SYSCO CORP

FORM 10-K
(Annual Report)

Filed 09/24/98 for the Period Ending 06/27/98

Address	1390 ENCLAVE PKWY HOUSTON, TX 77077
Telephone	2815841390
CIK	0000096021
Symbol	SYY
SIC Code	5140 - Groceries And Related Products
Industry	Retail (Grocery)
Sector	Services
Fiscal Year	07/28

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FORM 10-K
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Filed 9/24/1998 For Period Ending 6/27/1998

Address	1390 ENCLAVE PKWY
	HOUSTON, Texas 77077
Telephone	281-584-1390
CIK	0000096021
Industry	Retail (Grocery)
Sector	Services
Fiscal Year	06/30

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

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED JUNE 27, 1998

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER 1-6544

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

DELAWARE	74-1648137
(State or other jurisdiction of incorporation or organization	(IRS employer identification number)

1390 ENCLAVE PARKWAY, HOUSTON, TEXAS 77077-2099
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (281) 584-1390

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

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, $1.00 par value	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such report), 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. [ ]

The aggregate market value of the voting stock of the registrant held by stockholders who were not affiliates (as defined by regulations of the Securities and Exchange Commission) of the registrant was approximately $7,731,000,000 at September 11, 1998 (based on the closing sales price on the New York Stock Exchange Composite Tape on September 11, 1998, as reported by The Wall Street Journal (Southwest Edition)). At September 11, 1998, the registrant had issued and outstanding an aggregate of 334,679,271 shares of its common stock.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the proxy statement to be filed not later than 120 days after June 27, 1998 are incorporated by reference into Part III..

PART I

ITEM 1. BUSINESS

Sysco Corporation (together with its subsidiaries and divisions hereinafter referred to as "SYSCO" or the "Company") is engaged in the marketing and distribution of a wide range of food and related products to the foodservice or "food-prepared-away-from-home" industry. The foodservice industry consists of two major customer segments -- "traditional" and "chain restaurant." Traditional foodservice customers include restaurants, hospitals, schools, hotels and industrial caterers. SYSCO's chain restaurant customers include regional pizza and national hamburger, chicken and steak chain operations.

Services to the Company's traditional foodservice and chain restaurant customers are supported by similar physical facilities, vehicles, materials handling equipment and techniques, and administrative and operating staffs.

CUSTOMERS AND PRODUCTS

The traditional foodservice segment includes businesses and organizations which prepare and serve food to be eaten away from home. Products distributed by the Company include a full line of frozen foods, such as meats, fully prepared entrees, fruits, vegetables and desserts, and a full line of canned and dry goods, fresh meats, imported specialties and fresh produce. The Company also supplies a wide variety of nonfood items, including paper products such as disposable napkins, plates and cups; tableware such as china and silverware; restaurant and kitchen equipment and supplies; medical and surgical supplies; and cleaning supplies. SYSCO distributes both nationally-branded merchandise and products packaged under its own private brands.

The Company believes that prompt and accurate delivery of orders, close contact with customers and the ability to provide a full array of products and services to assist customers in their foodservice operations are of primary importance in the marketing and distribution of products to the traditional customer segment of the foodservice industry. SYSCO offers daily delivery to certain customer locations and has the capability of delivering special orders on short notice. Through its more than 10,350 sales, marketing and service representatives, the Company keeps informed of the needs of its customers and acquaints them with new products. SYSCO also provides ancillary services relating to its foodservice distribution such as providing customers with product usage reports and other data, menu-planning advice, contract services for installing kitchen equipment, installation and service of beverage dispensing machines and assistance in inventory control.

No single traditional foodservice customer accounted for as much as 5% of SYSCO's sales for its fiscal year ended June 27, 1998. Approximately 5% of traditional foodservice sales during fiscal 1998 resulted from a process of competitive bidding. There are no material long-term contracts with any traditional foodservice customer that may not be cancelled by either party at its option.

The Company's SYGMA Network operations specialize in customized service to chain restaurants, which service is also provided to a lesser extent by many of the Company's traditional foodservice operations. SYSCO's sales to the chain restaurant industry consist of a variety of food products necessitated by the increasingly broad menus of chain restaurants. The Company believes that consistent product quality and timely and accurate service are important factors in the selection of a chain restaurant supplier. No chain restaurant customer accounted for as much as 3% of SYSCO's sales for its fiscal year ended June 27, 1998, and there are no material long-term contracts with any chain restaurant customer that may not be cancelled by either party at its option.

SYSCO does not record sales on the basis of the type of foodservice industry customer, but based upon available information, the Company estimates that sales by type of customer during the past three fiscal years were as follows:

Type of Customer	Fiscal 1998	Fiscal 1997	Fiscal 1996
Restaurants	62%	61%	61%
Hospitals and nursing homes	11	11	11
Schools and colleges	7	7	7
Hotels and motels	5	6	6
Other	15	15	15
Totals	100%	100%	100%

SOURCES OF SUPPLY

SYSCO estimates that it purchases from thousands of independent sources, none of which accounts for more than 5% of the Company's purchases. These sources of supply consist generally of large corporations selling brand name and private label merchandise and independent private label processors and packers. Generally, purchasing is carried out on a decentralized basis through centrally developed purchasing programs (see "Corporate Headquarters' Services and Controls" below) and direct purchasing programs established by the Company's various operating subsidiaries and divisions. The Company continually develops relationships with suppliers but has no material long-term purchase commitments with any supplier.

ACQUISITIONS AND DIVESTITURES

Since its formation as a Delaware corporation in 1969 and commencement of operations in March 1970, SYSCO has grown both through internal expansion of existing operations and acquisitions of formerly independent companies. The shareholders of nine companies exchanged their stock for SYSCO common stock at the formation of the Company, and through the end of fiscal 1998, fifty-four companies have been acquired, as follows:

Company	Date Acquired
The Grant Grocer Company	June 1970
The Albany Frosted Foods, Inc. and Affiliated Companies	September 1970
Arrow Food Distributors, Inc.	January 1971
Koon Food Sales, Inc.	March 1971
Rome Foods Company	October 1971
Saunders Food Distributors, Inc.	October 1971
Hallsmith Company, Inc.	April 1972
The Miesel Company	June 1972
Robert Orr & Company	July 1972
Jay Rodgers Co.	July 1972
Hardin's, Inc.	August 1972
Baraboo Food Products, Inc.	May 1973
E. R. Cochran Company	December 1973
The Fialkow Company	December 1973
Sterling-Keeleys Incorporated	December 1973
Harrisonburg Fruit & Produce Co.	April 1974
Alabama Complete Foods, Inc.	July 1974
Swan Food Sales, Inc.	October 1974
Tri-State General Food Supply Co., Inc.	December 1974
Marietta Institutional Wholesalers, Inc.	June 1975
Monticello Provision Company	August 1975
Oregon Film Service, Inc. and Affiliated Companies	September 1975
Mid-Central Fish & Frozen Foods, Inc.	December 1975
Glen-Webb & Co.	December 1978
Select-Union Foods, Inc.	April 1979
S.E. Lankford, Jr. Produce, Inc.	September 1981
General Management Corporation and Subsidiaries	January 1982
Frosted Foods, Inc.	January 1982
Pegler & Company	October 1983
Bell Distributing Company	December 1983
DiPaolo Food Distributors, Inc.	June 1985
B. A. Railton Company	September 1985
CML Company, Inc.	September 1985
New York Tea Company	September 1985
Operating divisions of PYA/Monarch, Inc. and PYA/Monarch of Texas, Inc. (Wholly-owned subsidiaries of Sara Lee Corporation)	
Amarillo, Texas	September 1985
Austin, Texas	September 1985
Beaumont, Texas	September 1985
Trammell, Temple & Staff, Inc.	January 1986
Deaktor Brothers Provision Co.	March 1986
Bangor Wholesale Foods, Inc.	June 1986
General Foodservice Supply, Inc.	December 1986
Vogel's	June 1987
Major-Hosking's, Inc.	July 1987
Foodservice distribution - related businesses of Staley Continental, Inc. (CFS Continental)	August 1988
Olewine's, Inc.	December 1988
Oklahoma City-based foodservice distribution businesses of Scrivner, Inc.	April 1990
New York and Pennsylvania-based foodservice distribution businesses of Scrivner, Inc.	April 1991
Benjamin Polakoff & Son, Inc.	May 1992
Perloff Brothers, Inc. (Tartan Foods)	December 1992
St. Louis Division of Clark Foodservice, Inc.	February 1993
Ritter Food Corporation	August 1993
Strano Foodservice	July 1996
Foodservice distribution division of Jordan's Meats	May 1998
Foodservice distribution division of Beaver Street Fisheries, Inc.	June 1998

CORPORATE HEADQUARTERS' SERVICES AND CONTROLS

SYSCO's corporate staff, consisting of approximately 770 persons, provides a number of services to the Company's operating divisions and subsidiaries. These persons possess experience and expertise in, among other areas, accounting and finance, cash management, data processing, employee benefits, engineering and insurance. Also provided are legal, marketing and tax compliance services as well as warehousing and distribution services which provide assistance in space utilization, energy conservation, fleet management and work flow.

The corporate staff also administers a consolidated product procurement program engaged in the task of developing, obtaining and assuring consistent quality food and nonfood products. The program covers the purchasing and marketing of SYSCO(R) Brand merchandise, as well as private label and national brand merchandise, encompassing substantially all product lines. The Company's operating subsidiaries and divisions may participate in the program at their option.

