Income" and SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" were issued. SFAS No. 130 establishes standards for the reporting of comprehensive income and its components in a financial statement presentation. SFAS No. 130 separates comprehensive income into net income and other comprehensive income, but does not change the measurement and presentation of net income. Other comprehensive income includes certain changes in the equity of the Company which are currently recognized and presented separately in the Consolidated Statements of Stockholders' Equity, such as the change in the Cumulative Translation Adjustment account. SFAS No. 130 is effective for the Company beginning in fiscal 1999.

SFAS No. 131 establishes new standards for the way companies report information about operating segments and requires that those enterprises report selected information about operating segments in the financial reports issued to shareholders. SFAS No. 131 is effective for the Company beginning in fiscal 1999.

NOTE 2 -- SPECIAL CHARGE

The Company recorded a pre-tax special charge of $3,129,000 during the second quarter. At July 31, 1998, $358,000 of the charge remained in current liabilities. A summary of the special charge and other expense is presented below: (in thousands)

Transportation business exit costs	$1,508
Writeoff of other nonperforming assets	932
Other exit costs	689
	$3,129

The transportation business exit costs consisted primarily of trailer rehabilitation, employee severance, and professional fees. None of these items were individually significant.

The Company recorded a pre-tax special charge of $921,000 during the second quarter of fiscal 1996, reflecting settlement costs and legal fees related to patent litigation.

NOTE 3 -- ACQUISITION

On April 20, 1998, the Company completed the purchase of the Fuller's Earth absorbent business of American Colloid Co., a wholly owned subsidiary of Amcol International, for $14,657,000 including transaction expenses. The purchase includes a production plant and mineral reserves in Mounds, Illinois (Oil-Dri, Mounds Production Company), and mineral reserves located in Paris, Tennessee, and Silver Springs, Nevada. The business has annual sales approximating $15,000,000. The Company financed the acquisition through a fixed-rate private debt placement. The acquisition was accounted for as a purchase, with the excess purchase price over fair market value of the underlying assets allocated to intangibles, including supply contracts and non-compete covenants. These intangibles are being amortized over 15 years.

NOTE 4 -- BUSINESS AND GEOGRAPHIC REGION INFORMATION

Nature of Business
The Company is a leader in developing, manufacturing and marketing sorbent products for consumer, industrial, environmental, agricultural and fluids purification markets, and operates within a single segment. The Company has operations in the United States, Canada and the United Kingdom and exports goods worldwide.

The Company had net sales in excess of 10% of total net sales to one unaffiliated customer in 1998, 1997 and 1996. Accounts receivable related to this major customer amounted to $6,220,000, $4,736,000 and $4,905,000 as of July 31, 1998, 1997 and 1996, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 -- BUSINESS AND GEOGRAPHIC REGION INFORMATION (Continued)

The sales to this customer for the years ended July 31 were as follows: (in thousands)

	1998	1997	1996
Amount	$36,125	$37,219	$39,916
Percent of net sales	23%	24%	26%

The following is a summary of financial information by geographic region for the years ended July 31 : (in thousands)

	1998	1997	1996
Sales to unaffiliated customers:			
Domestic	$146,265	$144,616	$141,900
Foreign	$ 13,987	$ 12,000	$ 11,887
Sales or transfers between geographic areas:			
Domestic	$ 9,200	$ 5,611	$ 5,039
Income before income taxes:			
Domestic	$ 5,750	$ 8,637	$ 3,920
Foreign	$ 856	$ 877	$ 863
Net Income:			
Domestic	$ 4,073	$ 6,223	$ 2,820
Foreign	$ 650	$ 570	$ 554
Identifiable assets:			
Domestic	$122,455	$104,692	$108,657
Foreign	$ 11,760	$ 9,866	$ 9,036

NOTE 5 -- NOTES PAYABLE

The composition of notes payable at July 31 is as follows: (in thousands)