CAPITAL IMPROVEMENTS

To maximize productivity and customer service, the Company continues to construct and modernize its distribution facilities. During fiscal 1998, 1997 and 1996, approximately $259,000,000, $211,000,000, and $236,000,000, respectively, were invested in facility expansions, fleet additions and other capital asset enhancements. The Company estimates its capital expenditures in fiscal 1999 should be in the range of $240,000,000 to $260,000,000. During the three years ended June 27, 1998, capital expenditures have been financed primarily by internally generated funds, the Company's commercial paper program and bank borrowings.

EMPLOYEES

As of June 27, 1998, the Company had approximately 33,400 employees, 22% of whom are represented by unions, primarily the International Brotherhood of Teamsters. Contract negotiations are handled locally with monitoring and assistance by the corporate staff. Collective bargaining agreements covering approximately 25% of the Company's union employees expire during fiscal 1999. SYSCO considers its labor relations to be satisfactory.

COMPETITION

The business of SYSCO is competitive with numerous companies engaged in foodservice distribution. While competition is encountered primarily from local and regional distributors, a few companies compete with SYSCO on a national basis. The Company believes that, although price and customer contact are important considerations, the principal competitive factor in the foodservice industry is the ability to deliver a wide range of quality products and related services on a timely and dependable basis. Although SYSCO has less than 10% of the foodservice industry market in the United States and Canada, SYSCO believes, based upon industry trade data, that its sales to the "food-prepared- away-from-home" industry are the largest of any foodservice distributor. While adequate industry statistics are not available, the Company believes that in most instances its local operations are among the leading distributors of food and related nonfood products to foodservice customers in their respective trading areas.

DEBT ISSUANCE

On June 3, 1998 SYSCO filed with the Securities and Exchange Commission a new $500,000,000 shelf registration of debt securities. On July 22, 1998 SYSCO issued 6.5% debentures totaling $225,000,000 under the shelf registration, due on August 1, 2028. These debentures were priced at 99.685% of par, are unsecured, are not subject to any sinking fund requirement and include a redemption provision which allows SYSCO the right to retire the debentures at any time prior to maturity at the greater of par plus accrued interest or an amount designed to insure that the debenture holders are not penalized by the early redemption. Proceeds from the debentures were used to pay down outstanding commercial paper.

On April 22, 1997, in two separate offerings, SYSCO drew down the remaining $150,000,000 of the $500,000,000 shelf registration filed with the Securities and Exchange Commission in June 1995. SYSCO issued 7.16% debentures totaling $50,000,000 due April 15, 2027. These debentures were priced at par, are unsecured, are not subject to any sinking fund requirement and are redeemable at the option of the holder on April 15, 2007, but otherwise are not redeemable prior to maturity. SYSCO also issued 7.25% senior notes totaling $100,000,000 due April 15, 2007. These notes were priced at 99.611% of par and are unsecured, not redeemable prior to maturity and not subject to any sinking fund requirement.

GENERAL

Except for the SYSCO(R) trademark, the Company does not own or have the right to use any patents, trademarks, licenses, franchises or concessions, the loss of which would have a materially adverse effect on the operations or earnings of the Company.

SYSCO is not engaged in material research activities relating to the development of new products or the improvement of existing products. In fiscal 1996 the Company completed an internally developed project that involved the redesign and development of the computer operating systems through which SYSCO's operating companies will process, control and report the results of all transactions. In the second quarter of fiscal 1998, SYSCO recorded a one-time, after-tax, non-cash charge of $28,053,000 to comply with a new consensus ruling by the Emerging Issues Task Force of the Financial Accounting Standards Board (EITF Issue No. 97-13), requiring reengineering costs associated with computer systems development to be expensed as they are incurred. Prior to this ruling, SYSCO had capitalized business process reengineering costs incurred in connection with its SYSCO Uniform Systems information systems redevelopment project in accordance with generally accepted accounting principles. Installation will continue company-wide through calendar year 1999 and such installation is expected to provide the basis for business expansion over the next several years without having a material adverse effect on the business or operations of the Company. Amounts that remain capitalized are being amortized as completed portions of the project are put into use.

The Company's distribution facilities have tanks for the storage of diesel fuel and other petroleum products which are subject to laws regulating such storage tanks. Other federal, state and local provisions relating to the protection of the environment or the discharge of materials do not materially impact the Company's use or operation of its facilities. The Company anticipates that compliance with these laws will not have a material effect on the capital expenditures, earnings or competitive position of SYSCO and its subsidiaries.

Sales of the Company do not generally fluctuate on a seasonal basis, and therefore, the business of the Company is not deemed to be seasonal.

The Company operates 93 facilities within the United States and three in Canada.

ITEM 2. PROPERTIES

The table below shows the number of distribution facilities and self-serve centers occupied by the Company in each state or province and the aggregate cubic footage devoted to cold and dry storage.

Location	Number of Facilities and Centers	Cold Storage (Thousands Cubic Feet)	Dry Storage (Thousands Cubic Feet)
Alabama	1	65	324
Alaska	1	331	965
Arizona	1	1,485	3,410
Arkansas	1	1,200	1,145
California	9	7,998	14,302
Colorado	4	2,759	5,176
Connecticut	1	2,489	2,737
Florida	5	12,593	14,746
Georgia	2	3,468	6,815
Idaho	1	998	1,154
Illinois	3	3,355	4,498
Indiana	1	1,404	1,832
Iowa	1	687	1,215
Kansas	1	1,975	2,592
Kentucky	1	2,330	2,648
Louisiana	1	2,575	1,875
Maine	2	1,341	2,030
Maryland	4	6,309	6,836
Massachusetts	3	4,130	3,696
Michigan	3	4,976	8,102
Minnesota	1	2,085	2,370
Mississippi	1	2,125	2,690
Missouri	1	1,128	1,348
Montana	1	2,043	1,830
Nebraska	1	2,092	2,618
New Jersey	2	1,681	4,185
New Mexico	1	1,856	1,855
New York	7	5,506	8,912
North Carolina	1	1,929	2,421
Ohio	4	6,152	11,493
Oklahoma	3	1,145	2,737
Oregon	2	3,431	3,455
Pennsylvania	4	4,743	6,937
South Dakota	1	3	166
Tennessee	4	6,289	9,223
Texas	8	11,179	17,474
Utah	1	1,810	1,845
Virginia	1	1,186	1,672
Washington	1	2,604	2,712
Wisconsin	2	4,083	3,782
British Columbia, Canada	2	1,426	1,855
Ontario, Canada	1	1,073	1,030
Total	96	128,037	178,708

The Company owns approximately 268,000,000 cubic feet of its distribution facilities and self-serve centers (or 87.9% of the total cubic feet), and the remainder is occupied under leases expiring at various dates from fiscal 1999 to 2011, exclusive of renewal options. Certain of the facilities owned by the Company are either subject to mortgage indebtedness or industrial revenue bond financing arrangements totaling $54,718,000 at June 27, 1998. Such mortgage indebtedness and industrial revenue bond financing arrangements mature at various dates to 2026.

The Company owns its approximately 188,000 square foot headquarters office complex in Houston, Texas.

Facilities in Modesto, California, Minneapolis, Minnesota, Little Rock, Arkansas, Kansas City, Kansas, Palmetto, Florida, Portland, Maine and Harrisonburg, Virginia (which in the aggregate account for approximately 6% of fiscal 1998 sales) are operating near capacity and the Company is currently constructing expansions for these distribution facilities. A full service distribution facility near San Diego, California has been completed and is scheduled to open during the second quarter of fiscal 1999. The Company is planning to complete construction of a full service distribution facility near Birmingham, Alabama during fiscal 1999.

The Company's fleet of approximately 5,770 delivery vehicles consists of tractor and trailer combinations, vans and panel trucks, most of which are either wholly or partially refrigerated for the transportation of frozen or perishable foods. The Company owns approximately 92% of these vehicles and leases the remainder.

ITEM 3. LEGAL PROCEEDINGS

SYSCO is engaged in various legal proceedings which have arisen but have not been fully adjudicated. These proceedings, in the opinion of management, will not have a material adverse effect upon the consolidated financial position or results of operations of the Company when ultimately concluded.

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

None

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

The following are the executive officers of the Company, each of whom holds the office opposite his name below until the meeting of the Board of Directors immediately preceding the next Annual Meeting of Stockholders or until his successor has been elected or qualified. Executive officers who are also directors serve as directors until the expiration of their terms which, with respect to each individual, occurs at the Annual Meeting of Stockholders in the calendar year specified in parentheses below or until their successors have been elected and qualified.

NAME OF OFFICER	CAPACITY	SERVED IN THIS POSITION SINCE	AGE
John F. Woodhouse	Chairman of the Board of Directors (1998)	1985	67
Bill M. Lindig	President and Chief Executive Officer and Director (1999)	1985, 1995 & 1983	61
Charles H. Cotros	Executive Vice President and Chief Operating Officer and Director (2000)	1988, 1995 & 1985	61
O. Wayne Duncan	Senior Vice President, Operations	1995	60
George L. Holm	Senior Vice President, Operations	1996	42
Thomas E. Lankford	Senior Vice President, Operations	1995	50
Gregory K. Marshall	Senior Vice President	1993	51
Richard J. Schnieders	Senior Vice President, Merchandising Services and Multi-Unit Sales and Director (2000)	1992 & 1997	50
John K. Stubblefield, Jr.	Senior Vice President and Chief Financial Officer	1993 & 1994	52
Arthur J. Swenka	Senior Vice President, Operations and Director (2000)	1995	61
James D. Wickus	Senior Vice President, Operations	1995	55
Diane Day Sanders	Vice President and Treasurer	1994	49

Each of the executive officers listed above has been employed by the Company, or a subsidiary or division of the Company, throughout the past five years.

PART II

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

The principal market for SYSCO's Common Stock is the New York Stock Exchange. The table below sets forth the high and low sales prices per share for SYSCO's Common Stock as reported on the New York Stock Exchange Composite Tape and the cash dividends paid for the periods indicated, adjusted for the 2-for-1 stock split effected by a 100% stock dividend paid on March 20, 1998.

	Common Stock Prices		Dividends
	High	Low	Paid
Fiscal 1997			
First Quarter	$ 17-1/4	$ 13-9/16	$0.065
Second Quarter	17-3/4	15-13/16	0.065
Third Quarter	17-13/16	14-5/8	0.075
Fourth Quarter	19-1/8	16-1/2	0.075
Fiscal 1998			
First Quarter	$ 19-23/32	$ 17-3/32	$0.075
Second Quarter	23-13/32	17-29/32	0.075
Third Quarter	26-3/4	21-5/8	0.085
Fourth Quarter	26-3/4	21-7/8	0.090

The number of record owners of SYSCO's Common Stock as of June 27, 1998 was 16,142.

Item 6.

Selected Financial Data

	Fiscal Year Ended				
(In thousands except for share data)	1998	1997	1996	1995	1994
Sales	$ 15,327,536	$ 14,454,589	$ 13,395,130	$ 12,118,047	$ 10,942,499
Earnings before income taxes	532,493	495,955	453,943	417,618	367,582
Income taxes	207,672	193,422	177,038	165,794	150,830
Earnings before cumulative effect of accounting change	324,821	302,533	276,905	251,824	216,752
Cumulative effect of accounting change	(28,053)	--	--	--	--
Net earnings	296,768	302,533	276,905	251,824	216,752
Earnings before accounting change:					
Basic earnings per share	0.95	0.85	0.76	0.69	0.59
Diluted earnings per share	0.95	0.85	0.75	0.68	0.58
Cumulative effect of accounting change:					
Basic earnings per share	(0.08)	--	--	--	--
Diluted earnings per share	(0.08)	--	--	--	--
Net earnings:					
Basic earnings per share	0.87	0.85	0.76	0.69	0.59
Diluted earnings per share	0.86	0.85	0.75	0.68	0.58
Cash dividends per share	0.33	0.28	0.24	0.20	0.16
Total assets	3,780,189	3,433,823	3,319,943	3,097,161	2,811,729
Capital expenditures	259,353	210,868	235,891	201,577	161,485
Long-term debt	867,017	685,620	581,734	541,556	538,711
Shareholders' equity	1,356,789	1,400,472	1,474,678	1,403,603	1,240,909
Total capitalization	2,223,806	2,086,092	2,056,412	1,945,159	1,779,620
Ratio of long-term debt to capitalization	39.0%	32.9%	28.3%	27.8%	30.3%

Item 7.
Management's Discussion And Analysis

LIQUIDITY AND CAPITAL RESOURCES

SYSCO provides marketing and distribution services to foodservice customers and suppliers throughout the contiguous United States, Alaska and western and central Canada. The company intends to continue to expand its market share through profitable sales growth and consistent emphasis on the development of its consolidated buying programs. The company also strives to increase the effectiveness of its marketing associates and the productivity of its warehousing and distribution activities. These objectives require continuing investment. SYSCO's resources include cash provided by operations and access to capital from financial markets.

SYSCO's operations historically have produced significant cash flow. Cash generated from operations is first allocated to working capital requirements; investments in facilities, fleet and other equipment required to meet customers' needs; cash dividends; and acquisitions fitting within the company's overall growth strategy. Any remaining cash generated from operations also is applied toward a portion of the cost of shares repurchased in the buyback program, while the remainder of the cost may be financed with additional long-term debt. SYSCO's initial share repurchase program was used primarily to offset shares issued under various employee benefit and compensation plans. The company significantly accelerated the repurchase program beginning in February 1996. The share repurchase program reduces outstanding shares and increases earnings per share, while maintaining long-term debt to total capitalization within its intended target range of 30% to 40%. This ratio was 39% and 33% at June 27, 1998 and June 28, 1997, respectively.

In November 1996, the Board authorized an additional 12,000,000 share buyback to be completed in calendar 1997 and in July 1997 authorized an additional 12,000,000 share buyback to be completed in fiscal 1998. The number of shares acquired and their cost for the past three years, restated to reflect the stock-split, was 12,129,700 shares for $263,416,000 in fiscal 1998, 18,032,800 shares for $305,301,000 in fiscal 1997 and 14,628,200 shares for $232,070,000 in fiscal 1996. On September 4, 1998, the Board authorized a new 8,000,000 share buyback to be completed in calendar 1999.

Net cash generated from operating activities was $357,764,000 in 1998, $498,108,000 in 1997 and $350,434,000 in 1996. Expenditures for facilities, fleet and other equipment were $259,353,000 in 1998, $210,868,000 in 1997 and $235,891,000 in 1996. Expenditures in fiscal 1999 should be in the range of $240,000,000 to $260,000,000.

In April 1997, in two separate offerings, SYSCO drew down the remaining $150,000,000 of the $500,000,000 shelf registration filed with the Securities and Exchange Commission in June 1995. SYSCO issued 7.16% debentures totaling $50,000,000 due April 15, 2027. These debentures were priced at par, are unsecured, are not subject to any sinking fund requirement and are redeemable at the option of the holder on April 15, 2007, but otherwise are not redeemable prior to maturity. Also issued were 7.25% senior notes totaling $100,000,000 due April 15, 2007. These notes were priced at 99.611% of par and are unsecured, not redeemable prior to maturity and not subject to any sinking fund requirement. In May 1996, SYSCO issued 7.0% senior notes totaling $200,000,000 due May 1, 2006. These notes, which were priced at par, are unsecured, not redeemable prior to maturity and are not subject to any sinking fund requirement.

On June 3, 1998 SYSCO filed with the Securities and Exchange Commission a new $500,000,000 shelf registration of debt securities. On July 22, 1998 SYSCO issued 6.5% debentures totaling $225,000,000 under the shelf registration, due August 1, 2028. These debentures were priced at 99.685% of par, are unsecured, are not subject to any sinking fund requirement and include a redemption provision which allows SYSCO the right to retire the debentures at any time prior to maturity at the greater of par plus accrued interest or an amount designed to insure that the debenture holders are not penalized by the early redemption. Proceeds from the debentures were used to pay down outstanding commercial paper.

The net cash provided by operations less cash utilized for capital expenditures, the stock repurchase program, cash dividends and other uses resulted in net long-term debt of $867,017,000 at June 27, 1998. About 68% of the long-term debt is at fixed rates averaging 7.25% and the remainder is at floating rates averaging 5.6%. Long-term debt to capitalization was 39% at June 27, 1998, up 6% from the 33% at June 28, 1997 and up 11% from the 28% at June 29, 1996. SYSCO continues to have borrowing capacity available and alternative financing arrangements are evaluated as appropriate.

SYSCO has a commercial paper program which is currently supported by a $300,000,000 bank credit facility. During fiscal 1998, 1997 and 1996, commercial paper and short-term bank borrowings ranged from approximately $29,581,000 to $417,924,000, from approximately $23,376,000 to $263,782,000, and from approximately $69,200,000 to $355,000,000, respectively.

In summary, SYSCO believes that through continued monitoring and management of assets together with the availability of additional capital in the financial markets, it will meet its cash requirements while maintaining proper liquidity for normal operating purposes.

MARKET RISK

SYSCO does not utilize financial instruments for trading purposes and holds no derivative financial instruments which could expose the company to significant market risk. SYSCO's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations discussed above. At June 27, 1998 the company had outstanding $294,798,000 of commercial paper with maturities through July 7, 1998. The company's remaining long-term debt obligations of $572,219,000 were primarily at fixed rates of interest. Subsequent to year-end, as discussed above, SYSCO issued additional fixed rate debt and paid down the commercial paper balance with the proceeds. SYSCO has no significant cash flow exposure due to interest rate changes for long-term debt obligations.

SALES

The annual increases in sales of 6% in 1998 and 8% in 1997 result from several factors. Sales in fiscal 1998 and 1997 were affected by the relatively modest growth in the U.S. economy, as well as in the foodservice industry. After adjusting for food price increases and acquisitions, real sales growth was about 6% in 1998 and 5% in 1997. The cost of SYSCO's foodservice products during the first six months of fiscal 1998 were deflated while those costs during the latter half of the year were inflated just above 1%, resulting in zero inflation for the entire year. This compares to an increase of approximately 2.3% in fiscal 1997. Industry sources estimate the total foodservice market experienced real growth of approximately 2% in calendar 1997 and 1996.

Sales for fiscal 1996 through 1998 were as follows:

Year	Sales	% Increase
1998	$15,327,536,000	6%
1997	14,454,589,000	8
1996	13,395,130,000	11

A comparison of the sales mix in the principal product categories during the last three years is presented below:

	1998	1997	1996
Medical supplies	1%	1%	1%
Dairy products	9	9	9
Fresh and frozen meats	15	15	15
Seafoods	6	5	5
Poultry	10	10	10
Frozen fruits, vegetables, bakery and other	15	15	14
Canned and dry products	23	23	24
Paper and disposables	7	8	8
Janitorial products	2	2	2
Equipment and smallwares	3	3	3
Fresh produce	6	6	6
Beverage products	3	3	3
	100%	100%	100%

A comparison of sales by type of customer during the last three years is presented below:

	1998	1997	1996
Restaurants	62%	61%	61%
Hospitals and nursing homes	11	11	11
Schools and colleges	7	7	7
Hotels and motels	5	6	6
All other	15	15	15
	100%	100%	100%

COST OF SALES

Cost of sales increased about 6% in 1998 and 8% in 1997. These increases were generally in line with the increases in sales. The rate of increase is influenced by SYSCO's overall customer and product mix as well as economies realized in product acquisition.