	1998	1997
Town of Blue Mountain, Mississippi Principal payable on October 1, 2008. Interest payable monthly at a variable interest rate set weekly based on market conditions for similar instruments. The average rate was 3.91% in fiscal 1998 and fiscal 1997. Payment of these bonds by the Company is guaranteed by a letter of credit issued by Harris Trust and Savings Bank. In May 1991, the Company entered into a seven-year interest rate swap contract. Under this agreement, which expired on August 1, 1998, the Company receives a floating interest rate based on LIBOR and pays interest at a fixed rate of 6.53%...	$ 2,500	$ 2,500
Teachers Insurance and Annuity Association of America Payable in annual principal installments on November 15; $1,200,000 in fiscal 2000; $1,100,000 in fiscal 2001; and $1,000,000 in fiscal 2002. Interest is payable semiannually at an annual rate of 9.38%...........................	3,300	5,100
Teachers Insurance and Annuity Association of America Payable in annual principal installments on August 15; $500,000 in fiscal 2002; $1,000,000 in fiscal 2003; $2,500,000 in fiscal 2004; and $2,500,000 in fiscal 2005. Interest is payable semiannually at an annual rate of 7.17%..	6,500	6,500
Harris Trust and Savings Bank Payable in annual principal installments on June 20; $1,950,000 in fiscal 1999; $900,000 in fiscal 2000; $650,000 in fiscal 2001 and 2002; and $350,000 in fiscal 2003. Interest is payable quarterly at an annual rate of 7.78%..	4,500	4,500
Teachers Insurance and Annuity Association of America and Connecticut General Life Insurance Company Payable in annual principal installments on April 15; $1,500,000 in fiscal 2003, 2004 and 2005; $3,000,000 in fiscal 2006; $4,000,000 in fiscal 2007 and 2008; $1,500,000 in fiscal 2009; $3,000,000 in fiscal 2010; $2,000,000 in fiscal 2011 and $1,500,000 in fiscal 2012 and 2013. Interest is payable semiannually at an annual rate of 6.55%..................................	25,000	--
Other..	260	398
	42,060	18,998
Less current maturities of notes payable	(2,084)	(1,946)
	$39,976	$17,052

NOTE 5 -- NOTES PAYABLE (Continued)

The Company has a Credit Agreement with Harris Trust and Savings Bank which provides for a $5,000,000 committed unsecured revolving line of credit which expires on August 1, 1999, at certain short-term rates. Additionally, in April 1998, the Company increased its uncommitted unsecured line of credit agreement with Harris Trust and Savings Bank to $20,000,000. There were no outstanding borrowings against these lines at July 31, 1998 and 1997.

In April 1998, the Company completed a private debt placement of $25,000,000 at 6.55% with Teachers Insurance and Annuity Association of America ($14,000,000) and Connecticut General Life Insurance Company ($11,000,000). The proceeds of this fixed-rate note were used to fund the purchase of the Company's production facility in Mounds, Illinois, to repay draws against the Company's line of credit and for general working capital purposes.

The agreements with the Town of Blue Mountain, Mississippi, Teachers Insurance and Annuity Association of America, Harris Trust and Savings Bank and Connecticut General Life Insurance Company impose working capital requirements, dividend and financing limitations, minimum tangible net worth requirements and other restrictions. The Company's credit agreement with Harris Trust and Savings Bank indirectly restricts dividends by requiring the Company to maintain tangible net worth, as defined, in the amount of $50,000,000 plus 25% of cumulative annual earnings from July 31, 1994.

In prior years, The Town of Blue Mountain, Mississippi issued long-term bonds to finance the purchase of substantially all of the assets of certain plant expansion projects, and leased the projects to the Company and various of its subsidiaries (with the Company and various of its wholly owned subsidiaries as guarantors) at rentals sufficient to pay the debt service on the bonds.

The following is a schedule by year of future maturities of notes payable at July 31, 1998: (in thousands)

2000	$ 2,226
2001	1,750
2002	2,150
2003	2,850
Later years	31,000
	$39,976

NOTE 6 -- INCOME TAXES

The provision for income tax expense for the years ended July 31 consists of the following: (in thousands)

	1998	1997	1996
Current			
Federal	$ 2,159	$ 1,988	$ 2,020
Foreign	194	308	332
State	781	606	848
	3,134	2,902	3,200
Deferred			
Federal	(436)	35	(799)
Operating loss carryforward	(611)	(154)	(644)
Foreign	25	12	(23)
State	(229)	(74)	(325)
	(1,251)	(181)	(1,791)
Total Income Tax Provision	$ 1,883	$ 2,721	$ 1,409