OPERATING EXPENSES

Operating expenses include the costs of warehousing and delivering products as well as selling and administrative expenses. These expenses as a percent of sales were 14.6% for fiscal 1998, 14.4% for fiscal 1997 and 14.3% for fiscal 1996. Changes in the percentage relationship of operating expenses to sales result from an interplay of several economic influences, including customer mix. Inflationary increases in operating costs generally have been offset through improved productivity.

INTEREST EXPENSE

Interest expense increased $11,920,000 or approximately 26% in fiscal 1998 as compared to an increase of $5,483,000 or approximately 13% in fiscal 1997. The increases in fiscal 1998 and 1997 were due primarily to increased borrowings. Interest capitalized during the past three years was $2,095,000 in 1998, $2,215,000 in 1997 and $2,783,000 in 1996.

OTHER, NET

Other decreased $215,000 or about 133% in fiscal 1998 and decreased $842,000 or about 84% in fiscal 1997. Changes between the years result from fluctuations in miscellaneous activities, primarily gains and losses on the sale of surplus facilities.

EARNINGS BEFORE INCOME TAXES

Earnings before income taxes rose $36,538,000, or approximately 7%, above fiscal 1997 which had increased $42,012,000, or approximately 9%, over the prior year. Additional sales and realization of operating efficiencies contributed to the increases.

PROVISION FOR INCOME TAXES

The effective tax rate for 1998 and 1997 was approximately 39%.

EARNINGS BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE

Fiscal 1998 represents the twenty-second consecutive year of increased earnings before the cumulative effect of an accounting change. Earnings before cumulative effect of accounting change rose $22,288,000, or approximately 7%, above fiscal 1997 which had increased $25,628,000, or approximately 9%, over the prior year.

CUMULATIVE EFFECT OF ACCOUNTING CHANGE

In the second quarter of fiscal 1998, SYSCO recorded a one-time, after-tax, non-cash charge of $28,053,000 to comply with a new consensus ruling by the Emerging Issues Task Force of the Financial Accounting Standards Board, (EITF Issue No. 97-13), requiring reengineering costs associated with computer systems development to be expensed as they are incurred. Prior to this change, SYSCO had capitalized business process reengineering costs incurred in connection with its SYSCO Uniform Systems information systems redevelopment project in accordance with generally accepted accounting principles.

NET EARNINGS

Net earnings for the year decreased $5,765,000 or approximately 2% below fiscal 1997, which had increased $25,628,000 or approximately 9% over the prior year. The decrease was caused by the accounting change discussed above, partially offset by the increase in earnings before the cumulative effect of the accounting change.

DIVIDENDS

The quarterly dividend rate of nine cents per share was established in February 1998 when it was increased from the eight and one-half cents per share set in November 1997.

RETURN ON SHAREHOLDERS' EQUITY

The return on average shareholders' equity before the cumulative effect of the accounting change for 1998 was approximately 23% compared to 21% in 1997 and 19% in 1996. Since inception SYSCO has averaged in excess of a 17% return on shareholders' equity before the cumulative effect of an accounting change.

YEAR 2000

In recent years, SYSCO has been replacing and enhancing its information systems to gain operational efficiencies. In addition, a company-wide program has been underway to prepare its information systems and applications for the year 2000.

SYSCO has completed a comprehensive assessment of the impact of the year 2000 on all of its internal information systems and applications. SYSCO expects to make the necessary revisions or upgrades to its systems to render it year 2000 compliant. Attention is also being focused on compliance attainment efforts of and key interfaces with suppliers and customers. SYSCO could potentially experience disruptions to some aspects of its various activities and operations as a result of non-compliant systems utilized by SYSCO or unrelated third parties. Contingency plans are therefore under development to mitigate the extent of any such potential disruption to business operations. Based on preliminary information, the costs to the company of addressing potential year 2000 issues are not expected to have a material adverse impact on SYSCO's consolidated results of operations or financial position.

There can be no assurance that the efforts or the contingency plans related to the company's systems, or those of other entities relied upon will be successful or that any failure to convert, upgrade or appropriately plan for contingencies would not have a material adverse effect on SYSCO.

FORWARD-LOOKING STATEMENTS

Certain statements made herein are foward-looking statements under the Private Securities Litigation Reform Act of 1995. They include projected sales increases, customer mix, product cost inflation/deflation, implementation and anticipated results of "fold-outs", payment of dividends, consistency and predictability of earnings and cash flow growth, continuation of the share repurchase program, projected sales to particular customers, potential acquisitions and year 2000 compliance efforts, timetables and the anticipated costs of these efforts. These statements are based on current expectations and management estimates and actual results may differ materially. Decisions to pursue "fold-outs" and expenditures for "fold-outs" could vary depending upon construction schedules and the timing of other purchases, such as fleet and equipment, while "fold-out" results could be impacted by competitive conditions, labor issues and other matters. Acquisitions depend upon the availability and suitability of potential candidates and management's allocation of capital. Industry growth, sales increases, customer mix, product cost inflation/deflation, payment of dividends, the consistency and predictability of earnings and cash flow growth and year 2000 costs and compliance efforts could be affected by conditions in the economy, the industry and internal factors that may alter planned results. Furthermore, potential year 2000 costs and compliance efforts could be affected by conditions in the economy and the customer's ability to make planned levels of sales available to SYSCO. The share repurchase program could be affected by market prices of the company's stock as well as management's decision to utilize its capital for other purposes.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

SYSCO CORPORATION AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 27, 1998

Financial Statements:

All other schedules are omitted because they are not applicable or the information is set forth in the consolidated financial statements or notes thereto.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

REPORT OF MANAGEMENT ON INTERNAL ACCOUNTING CONTROLS

The management of SYSCO is responsible for the preparation and integrity of the consolidated financial statements of the Company. The accompanying consolidated financial statements have been prepared by the management of the Company, in accordance with generally accepted accounting principles, using management's best estimates and judgment where necessary. Financial information appearing throughout this Annual Report is consistent with that in the consolidated financial statements.

To help fulfill its responsibility, management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded against loss or unauthorized use and that transactions are executed in accordance with management's authorizations and are reflected accurately in the Company's records. The concept of reasonable assurance is based on the recognition that the cost of maintaining a system of internal accounting controls should not exceed benefits expected to be derived from the system. SYSCO believes that its long-standing emphasis on the highest standards of conduct and ethics, embodied in comprehensive written policies, serves to reinforce its system of internal controls.

The Company's operations review function monitors the operation of the internal control system and reports findings and recommendations to management and the Board of Directors. It also oversees actions taken to address control deficiencies and seeks opportunities for improving the effectiveness of the system.

Arthur Andersen LLP, independent public accountants, has been engaged to express an opinion regarding the fair presentation of the Company's financial condition and operating results. As part of their audit of the Company's financial statements, Arthur Andersen LLP considered the Company's system of internal controls to the extent they deemed necessary to determine the nature, timing and extent of their audit tests.

The Board of Directors oversees the Company's financial reporting through its Audit Committee which consists entirely of outside directors. The Board, after a recommendation from the Audit Committee, selects and engages the independent public accountants annually. The Audit Committee reviews both the scope of the accountants' audit and recommendations from both the independent public accountants and the internal operations review function for improvements in internal controls. The independent public accountants have free access to the Audit Committee and from time to time confer with them without management representation.

SYSCO recognizes its responsibility to conduct business in accordance with high ethical standards. This responsibility is reflected in a comprehensive code of business conduct that, among other things, addresses potentially conflicting outside business interests of Company employees and provides guidance as to the proper conduct of business activities. Ongoing communications and review programs are designed to help ensure compliance with this code.

The Company believes that its system of internal controls is effective and adequate to accomplish the objectives discussed above.

/s/ BILL M. LINDIG	*/s/ JOHN K. STUBBLEFIELD, JR.*
Bill M. Lindig *President and Chief Executive Officer*	*John K. Stubblefield, Jr.* *Senior Vice President and* *Chief Financial Officer*

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Board of Directors and Shareholders
Sysco Corporation

We have audited the accompanying consolidated balance sheets of Sysco Corporation (a Delaware corporation) and subsidiaries as of June 27, 1998 and June 28, 1997, and the related statements of consolidated results of operations, shareholders' equity and cash flows for each of the three years in the period ended June 27, 1998. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sysco Corporation and subsidiaries as of June 27, 1998 and June 28, 1997, and the results of their operations and their cash flows for each of the three years in the period ended June 27, 1998, in conformity with generally accepted accounting principles.