NOTE 6 -- INCOME TAXES (Continued)

Principal reasons for variations between the statutory federal rate and the effective rates for the years ended July 31 were as follows:

	1998	1997	1996
U.S. federal statutory income tax rate	34.0%	34.0%	34.0%
Depletion deductions allowed for mining	(15.1)	(10.8)	(23.4)
State income taxes, net of federal tax benefit	2.2	4.1	7.4
Valuation allowance without income tax benefit	10.4	1.6	12.0
Difference in effective tax rate of foreign subsidiaries	(1.1)	(0.1)	(0.1)
Other	(1.9)	(0.2)	(0.4)
	28.5%	28.6%	29.5%

The consolidated balance sheets as of July 31 included the following tax effects of cumulative temporary differences: (in thousands)

	1998		1997	
	Assets	Liabilities	Assets	Liabilities
Depreciation	$ --	$ 1,455	$ --	$ 1,667
Deferred Compensation	1,232	--	1,031	--
Postretirement Benefits	614	--	474	--
Trade Promotions and Advertising	39	--	117	--
Other Assets	583	--	--	--
Accrued Expenses	523	--	464	--
Tax Credits	936	--	922	--
Operating Loss Carryforward	2,133	--	1,528	--
Other	--	260	307	--
	6,060	1,715	4,843	1,667
Valuation Allowance	(648)	--	(730)	--
Total Deferred Taxes	$ 5,412	$ 1,715	$ 4,113	$ 1,667

The valuation allowance represents operating loss carryforwards not anticipated to be utilized. As of July 31, 1998, for federal income tax purposes there were regular tax operating loss carryforwards of approximately $5,494,000, which begin to expire in the year 2011. A valuation allowance has been established for $648,000 of the deferred tax benefit related to those loss carryforwards for which it is considered more likely than not the benefit will not be realized. Tax credits of approximately $936,000 primarily consisting of foreign tax credits expiring in 2001 and later are also being carried forward.

NOTE 7 -- DEFERRED COMPENSATION

In December 1995, the Company adopted the Oil-Dri Corporation of America Deferred Compensation Plan. Deferrals are no longer being made under the original plan, The Oil-Dri Corporation of America Key Employee and Directors Deferred Compensation Plan. The new plan permits Directors and certain management employees to defer portions of their compensation and earn interest on the deferred amounts. The compensation, which has been deferred since the inception of the original plan, has been accrued as well as interest thereon. The Company has purchased life insurance contracts on some participants to partially fund the original plan. The new plan is unfunded.

NOTE 8 -- STOCKHOLDERS' EQUITY

The authorized capital stock of the Company at July 31, 1998 and 1997 consisted of 15,000,000 shares of Common Stock, 7,000,000 shares of Class B Stock and 30,000,000 shares of Class A Common Stock, each with a par value of $.10 per share. There are no Class A shares currently outstanding.

The Common Stock and Class B Stock are equal, on a per share basis, in all respects except as to voting rights, conversion rights, cash dividends and stock splits or stock dividends. The Class A Common Stock is equal, on a per share basis, in all respects, to the Common Stock except as to voting rights and stock splits or stock dividends. In the case of voting rights, Common Stock is entitled to one vote per share and Class B Stock is entitled to ten votes per share, while Class A Common Stock generally has no voting rights. Common Stock and Class A Common Stock have no conversion rights. Class B Stock is convertible on a share-for-share basis into Common Stock at any time and is subject to mandatory conversion under certain circumstances.

Common Stock is entitled to cash dividends, as and when declared or paid, equal to 133 1/3% on a per share basis of the cash dividend paid on Class B Stock. Class A Common Stock is entitled to cash dividends on a per share basis equal to the cash dividend on Common Stock. Additionally, while shares of Common Stock, Class A Common Stock and Class B Stock are outstanding, the sum of the per share cash dividend paid on shares of Common Stock and Class A Common Stock, must be equal to at least 133 1/3% of the sum of the per share cash dividend paid on Class B Stock and Class A Common Stock. See Note 5 regarding dividend restrictions.