As discussed in the summary of accounting policies, effective December 27, 1997, the Company changed its method of accounting for costs of business process reengineering activities associated with systems development projects.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in Item 14 (a) is presented for purposes of complying with the Securities and Exchange Commission's rules and is not a required part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ Arthur Andersen LLP

Arthur Andersen LLP
Houston, Texas
July 28, 1998

Consolidated Balance Sheets

(In thousands except for share data)	June 27, 1998	June 28, 1997
Assets		
Current assets		
Cash	$ 110,288	$ 117,696
Accounts and notes receivable, less allowances of $20,081 and $17,240	1,215,610	1,065,002
Inventories	790,501	733,782
Deferred taxes	37,073	23,720
Prepaid expenses	26,595	21,429
Total current assets	2,180,067	1,961,629
Plant and equipment at cost, less depreciation	1,151,054	1,058,432
Other assets		
Goodwill and intangibles, less amortization	307,959	247,423
Other	141,109	166,339
Total other assets	449,068	413,762
Total assets	$3,780,189	$3,433,823
Liabilities and shareholders' equity		
Current liabilities		
Notes payable	$ 42,333	$ 14,267
Accounts payable	849,159	827,593
Accrued expenses	292,255	240,928
Income taxes	25,523	17,741
Current maturities of long-term debt	114,920	13,285
Total current liabilities	1,324,190	1,113,814
Long-term debt	867,017	685,620
Deferred taxes	232,193	233,917
Contingencies		
Shareholders' equity		
Preferred stock, par value $1 per share Authorized 1,500,000 shares, issued none	--	--
Common stock, par value $1 per share Authorized 500,000,000 shares, issued 382,587,450 and 191,293,725 shares	382,587	191,294
Paid-in capital	--	32,258
Retained earnings	1,796,488	1,771,548
	2,179,075	1,995,100
Less cost of treasury stock, 47,578,288 and 18,855,458 shares	822,286	594,628
Total shareholders' equity	1,356,789	1,400,472
Total liabilities and shareholders' equity	$3,780,189	$3,433,823

See Summary of Accounting Policies and Additional Financial Information.

Consolidated Results of Operations

(In thousands except for share data)	Year Ended June 27, 1998	June 28, 1997	June 29, 1996
Sales	$ 15,327,536	$ 14,454,589	$ 13,395,130
Costs and expenses			
Cost of sales	12,499,636	11,835,959	10,983,796
Operating expenses	2,236,932	2,076,335	1,917,376
Interest expense	58,422	46,502	41,019
Other, net	53	(162)	(1,004)
Total costs and expenses	14,795,043	13,958,634	12,941,187
Earnings before income taxes	532,493	495,955	453,943
Income taxes	207,672	193,422	177,038
Earnings before cumulative effect of accounting change	324,821	302,533	276,905
Cumulative effect of accounting change	(28,053)	--	--
Net earnings	$ 296,768	$ 302,533	$ 276,905
Earnings before accounting change:			
Basic earnings per share	$ 0.95	$ 0.85	$ 0.76
Diluted earnings per share	0.95	0.85	0.75
Cumulative effect of accounting change:			
Basic earnings per share	(0.08)	--	--
Diluted earnings per share	(0.08)	--	--
Net earnings:			
Basic earnings per share	0.87	0.85	0.76
Diluted earnings per share	0.86	0.85	0.75

See Summary of Accounting Policies and Additional Financial Information.

Consolidated Shareholders' Equity

(In thousands except for share data)	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount
Balance at July 1, 1995	191,293,725	$ 191,294	$ 48,674	$ 1,379,405	8,429,203	$ 215,770
Net earnings for year ended June 29, 1996				276,905		
Cash dividends paid, $.24 per share				(87,721)		
Treasury stock purchases					7,314,100	232,070
Stock issued upon conversion of Liquid Yield Option Notes			(11,190)		(3,816,525)	(99,776)
Stock options exercised			(2,642)		(271,406)	(7,123)
Employees' Stock Purchase Plan			(610)		(531,569)	(14,339)
Management Incentive Plan			947		(242,884)	(6,218)
Balance at June 29, 1996	191,293,725	$ 191,294	$ 35,179	$ 1,568,589	10,880,919	$ 320,384
Net earnings for year ended June 28, 1997				302,533		
Cash dividends paid, $.28 per share				(99,574)		
Treasury stock purchases					9,016,400	305,301
Stock options exercised			(3,069)		(334,139)	(9,838)
Employees' Stock Purchase Plan			(789)		(512,603)	(15,474)
Management Incentive Plan			937		(195,119)	(5,745)
Balance at June 28, 1997	191,293,725	$ 191,294	$ 32,258	$ 1,771,548	18,855,458	$ 594,628
Net earnings for year ended June 27, 1998				296,768		
Cash dividends paid, $.33 per share				(110,928)		
Treasury stock purchases					6,064,850	263,416
Stock options exercised			(4,308)		(491,795)	(15,174)
Employees' Stock Purchase Plan			1,359		(433,419)	(14,048)
Management Incentive Plan			1,084		(205,950)	(6,536)
2-for-1 stock split	191,293,725	191,293	(30,393)	(160,900)	23,789,144	
Balance at June 27, 1998	382,587,450	$ 382,587	$ --	$ 1,796,488	47,578,288	$ 822,286

See Summary of Accounting Policies and Additional Financial Information.

Consolidated Cash Flows

(In thousands)	Year Ended June 27, 1998	June 28, 1997	June 29, 1996
Cash flows from operating activities:			
Net earnings	$ 296,768	$ 302,533	$ 276,905
Add non-cash items:			
Cumulative effect of accounting change	28,053	--	--
Depreciation and amortization	181,234	160,292	144,709
Interest on Liquid Yield Option Notes	--	--	2,274
Deferred tax (benefit) provision	(15,077)	11,081	16,079
Provision for losses on receivables	22,959	21,588	16,427
Additional investment in certain assets and liabilities, net of effect of businesses acquired:			
(Increase) in receivables	(162,276)	(40,247)	(123,653)
(Increase) in inventories	(48,483)	(6,883)	(56,076)
(Increase) decrease in prepaid expenses	(4,871)	(2,534)	242
Increase in accounts payable	14,114	43,145	70,744
Increase in accrued expenses	50,875	27,512	6,615
Increase (decrease) in income taxes	7,782	(5,589)	12,955
(Increase) in other assets	(13,314)	(12,790)	(16,787)
Net cash provided by operating activities	357,764	498,108	350,434
Cash flows from investing activities:			
Additions to plant and equipment	(259,353)	(210,868)	(235,891)
Proceeds from sales of plant and equipment	8,296	2,842	11,024
Acquisition of businesses, net of cash acquired	(84,473)	(5,330)	--
Net cash used for investing activities	(335,530)	(213,356)	(224,867)
Cash flows from financing activities:			
Bank and commercial paper borrowings	303,996	92,039	146,775
Other debt borrowings (repayments)	6,813	9,885	(4,053)
Common stock reissued from treasury	33,893	28,136	25,375
Treasury stock purchases	(263,416)	(305,301)	(232,070)
Dividends paid	(110,928)	(99,574)	(87,721)
Net cash used for financing activities	(29,642)	(274,815)	(151,694)
Net (decrease) increase in cash	(7,408)	9,937	(26,127)
Cash at beginning of year	117,696	107,759	133,886
Cash at end of year	$ 110,288	$ 117,696	$ 107,759
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 58,306	$ 44,575	$ 38,527
Income taxes	195,133	186,153	141,302

See Summary of Accounting Policies and Additional Financial Information.

SUMMARY OF ACCOUNTING POLICIES

BUSINESS AND CONSOLIDATION

SYSCO Corporation (SYSCO) is engaged in the marketing and distribution of a wide range of food and related products to the foodservice or "food-prepared-away-from-home" industry. These services are performed from 70 distribution facilities for approximately 300,000 customers located in the 37 states where facilities are situated, in 11 adjacent states and Alaska. The company also has one facility in Vancouver, British Columbia and one in Peterborough, Ontario, which service customers in those areas.

The accompanying financial statements include the accounts of SYSCO and its subsidiaries. All significant intercompany transactions and account balances have been eliminated. Certain amounts in the prior years have been reclassified to conform to the 1998 presentation.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets, liabilities, sales and expenses. Actual results could differ from the estimates used.

Earnings of acquisitions recorded as purchases are included in SYSCO's results of operations from the date of acquisition.

INVENTORIES

Inventories consist of food and related products held for resale and are valued at the lower of cost (first-in, first-out method) or market.

PLANT AND EQUIPMENT

Capital additions, improvements and major renewals are classified as plant and equipment and are carried at cost. Depreciation is recorded using the straight-line method which reduces the book value of each asset in equal amounts over its estimated useful life. Maintenance, repairs and minor renewals are charged to earnings when they are incurred. Upon the disposition of an asset, its accumulated depreciation is deducted from the original cost, and any gain or loss is reflected in current earnings.

Applicable interest charges incurred during the construction of new facilities are capitalized as one of the elements of cost and are amortized over the assets' estimated useful lives. Interest capitalized during the past three years was $2,095,000 in 1998, $2,215,000 in 1997 and $2,783,000 in 1996.

GOODWILL AND INTANGIBLES

Goodwill and intangibles represent the excess of cost over the fair value of tangible net assets acquired and are amortized over 40 years using the straight-line method. Accumulated amortization at June 27, 1998, June 28, 1997 and June 29, 1996 was $74,554,000, $66,521,000 and $58,668,000, respectively.

COMPUTER SYSTEMS DEVELOPMENT PROJECT

In the second quarter of fiscal 1998, SYSCO recorded a one-time, after-tax, non-cash charge of $28,053,000 to comply with a new consensus ruling by the Emerging Issues Task Force of the Financial Accounting Standards Board (EITF Issue No. 97-13), requiring reengineering costs associated with computer systems development to be expensed as they are incurred. Prior to this ruling, SYSCO had capitalized business process reengineering costs incurred in connection with its SYSCO Uniform Systems information systems redevelopment project in accordance with generally accepted accounting principles.

No costs were capitalized in fiscal 1998 and fiscal 1997, while $2,994,000 was capitalized during fiscal 1996. Amounts that remain capitalized are being amortized as completed portions of the project are put into use. Accumulated amortization, including the one-time charge, at June 27, 1998, June 28, 1997 and June 29, 1996 was $36,532,000, $1,624,000 and $753,000, respectively.