Shares of Common Stock, Class A Common Stock and Class B Stock are equal in respect of all rights to dividends (other than cash) and distributions in the form of stock or other property (including stock dividends and split-ups) in each case in the same ratio except in the case of a Special Stock Dividend. The Special Stock Dividend, which can be issued only once, is either a dividend of one share of Class A Common Stock for each share of Common Stock and Class B Stock outstanding or a recapitalization, in which half of each outstanding share of Common Stock and Class B Stock would be converted into a half share of Class A Common Stock.

All per share amounts included in the financial statements and notes reflect adoption of SFAS No. 128. See Note 9 for information regarding common share equivalents.

In July 1998, the Board of Directors of the Company authorized the repurchase, from time to time, of up to 200,000 shares of the Company's stock. This authorization, in addition to previous authorizations, totals 1,366,771 shares. As of July 31, 1998, 1,166,771 shares have been repurchased under these authorizations.

The number of holders of record of Common Stock and Class B stock on July 31, 1998 was 1,196 and 28, respectively. The Company's Common Stock is traded on the New York Stock Exchange. There is no established trading market for the Class B Stock.

NOTE 8 -- STOCKHOLDERS' EQUITY (Continued)

The following reflects the changes in treasury stock over the last three years:
(in thousands)

	Common Stock		Class B Stock		Total	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance July 31, 1995.	332	$ 5,088	--	$ --	332	$ 5,088
Purchased during Fiscal 1996	167	2,434	--	--	167	2,434
Balance July 31, 1996	499	7,522	--	--	499	7,522
Reissued during Fiscal 1997	(1)	(7)	--	--	(1)	(7)
Purchased during Fiscal 1997	307	4,883	--	--	307	4,883
Balance July 31, 1997	805	12,398	--	--	805	12,398
REISSUED DURING FISCAL 1998	(4)	(62)	--	--	(4)	(62)
PURCHASED DURING FISCAL 1998	180	3,104	342	5,134	522	8,238
BALANCE JULY 31, 1998	981	$ 15,440	342	$5,134	1,323	$ 20,574

NOTE 9 -- STOCK OPTION PLANS

The Company instituted the Oil-Dri Corporation of America 1995 Long Term Incentive Plan during the fiscal year ended July 31, 1996. On December 9, 1997, the stockholders voted to increase the number of shares available for grant under the 1995 Plan from 500,000 to 1,000,000 and further authorized the grant of Class B Shares under the Plan to certain members of the Richard Jaffee family. Generally, other than grants to Richard Jaffee family members, shares of stock awarded under the 1995 Plan will be Class A Common Stock, except that, if there is no Class A Common Stock issued and publicly traded on a securities exchange when such awards are exercised, the shares awarded would be Common Stock. The Plan provides for various other types of awards. Awards of restricted stock in the amount of 4,500, 500 and 2,000 shares were made during the fiscal years ended July 31, 1998, 1997 and 1996 respectively. On June 24, 1998, 442,500 options originally issued on various days during April 1998 at an average exercise price of $15.94 were cancelled and reissued at an exercise price of $14.06. The terms of the reissued options are identical to the original options, except that the period required before vesting of the option was lengthened.

The Oil-Dri Corporation of America 1988 Stock Option Plan terminated on December 12, 1995, for purposes of future grants. The outstanding options under this plan will remain outstanding and exercisable in accordance with their respective terms.

The Company instituted the Oil-Dri Corporation of America Outside Director's Stock Plan on June 9, 1998. All shares of stock issued under this plan will be shares of Common Stock issued from Treasury Stock. The Plan provides for stock options grants and various other types of awards.

NOTE 9 -- STOCK OPTION PLANS (Continued)

A summary of option transactions under the plans is as follows: (in thousands except for per share amounts)

	1988 OPTION PLAN NUMBER OF SHARES (WEIGHTED AVERAGE OPTION PRICE)			1995 OPTION PLAN NUMBER OF SHARES (WEIGHTED AVERAGE OPTION PRICE)		
	1998	1997	1996	1998	1997	1996
Outstanding, Beginning of Year................	199 $(18.49)	251 $(18.63)	267 $(18.66)	324 $(14.88)	195 $(14.92)	-- --
Granted.......................................	-- --	-- --	-- --	1,036 $(15.33)	145 $(14.82)	199 $(14.93)
Exercised	-- --	-- --	-- --	-- --	-- --	-- --
Canceled/Terminated...........................	13 $(18.59)	52 $(19.14)	16 $(19.13)	37 $(15.62)	16 $(14.96)	4 $(15.13)
Canceled/Reissued.............................	-- --	-- --	-- --	442 $(15.94)	-- --	-- --
Outstanding, End of Year......................	186 $(18.49)	199 $(18.49)	251 $(18.63)	881 $(14.84)	324 $(14.88)	195 $(14.92)

	OUTSIDE DIRECTOR'S PLAN NUMBER OF SHARES (WEIGHTED AVERAGE OPTION PRICE)			COMBINED PLANS NUMBER OF SHARES (WEIGHTED AVERAGE OPTION PRICE)		
	1998	1997	1996	1998	1997	1996
Outstanding, Beginning of Year................	-- --	-- --	-- --	523 $(16.25)	446 $(17.00)	267 $(18.66)
Granted.......................................	70 $(14.63)	-- --	-- --	1,106 $(15.28)	145 $(14.82)	199 $(14.93)
Exercised	-- --	-- --	-- --	-- --	-- --	-- --
Canceled/Terminated...........................	-- --	-- --	-- --	50 $(16.36)	68 $(18.16)	20 $(18.34)
Canceled/Reissued.............................	-- --	-- --	-- --	442 $(15.94)	-- --	-- --
Outstanding, End of Year......................	70 $(14.63)	-- --	-- --	1,137 $(15.42)	523 $(16.25)	446 $(17.00)

NOTE 9 -- STOCK OPTION PLANS (Continued)

The Company has reserved 112,375 and 130,000 shares of Common Stock for future grants and issuances under the Oil-Dri Corporation of America 1995 Long Term Incentive Plan and the Oil-Dri Corporation of America Outside Director's Stock Plan, respectively.

Exercise prices of the options outstanding under the 1988 Option Plan range between $15.60 and $20.00 per share with a weighted average price of $18.49 per share and a weighted remaining average contractual life at July 31, 1998 of 4.19 years. As of July 31, 1998, 149,066 options were exercisable.

The exercise price of options outstanding under the Outside Director's Stock Plan is $14.63 with a contractual life of 9.9 years. None of these options are exercisable at July 31, 1998.

Exercise prices of the options outstanding under the 1995 Long Term Incentive Plan range between $13.63 and $17.63 per share with a weighted average exercise price of $14.84 per share and a weighted remaining average contractual life of 9.03 years at July 31, 1998. 43,750 of these options are exercisable as of July 31, 1998. See Note 15 regarding the cancellation and reissuance of these options.

The Company has elected to continue to account for stock-based compensation using the intrinsic value method under APB Opinion No. 25. Consequently, no compensation expense has been recognized for stock options. If compensation expense for the Company's stock options issued in the fiscal years ended July 31, 1998 and 1997 had been determined based on the fair value method of accounting, as defined in SFAS No. 123, the Company's net income and net income per share would have been reduced to the pro forma amounts indicated below:

(in thousands except for per share amounts)

	1998	1997	1996
Net income as reported	$4,723	$6,793	$3,374
pro forma	$4,430	$6,651	$3,311
Net income per share as reported	$ .77	$ 1.03	$ .50
pro forma	$ .72	$ 1.01	$ .49

The fair value of issued stock options is estimated on the grant date using the Black-Scholes Option Pricing Method with the following assumptions for the fiscal years ended July 31, 1998, 1997 and 1996, respectively: Dividend yields of 2.1%, 2.1% and 2.2%; volatility of 25.6%, 25.7% and 26.0%; risk-free interest rates of 5.7%, 6.0% and 6.2%; and an expected life of 5 years for all three years. The weighted average fair value of the options granted was $4.55, $4.22 and $4.28 for the fiscal years ended July 31, 1998, 1997 and 1996, respectively. The fair value method of accounting has not been applied for options granted prior to August 1, 1995.