INSURANCE PROGRAM

SYSCO maintains a self-insurance program covering portions of workers' compensation and general and automobile liability costs. The amounts in excess of the self-insured levels are fully insured. Self-insurance accruals are based on claims filed and an estimate for significant claims incurred but not reported.

INCOME TAXES

SYSCO follows the liability method of accounting for income taxes as required by the provisions of Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes."

CASH FLOW INFORMATION

For cash flow purposes, cash includes cash equivalents such as time deposits, certificates of deposit and all highly liquid instruments with original maturities of three months or less.

NEW ACCOUNTING STANDARDS

In the second quarter of fiscal 1998, SYSCO adopted SFAS No. 128, "Earnings Per Share." SFAS No. 128 replaced the previously reported primary and fully-diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effect of stock options. Diluted earnings per share under SFAS No. 128 is very similar to the previously reported fully-diluted earnings per share. Earnings per share amounts for each period have been presented and restated to conform to the SFAS No. 128 requirements.

In fiscal 1998, SYSCO adopted SFAS No. 130, "Reporting Comprehensive Income." The adoption of this standard did not have an effect on SYSCO's reported net earnings in fiscal 1998 as SYSCO has no additional comprehensive income under the statement.

In March 1998, the AICPA issued Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." The SOP provides guidance with respect to accounting for the various types of costs incurred for computer software developed or obtained for SYSCO's use. SYSCO is required to and will adopt SOP 98-1 in the first quarter of fiscal 2000 and believes that adoption will not have a significant effect on its consolidated results of operations or financial position.

In April 1998, the AICPA issued SOP 98-5, "Reporting on the Costs of Start-Up Activities." At adoption, SOP 98-5 requires SYSCO to write-off any unamortized start-up costs as a cumulative effect of a change in accounting principle and, going forward, expense all start-up activity costs as they are incurred. SYSCO is required to and will adopt SOP 98-5 in the first quarter of fiscal 2000 and believes that adoption will not have a significant effect on its consolidated results of operations or financial position.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which is effective for fiscal years beginning after June 15, 1999. SYSCO is required to and will adopt SFAS No. 133 in the first quarter of fiscal 2000. SYSCO does not expect adoption to have a significant effect on its consolidated results of operations or financial position.

Additional Financial Information

INCOME TAXES

The income tax provisions consist of the following:

	1998	1997	1996
Federal income taxes	$189,758,000	$176,754,000	$161,142,000
State and local income taxes	17,914,000	16,668,000	15,896,000
Total	$207,672,000	$193,422,000	$177,038,000

Included in the income taxes charged to earnings are net deferred tax benefits of $15,077,000 in 1998, and deferred tax provisions of $11,081,000 in 1997 and $16,079,000 in 1996. These components result from the effects of net changes during the year in deferred tax assets and liabilities arising from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the company's deferred tax assets and liabilities are as follows:

	June 27, 1998	June 28, 1997
Deferred tax liabilities:		
Excess tax depreciation and basis differences of assets	$ 196,429,000	$ 192,068,000
Computer systems development project	11,109,000	22,855,000
Other	24,655,000	18,994,000
Total deferred tax liabilities	232,193,000	233,917,000
Deferred tax assets:		
Accrued pension expenses	19,759,000	10,221,000
Accrued medical and casualty insurance expenses	6,709,000	5,254,000
Other	10,605,000	8,245,000
Total deferred tax assets	37,073,000	23,720,000
Net deferred tax liabilities	$ 195,120,000	$ 210,197,000

The company has enjoyed taxable earnings during each year of its twenty-nine year existence and knows of no reason such profitability should not continue. Consequently, the company believes that it is more likely than not that the entire benefit of existing temporary differences will be realized and therefore no valuation allowance has been established for deferred tax assets.

Reconciliations of the statutory Federal income tax rate to the effective income tax rates are as follows:

	1998	1997	1996
Statutory Federal income tax rate	35%	35%	35%
State and local income taxes, net of Federal income tax benefit	4	4	4
	39%	39%	39%

ALLOWANCE FOR DOUBTFUL ACCOUNTS RECEIVABLE

The allowance for doubtful accounts receivable was $20,081,000 as of June 27, 1998, $17,240,000 as of June 28, 1997 and $16,380,000 as of June 29, 1996. Customer accounts written off, net of recoveries, were $21,218,000 or 0.14% of sales, $21,183,000 or 0.15% of sales and $16,048,000 or 0.12% of sales for fiscal years 1998, 1997 and 1996, respectively.

SHAREHOLDERS' EQUITY

On February 11, 1998 the Board of Directors declared a 2-for-1 stock split effected by a 100% stock dividend paid on March 20, 1998 to shareholders of record on February 27, 1998. All share and per share data in these financial statements have been restated to reflect the stock split.

In fiscal 1998, SYSCO adopted the provisions of SFAS No. 128, "Earnings Per Share," which replaced the previously reported primary and fully-diluted earnings per share with basic and diluted earnings per share. Basic earnings per share have been computed by dividing net earnings by 340,380,477 in 1998, 354,470,170 in 1997 and 365,197,794 in 1996, which represents the weighted average number of shares of common stock outstanding during those respective years. Diluted earnings per share have been computed by dividing net earnings by 343,440,181 in 1998, 356,083,594 in 1997 and 369,715,296 in 1996, which represents the weighted average number of shares of common stock outstanding during those respective years adjusted for the dilutive effect of stock options outstanding under the treasury stock method.

In May 1986, the Board of Directors adopted a Warrant Dividend Plan designed to protect against those unsolicited attempts to acquire control of SYSCO that the Board believes are not in the best interest of the shareholders. In May 1996, the Board of Directors adopted an amended and restated plan which, among other things, extends the expiration of the plan through May 2006. As amended, the plan provides for a dividend distribution of one-half of one Preferred Stock Purchase Right (Right) for each outstanding share of SYSCO common stock. Each Right may be exercised to purchase one two-thousandth of a share of Series A Junior Participating Preferred Stock at an exercise price of $175, subject to adjustment. The Rights will not be exercisable until a party either acquires 10% of the company's common stock or makes a tender offer for 10% or more of its common stock. In the event of a merger or other business combination transaction, each Right effectively entitles the holder to purchase $350 worth of stock of the surviving company for a purchase price of $175.

The Rights expire on May 21, 2006, and may be redeemed before expiration by the company at a price of $0.01 per Right until a party acquires 10% of the company's common stock or thereafter under certain circumstances. As a result of the Rights distribution, 450,000 of the 1,500,000 authorized preferred shares have been reserved for issuance as Series A Junior Participating Preferred Stock.

PLANT AND EQUIPMENT

A summary of plant and equipment, including the related accumulated depreciation, appears below:

	June 27, 1998	June 28, 1997	Estimated Useful Lives
Plant and equipment, at cost			
Land	$ 100,855,000	$ 97,384,000	
Buildings and improvements	895,915,000	828,591,000	10-40 years
Equipment	1,146,192,000	1,006,211,000	3-20 years
	2,142,962,000	1,932,186,000	
Accumulated depreciation	(991,908,000)	(873,754,000)	
Net plant and equipment	$ 1,151,054,000	$ 1,058,432,000	

DEBT

At June 27, 1998 and June 28, 1997 SYSCO had $42,333,000 and $14,267,000, respectively, of short-term bank borrowings. The level of such borrowings fluctuates during the year based on working capital requirements.

SYSCO's long-term debt is comprised of the following:

	June 27, 1998	June 28, 1997
Commercial paper, interest averaging 5.7% in 1998 and 5.6% in 1997	$ 294,798,000	$ 18,997,000
Senior notes, interest at 9.95%, maturing in 1999	91,500,000	91,500,000
Senior notes, interest at 6.5%, maturing in 2005	149,373,000	149,283,000
Senior notes, interest at 7.0%, maturing in 2006	200,000,000	200,000,000
Senior notes, interest at 7.25%, maturing in 2007	99,657,000	99,618,000
Debentures, interest at 7.16%, maturing in 2027	50,000,000	50,000,000
Industrial Revenue Bonds, mortgages and other debt, interest averaging 6.0% in 1998 and 6.1% in 1997, maturing at various dates to 2026	96,609,000	89,507,000
Total long-term debt	981,937,000	698,905,000
Less current maturities	(114,920,000)	(13,285,000)
Net long-term debt	$ 867,017,000	$ 685,620,000

The principal payments required to be made on long-term debt during the next five years are shown below:

Year	Amount
1999	$114,920,000
2000	17,706,000
2001	11,112,000
2002	10,735,000
2003	19,730,000

SYSCO has a $300,000,000 revolving loan agreement maturing in fiscal 2004 which currently supports the company's commercial paper program. The commercial paper borrowings at June 27, 1998 were $294,798,000.

In June 1995, SYSCO issued 6.5% senior notes totaling $150,000,000 due June 12, 2005, under a $500,000,000 shelf registration filed with the Securities and Exchange Commission in June 1995. These notes, which were priced at 99.4% of par, are unsecured, not redeemable prior to maturity and are not subject to any sinking fund requirement. In May 1996, SYSCO issued 7.0% senior notes totaling $200,000,000 due May 1, 2006, under this shelf registration. These notes, which were priced at par, are unsecured, not redeemable prior to maturity and are not subject to any sinking fund requirement. On April 22, 1997, in two separate offerings, SYSCO drew down the remaining $150,000,000 of the $500,000,000 shelf registration. SYSCO issued 7.16% debentures totaling $50,000,000 due April 15, 2027. These debentures were priced at par, are unsecured, are not subject to any sinking fund requirement and are redeemable at the option of the holder on April 15, 2007, but otherwise are not redeemable prior to maturity. At that time SYSCO also issued 7.25% senior notes totaling $100,000,000 due April 15, 2007. These notes were priced at 99.611% of par and are unsecured, not redeemable prior to maturity and are not subject to any sinking fund requirement.