NOTE 10 -- EMPLOYEE BENEFIT PLANS

The Company and its subsidiaries have defined benefit pension plans for eligible salaried and hourly employees. Benefits are based on a formula of years of credited service and levels of compensation or stated amounts for each year of credited service. The assets of these plans are invested in various high-quality marketable securities.

The net periodic pension cost for the years ended July 31 consists of the following: (in thousands)

	1998	1997	1996
Service cost	$ 438	$ 348	$ 349
Interest cost on projected benefit obligations	538	441	427
Earnings on plan assets	(1,060)	(1,892)	(561)
Net amortization and deferral	422	1,427	154
Net pension cost	$ 338	$ 324	$ 369

The funded status of the plans at July 31 is as follows: (in thousands)

	1998	1997
Actuarial Present Value of Benefit Obligations		
Accumulated Benefit Obligations		
Vested	$ 6,320	$ 4,711
Nonvested	374	446
Total Accumulated Benefit Obligations	$ 6,694	$ 5,157
Projected Benefit Obligations	$ 8,943	$ 6,565
Plan Assets at Fair Value	8,524	7,546
(Deficiency) Excess of Plan Assets (Under) Over Projected Benefit Obligations	(419)	981
Unrecognized Net Gain	(1,267)	(2,361)
Unrecognized Prior Service Cost	626	535
Unrecognized Net Excess Plan Assets as of August 1, 1987 Being Recognized Principally Over 21 Years	(264)	(291)
Adjustment Required to Recognize Minimum Liability	(247)	--
Accrued Pension Included in Noncurrent Liabilities - Other	$ (1,571)	$(1,136)

NOTE 10 -- EMPLOYEE BENEFIT PLANS (Continued)

Assumptions used in the previous calculations are as follows:

	1998	1997
Discount rate	7.0%	7.5%
Rate of increase in compensation levels	5.0%	5.0%
Long-term expected rate of return on assets	8.0%	8.0%

The Company has funded the plans based upon actuarially determined contributions that take into account the amount deductible for income tax purposes and the minimum contribution required under the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

For the years ended July 31, 1998, 1997 and 1996, the Company maintained a profit sharing/401(k) savings plan under which the Company matches a portion of employee contributions. The plan is available to essentially all domestic employees. The Company's contributions to this plan, and to similar plans maintained by the Company's foreign subsidiaries, were approximately $226,000, $175,000 and $141,000 for fiscal years 1998, 1997 and 1996, respectively.

NOTE 11 -- CONTINGENT LIABILITIES

The Company is involved in various litigation of a nature that is normal to its business. While it is impossible at this time to determine with certainty the ultimate outcome of these or other lawsuits, each lawsuit is either covered by insurance or adequate provisions have been made for probable losses with respect thereto as best can be determined at this time. Management therefore believes that none of the pending litigation will have a material adverse effect on the financial condition of the Company or on results of operations.

NOTE 12 -- LEASES

The Company's mining operations are conducted on leased or owned property. These leases generally provide the Company with the right to mine as long as the Company continues to pay a minimum monthly rental, which is applied against the per ton royalty when the property is mined. During fiscal 1998, the Company leased 5,907 acres in Nevada for potential future development of a mineral reserve base.

The Company leases its corporate offices in Chicago, Illinois (20,000 square feet), office and warehouse space in Alpharetta, Georgia (26,000 square feet), office and production facilities in Kiel, Wisconsin (16,000 square feet) and office facilities in Europe. The office space in Chicago is subject to a lease expiring in 2008. The Alpharetta, Georgia lease expires in 2000, and the Kiel, Wisconsin lease expires in 2003. The facilities in Europe are leased on a year-to-year basis.

In addition, the Company leases railcars, data processing equipment, and office equipment. In most cases, the Company expects that, in the normal course of business, leases will be renewed or replaced by other leases. Prior to exiting the transportation business, the Company leased tractors and trailers.

The following is a schedule by year of future minimum rental requirements under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of July 31, 1998:

(in thousands)

1999	$ 2,826
2000	2,148
2001	1,718
2002	1,170
2003	1,067
Later years	4,952
	$13,881

The following schedule shows the composition of total rental expense for all operating leases, including those with terms of one month or less which were not renewed as of the years ended July 31: (in thousands)

	1998	1997	1996
Transportation equipment...................	$2,347	$2,734	$3,770
Office facilities..........................	441	382	377
Mining properties			

Minimum	202	177	168
Contingent	403	361	239
Other	488	654	688
	$3,881	$4,308	$5,242

NOTE 13 -- OTHER CASH FLOW INFORMATION

Cash payments for interest and income taxes for the years ended July 31 were as follows: (in thousands)

	1998	1997	1996
Interest	$1,398	$1,557	$1,706
Income Taxes	$2,624	$3,997	$1,353

NOTE 14 -- SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

A summary of selected information for 1998 and 1997 is as follows: (in thousands except per share amounts)

	FISCAL 1998 QUARTER ENDED				
	OCT. 31	Jan. 31	April 30	July 31	Total
Net Sales	$ 39,749	$40,912	$ 38,334	$41,257	$160,252
Gross Profit	$ 11,898	$13,296	$ 12,186	$12,776	$ 50,156
Net Income (Loss)	$ 1,872	$ (97)	$ 1,389	$ 1,559	$ 4,723
Net Income (Loss) Per Share	$ 0.30	$ (0.02)	$ 0.23	$ 0.26	$ 0.77
Dividends Paid Per Common Share	$ 0.08	$ 0.08	$ 0.08	$ 0.08	$ 0.32
Dividends Paid Per Class B Share	$ 0.06	$ 0.06	$ 0.06	$ 0.06	$ 0.24
Company Common Stock Price Range:					
High	$ 18 1/8	$17 7/8	$ 17	$16	
Low	$ 16 3/8	$14 1/8	$ 14 5/8	$13 5/8	

	FISCAL 1997 QUARTER ENDED				
	Oct. 31	Jan. 31	April 30	July 31	Total
Net Sales	$ 40,525	$42,792	$ 36,002	$37,297	$156,616
Gross Profit	$ 12,292	$13,635	$ 10,064	$11,938	$ 47,929
Net Income	$ 1,930	$ 2,264	$ 1,164	$ 1,435	$ 6,793
Net Income Per Share	$ 0.29	$ 0.34	$ 0.18	$ 0.22	$ 1.03
Dividends Paid Per Common Share	$ 0.08	$ 0.08	$ 0.08	$ 0.08	$ 0.32
Dividends Paid Per Class B Share	$ 0.06	$ 0.06	$ 0.06	$ 0.06	$ 0.24
Company Common Stock Price Range:					
High	$ 15 1/4	$17 1/8	$ 17 3/4	$17 5/8	
Low	$ 13 1/4	$12 3/4	$ 15 1/2	$15 3/8	

NOTE 15 -- SUBSEQUENT EVENT

On September 18, 1998, the Company approved the cancellation and reissuance of all the outstanding options granted under the Oil-Dri Corporation of America 1995 Long Term Incentive Plan. A total of 880,625 outstanding options under the plan were repriced at the closing market price of $11.25 per share on September 18, 1998.

As discussed in Note 9, the Company has elected to continue to account for stock based compensation under the intrinsic value method under APB Opinion No. 25 and adopted the disclosure-only provisions of SFAS No. 123. Consequently, no compensation expense will be recognized for stock options, since they were granted at the market price. Under the Black-Scholes Option Pricing Method the maximum additional fair value attached to the options due to the repricing is approximately $702,000, net of tax benefit, and would be recognized over the new five-year vesting period. The assumptions used in this valuation were similar to the assumptions used in determining the fair value disclosures for the fiscal year ended July 31, 1998. In addition, it was assumed that all participants would elect to reprice their individual options outstanding.

INDEPENDENT AUDITOR'S REPORT

Stockholders and Board of Directors
Oil-Dri Corporation of America

We have audited the consolidated balance sheets of OIL-DRI CORPORATION OF AMERICA AND SUBSIDIARIES as of July31, 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 July 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of OIL-DRI CORPORATION OF AMERICA AND SUBSIDIARIES as of July 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended July 31, 1998 in conformity with generally accepted accounting principles.