On June 3, 1998 SYSCO filed with the Securities and Exchange Commission a new $500,000,000 shelf registration of debt securities. On July 22, 1998 SYSCO issued 6.5% debentures totaling $225,000,000 under the shelf registration, due on August 1, 2028. These debentures were priced at 99.685% of par, are unsecured, are not subject to any sinking fund requirement and include a redemption provision which allows SYSCO the right to retire the debentures at any time prior to maturity at the greater of par plus accrued interest or an amount designed to insure that the debenture holders are not penalized by the early redemption. Proceeds from the debentures were used to pay down outstanding commercial paper.

The Industrial Revenue Bonds have varying structures. As of June 27, 1998 final maturities range from one to twenty-eight years and certain of the bonds provide SYSCO the right to redeem (a call) at various dates. These call provisions generally provide the bondholder a premium in the early call years, declining to par value as the bonds approach maturity. Certain bonds have provisions whereby the holder may require SYSCO to purchase or redeem the bonds (a put) under certain circumstances. If certain of these bonds are purchased from bondholders, they can be remarketed at the then prevailing interest rates.

Net long-term debt at June 27, 1998 was $867,017,000, of which 68% is at fixed rates averaging 7.25% with an average life of eight years, while the remainder is financed at floating rates averaging 5.6%. Certain loan agreements contain typical covenants to protect noteholders such as provisions to maintain tangible net worth and funded indebtedness at specified levels.

The fair value of SYSCO's total long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the company for debt of the same remaining maturities. The fair value of total long-term debt approximates $1,012,914,000 at June 27, 1998.

As part of normal business activities, SYSCO issues letters of credit through major banking institutions as required by certain supplier and insurance agreements. As of June 27, 1998 and June 28, 1997, letters of credit outstanding were $14,464,000 and $14,407,000, respectively. As of June 27, 1998 SYSCO has not entered into any significant derivative or other off-balance-sheet financing arrangements.

LEASES

Although SYSCO normally purchases assets, it has obligations under capital and operating leases for certain distribution facilities, vehicles and computers. Total rental expense under operating leases was $31,324,000, $33,343,000 and $31,728,000 in fiscal 1998, 1997 and 1996, respectively. Contingent rentals, subleases and assets and obligations under capital leases are not significant.

Aggregate minimum lease payments under existing non-capitalized long-term leases are as follows:

Year	Amount
1999	$15,376,000
2000	11,971,000
2001	10,010,000
2002	7,656,000
2003	5,976,000
Later years	11,499,000

STOCK COMPENSATION PLANS

Employee Incentive Stock Option Plan

The Employee Incentive Stock Option Plan adopted in fiscal 1982 provided for the issuance of options to purchase SYSCO common stock to officers and key personnel of the company and its subsidiaries at the market price at date of grant, as adjusted for stock splits. No further grants will be made under this plan which expired in November 1991 and was replaced by the 1991 Stock Option Plan.

The following summary presents information with regard to incentive options under this plan:

	Options Exercisable		Options Outstanding	
	Maximum Shares Exercisable	Weighted Average Price Per Share	Shares Under Option	Weighted Average Price Per Share
Balance at July 1, 1995	2,186,434	$9.40	2,186,434	$9.40
Granted			--	--
Cancelled			(280,786)	8.23
Exercised			(543,140)	8.92
Balance at June 29, 1996	1,362,508	9.84	1,362,508	9.84
Granted			--	--
Cancelled			(149,542)	11.08
Exercised			(390,448)	9.67
Balance at June 28, 1997	822,518	9.70	822,518	9.70
Granted			--	--
Cancelled			--	--
Exercised			(303,251)	9.65
Balance at June 27, 1998	519,267	$9.72	519,267	$9.72

The options outstanding at June 27, 1998 under this plan have exercise prices ranging from $7.66 to $11.13 and have a weighted average remaining contractual life of 2.6 years.

1991 Stock Option Plan

The 1991 Stock Option Plan was adopted in fiscal 1992 and originally reserved 6,000,000 shares of SYSCO common stock for options to directors, officers and key personnel of the company and its subsidiaries at the market price at date of grant. This plan provides for the issuance of options which are qualified as incentive stock options under the Internal Revenue Code of 1986, options which are not so qualified and stock appreciation rights. During fiscal 1996, the shareholders approved an amendment to the plan for an additional 16,000,000 shares to be made available for future grants of options. To date, the company has issued stock options but no stock appreciation rights under this plan.

The following summary presents information with regard to options issued under the 1991 plan:

	Options Exercisable		Options Outstanding	
	Maximum Shares Exercisable	Weighted Average Price Per Share	Shares Under Option	Weighted Average Price Per Share
Balance at July 1, 1995	1,009,830	$13.33	4,060,892	$13.21
Granted			2,208,900	14.38
Cancelled			(154,494)	13.59
Exercised			(125,668)	12.94
Balance at June 29, 1996	2,190,690	13.28	5,989,630	13.64
Granted			2,447,800	15.88
Cancelled			(236,034)	14.17
Exercised			(436,136)	13.33
Balance at June 28, 1997	3,446,628	13.53	7,765,260	14.35
Granted			1,901,416	17.50
Cancelled			(315,422)	14.97
Exercised			(841,462)	13.50
Balance at June 27, 1998	4,886,528	$13.98	8,509,792	$15.11

The options outstanding at June 27, 1998 under this plan have exercise prices ranging from $12.56 to $17.50 and have a weighted average remaining contractual life of 7.2 years.

Non-Employee Directors Stock Option Plan

The Non-Employee Directors Stock Option Plan adopted in fiscal 1996 permits the issuance of up to 400,000 shares of common stock to directors who are not employees of SYSCO. Under this plan options to purchase 4,000 shares of common stock at the fair market value on the date of the grant are granted to each non-employee director annually, provided certain earnings goals are met. As of June 27, 1998, options for 136,000 shares had been granted to nine non-employee directors under this plan, none of which were exercisable.

Employees' Stock Purchase Plan

SYSCO has an Employees' Stock Purchase Plan which permits employees (other than directors) who have been employed for at least one year to invest by means of periodic payroll deductions in SYSCO common stock at 85% of the closing price on the last business day of each calendar quarter. During 1998, 825,129 shares of SYSCO common stock were purchased by the participants as compared to 1,022,134 purchased in 1997 and 1,045,930 purchased in 1996. The total number of shares which may be sold pursuant to the plan may not exceed 34,000,000 shares, of which 9,319,913 remained available at June 27, 1998.

Accounting Issues Relating to all Plans

SYSCO accounts for these plans under APB Opinion No. 25 and related interpretations under which no compensation cost has been recognized. Had compensation cost for these plans been determined using the fair value method of SFAS No. 123, SYSCO's pro forma net earnings and diluted net earnings per share would have been $292,824,000 and $0.86 in fiscal 1998, $298,895,000 and $0.85 in fiscal 1997 and $274,291,000 and $0.75 in fiscal 1996. The disclosure requirements of SFAS No. 123 are applicable to options granted after 1995. The pro forma effects for fiscal 1998, 1997 and 1996 are not necessarily indicative of the pro forma effects in future years.

The weighted average fair value of options granted was $6.28 and $5.60 during fiscal 1998 and 1997, respectively. The fair value was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in fiscal 1998 and 1997, respectively: dividend yield of 1.71% and 0.88%; expected volatility of 24% for both years; risk-free interest rates of 6.4% and 7.0%; and expected lives of 8 years.

The weighted average fair value of employee stock purchase rights issued was $3.14 and $2.53 during fiscal 1998 and 1997, respectively. The fair value of the stock purchase rights was calculated as the difference between the stock price at date of issuance and the employee purchase price.

EMPLOYEE BENEFIT PLANS

SYSCO has defined benefit and defined contribution retirement plans for its employees. Also, the company contributes to various multi-employer plans under collective bargaining agreements.

The defined contribution 401(k) plan provides that under certain circumstances the company may make matching contributions of up to 50% of the first 6% of a participant's compensation. SYSCO's contribution to this plan was $5,660,000 in 1998, $4,975,000 in 1997 and $4,629,000 in 1996. The defined benefit pension plans pay benefits to employees at retirement using formulas based on a participant's years of service and compensation.

The funded status of the defined benefit plans is as follows:

	June 27, 1998	June 28, 1997
Assets available for benefits	$ 287,482,000	$ 247,783,000
Projected benefit obligation		
Vested	(244,050,000)	(182,005,000)
Nonvested	(17,938,000)	(12,696,000)
Total accumulated benefit obligation	(261,988,000)	(194,701,000)
Effect of projected future compensation increases	(45,164,000)	(30,203,000)
Total actuarial projected benefit obligation	(307,152,000)	(224,904,000)
Assets (less than) in excess of projected obligation	$ (19,670,000)	$ 22,879,000
Consisting of:		
Amounts to be offset against (charged to) future pension costs		
Remaining assets in excess of obligation existing at adoption of SFAS 87 in 1986	$ 5,598,000	$ 6,777,000
Unrecognized actuarial (loss) gain due to differences in assumptions and actual experience	(15,977,000)	8,974,000
Unrecognized prior service cost	6,262,000	7,199,000
Accrued pension costs	(15,553,000)	(71,000)
	$ (19,670,000)	$ 22,879,000

The projected unit credit method was used to determine the actuarial present value of the accumulated benefit obligation and the projected benefit obligation. The discount rate used was 7.25% in 1998, 8.0% in 1997 and 7.75% in 1996 and the rate of increase in future compensation levels used was 5.5% in each year. The expected long-term rate of return on assets used was 10.5% in 1998 and 9.0% in 1997 and 1996. The plans invest primarily in marketable securities and time deposits.