BLACKMAN KALLICK BARTELSTEIN, LLP
Chicago, Illinois

September 18, 1998

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E. Thomas Rutherford, General Manager, Agricultural Products Group

(1) Audit Committee Chair, (2) Compensation Committee Chair

INVESTOR INFORMATION

INVESTOR INQUIRIES

Securities analysts, portfolio managers and representatives of financial institutions seeking information about the corporation should contact Kelly McGrail, Director of Investor Relations, at Oil-Dri's corporate headquarters.

Stockholders with inquiries related to stockholder records, stock transfers, change of ownership, change of address, or dividend payments should contact the company's registrar and transfer agent:

Harris Trust and Savings Bank
Shareholder Services Department
311 W. Monroe, 11th Floor
Chicago, Illinois 60690-9502
(312) 461-3309

STOCK LISTING

Oil-Dri Corporation of America's Common Stock is listed under the ticker symbol ODC on the New York Stock Exchange. The corporation's daily trading activity, stock price and dividend information are in the financial sections of most major newspapers. Stock prices are also available on the company's web site at WWW.OILDRI.COM.

ANNUAL MEETING

Oil-Dri Corporation of America will hold its 1998 annual meeting of stockholders on Tuesday, December 8, 1998 at 10:30 a.m. (Central Time) at the Standard Club, 320 South Plymouth Court, Chicago, Illinois.

INDEPENDENT PUBLIC ACCOUNTANTS

Blackman Kallick Bartelstein, LLP

LEGAL COUNSEL

Sonnenschein Nath & Rosenthal

Forward-Looking Statements: When used in this report, the words "expect", "believe", "should", "would" and similar expressions which are not historical are intended to identify forward-looking. These forward-looking statements are subject to uncertainties, which include, without limitation, the integration of acquisitions, the realization of cost savings, the degree of success of new products, changes in market conditions and the overall economy, and other factors detailed from time to time in the company's annual report and reports filed with the Securities and Exchange Commission.

Investor Information

CORPORATE HEADQUARTERS
Oil-Dri Corporation of America
410 North Michigan Avenue, Suite 400
Chicago, Illinois 60611-4211
(312) 321-1515

OIL-DRI SUBSIDIARIES
Oil-Dri Corporation of Georgia
Georgia, U.S.A.

Oil-Dri, Mounds Production Company, LLC
Illinois, U.S.A.

Oil-Dri Production Company
Mississippi and Oregon, U.S.A.

Oil-Dri S.A.
Coppet, Switzerland

Oil-Dri U.K. Limited
Wisbech, United Kingdom

Blue Mountain Production Company
Mississippi, U.S.A.

Oil-Dri, Canada
Quebec, Canada

Phoebe Products Company
Wisconsin, U.S.A.

CREDITS
ILLUSTRATIONS: Scott Roberts

PRODUCED BY: Kelly McGrail, Director, Investor Relations and Corporate Communications
DESIGN: Lee Ann Jaffee Design Associates, Inc.

Exhibit 21

SUBSIDIARIES OF THE COMPANY

Subsidiary	State or Country of Incorporation
Oil-Dri Corporation of Georgia	Georgia
Oil-Dri Production Company	Mississippi
Mounds Production Company, L.L.C.	Delaware
Oil-Dri, S.A	Switzerland
Favorite Products Company, Ltd.	Canada
Blue Mountain Production Co.	Mississippi
Oil-Dri (U.K.) Limited	United Kingdom
Ochlocknee Holding Co., S.A	Spain
Ochlocknee Mining Co., S.A	Spain
Oil-Dri Corporation of Nevada	Nevada
Phoebe Products Company	Delaware
Mounds Management, Inc.	Delaware
B.T. Acquisition Company	Illinois

EXHIBIT 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports and to all references to our Firm included in or by incorporation by reference made a part of the Annual Report on Form 10-K of Oil-Dri Corporation of America for the fiscal year ended July 31, 1998 and the Registration Statement of Form S-8 relating to the Oil-Dri Corporation of America Stock Option Plan.

Blackman Kallick Bartelstein, LLP

October 19, 1998

12-MOS
JUL-31-1998
JUL-31-1998
9,410,000
1,173,000
23,859,000
(351,000)
13,258,000
53,609,000
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0
724,000
71,084,000
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110,096,000
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2,000
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0
0
4,723,000
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$0.77