Net pension costs were as follows:

	1998	1997	1996
Defined benefit plans			
Benefits earned during the year	$ 23,144,000	$ 20,599,000	$ 19,885,000
Interest accrued on benefits earned in prior years	19,372,000	16,412,000	13,812,000
Actual return on plan assets	(48,932,000)	(34,477,000)	(31,865,000)
Net amortization and deferral	21,317,000	14,744,000	16,999,000
Net pension costs from defined benefit plans	14,901,000	17,278,000	18,831,000
Defined contribution plans	5,660,000	4,975,000	4,629,000
Multi-employer pension plans	19,633,000	18,427,000	16,560,000
Net pension costs	$ 40,194,000	$ 40,680,000	$ 40,020,000

SYSCO also has a Management Incentive Plan that compensates key management personnel for specific performance achievements. The awards under this plan were $20,478,000 in 1998, $17,633,000 in 1997 and $15,208,000 in 1996 and were paid in both cash and stock. In addition to receiving benefits upon retirement under the company's defined benefit plan, participants in the Management Incentive Plan will receive benefits under a Supplemental Executive Retirement Plan. This plan is a nonqualified, unfunded supplementary retirement plan. In order to meet its obligations under this plan, SYSCO maintains life insurance policies on the lives of the participants with carrying values of $50,020,000 at June 27, 1998 and $46,692,000 at June 28, 1997. SYSCO is the sole owner and beneficiary of such policies. The periodic pension costs of this plan were $5,080,000 in 1998 and $4,681,000 in 1997. The actuarially determined accumulated benefit obligation for this plan included in accrued expenses was $34,910,000 at June 27, 1998 and $28,923,000 at June 28, 1997. After taking into consideration the effect of future compensation increases, the projected benefit obligation of this plan was $47,495,000 at June 27, 1998 and $38,057,000 at June 28, 1997.

In addition to providing pension benefits, SYSCO provides certain health care benefits to eligible retirees and their dependents in the United States.

Net periodic postretirement benefit costs were as follows:

	1998	1997	1996
Service cost - benefits earned during the period	$ 154,000	$ 140,000	$312,000
Interest cost	185,000	177,000	366,000
Amortization of transition obligation	153,000	153,000	153,000
Amortization of unrecognized (gain)	(189,000)	(193,000)	--
Amortization of prior service cost	72,000	83,000	83,000
Net periodic postretirement benefit cost	$ 375,000	$ 360,000	$914,000

The components of the postretirement benefit obligation, included in accrued expenses at June 27, 1998 and June 28, 1997 were:

	June 27, 1998	June 28, 1997
Retirees	$ 242,000	$ 199,000
Fully eligible active participants	569,000	773,000
Other active employees	970,000	1,227,000
Accumulated postretirement benefit obligation	1,781,000	2,199,000
Unrecognized net gain and effects of changes in assumptions	3,623,000	3,250,000
Unrecognized prior service cost	(661,000)	(732,000)
Unrecognized transition obligation	(2,301,000)	(2,454,000)
Accrued postretirement benefit liability	$ 2,442,000	$ 2,263,000

The discount rate used to determine the accumulated postretirement benefit obligation was 7.25% in 1998, 8.0% in 1997 and 7.75% in 1996. A health care cost trend rate is not used in the calculations because SYSCO subsidizes the cost of postretirement medical coverage by a fixed dollar amount with the retiree responsible for the cost of coverage in excess of the subsidy, including all future cost increases.

CONTINGENCIES

SYSCO is engaged in various legal proceedings which have arisen but have not been fully adjudicated. These proceedings, in the opinion of management, will not have a material adverse effect upon the consolidated financial position or results of operations of the company when ultimately concluded.

QUARTERLY RESULTS (unaudited)

Financial information for each quarter in the years ended June 27, 1998 and June 28, 1997:

1998	Quarter Ended				
(In thousands except for share data)	September 27	December 27	March 28	June 27	Fiscal Year
Sales	$ 3,828,244	$ 3,786,096	$3,711,822	$ 4,001,374	$ 15,327,536
Cost of sales	3,130,883	3,082,913	3,035,112	3,250,728	12,499,636
Operating expenses	553,032	551,889	557,136	574,875	2,236,932
Interest expense	13,140	14,500	15,170	15,612	58,422
Other, net	(122)	(303)	179	299	53
Earnings before income taxes	131,311	137,097	104,225	159,860	532,493
Income taxes	51,211	53,468	40,648	62,345	207,672
Earnings before accounting change	80,100	83,629	63,577	97,515	324,821
Accounting change	--	(28,053)	--	--	(28,053)
Net earnings	$ 80,100	$ 55,576	$ 63,577	$ 97,515	$ 296,768
Per share:					
Diluted earnings before accounting change	$ 0.23	$ 0.24	$ 0.19	$ 0.29	$ 0.95
Diluted earnings accounting change effect	--	(0.08)	--	--	(0.08)
Diluted net earnings	0.23	0.16	0.19	0.29	0.86
Cash dividends	0.08	0.08	0.08	0.09	0.33
Market price - high/low	20-17	23-18	27-22	27-22	27-17

1997	Quarter Ended				
(In thousands except for share data)	September 28	December 28	March 29	June 28	Fiscal Year
Sales	$ 3,679,223	$ 3,610,348	$3,470,334	$ 3,694,684	$ 14,454,589
Cost of sales	3,028,478	2,954,481	2,844,881	3,008,119	11,835,959
Operating expenses	519,729	518,694	512,563	525,349	2,076,335
Interest expense	10,917	11,888	11,580	12,117	46,502
Other, net	(241)	(18)	307	(210)	(162)
Earnings before income taxes	120,340	125,303	101,003	149,309	495,955
Income taxes	46,933	48,868	39,391	58,230	193,422
Net earnings	$ 73,407	$ 76,435	$ 61,612	$ 91,079	$ 302,533
Per share:					
Diluted net earnings	$ 0.20	$ 0.21	$ 0.17	$ 0.26	$ 0.85
Cash dividends	0.06	0.07	0.07	0.08	0.28
Market price - high/low	17-14	18-16	18-15	19-17	19-14
Percentage increases--1998 vs. 1997:					
Sales	4%	5%	7%	8%	6%
Earnings before income taxes	9	9	3	7	7
Earnings before accounting change	9	9	3	7	7
Net earnings	9	(27)	3	7	(2)
Diluted earnings per share before accounting change	15	14	12	12	12
Diluted net earnings per share	15	(24)	12	12	1

PART III

Except as otherwise indicated, the information required by Items 10, 11, 12 and 13 is included in the Company's definitive proxy statement which will be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934 no later than 120 days after the close of the 1998 fiscal year, and said proxy statement is hereby incorporated by reference thereto.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning Executive Officers is included in Part I (Item 4A) of this Form 10-K (page 9).

ITEM 11. EXECUTIVE COMPENSATION

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

PART IV

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

(a) The following documents are filed, or incorporated by reference, as part of this Form 10-K:

1. All financial statements. See index to Consolidated Financial Statements on page 17 of this Form 10-K.

2. Financial Statement Schedule. See page 17 of this Form 10-K.

3. Exhibits.

3(a) Restated Certificate of Incorporation incorporated by reference to Form 10-K for the year ended June 28, 1997.

3(b) Bylaws, as amended, incorporated by reference to Form 10-K for the year ended July 2, 1994.

3(c) Amended Certificate of Designation, incorporated by reference to Form 10-K for the year ended June 29, 1996.

4(a) Seventh Amendment and Restatement of Competitive Advance and Revolving Credit Facility Agreement dated as of June 27, 1997 incorporated by reference to Form 10-K for the year ended June 28, 1997.

4(b) Sysco Corporation Note Agreement dated as of June 1, 1989 incorporated by reference to Form 10-K for the year ended June 28, 1997.

4(c) Indenture, dated as of June 15, 1995, between Sysco Corporation and First Union National Bank of North Carolina, Trustee, incorporated by reference to Registration Statement on Form S-3 (File No. 33-60023).

4(d) First Supplemental Indenture, dated as of June 27, 1995, between Sysco Corporation and First Union Bank of North Carolina, Trustee as amended, incorporated by reference to Form 10-K for the year ended June 29, 1996.

4(e) Second Supplemental Indenture, dated as of May 1, 1996, between Sysco Corporation and First Union Bank of North Carolina, Trustee as amended, incorporated by reference to Form 10-K for the year ended June 29, 1996.

4(f) Third Supplemented Indenture, dated as of April 25, 1997, between Sysco Corporation and First Union National Bank of North Carolina, Trustee incorporated by reference to Form 10-K for the year ended June 28, 1997.

4(g) Fourth Supplemental Indenture, dated as of April 25, 1997, between Sysco Corporation and First Union National Bank of North Carolina, Trustee incorporated by reference to Form 10-K for the year ended June 28, 1997.

4(h) FIFTH SUPPLEMENTAL INDENTURE, DATED AS OF JULY 27, 1998 BETWEEN SYSCO CORPORATION AND FIRST UNION NATIONAL BANK, TRUSTEE.

10(a) Amended and Restated Sysco Corporation Executive Deferred Compensation Plan incorporated by reference to Form 10-K for the year ended July 1, 1995. *

10(b) Fifth Amended and Restated Sysco Corporation Supplemental Executive Retirement Plan incorporated by reference to Form 10-K for the year ended June 28, 1997. *

10(c) Sysco Corporation Employee Incentive Stock Option Plan incorporated by reference to the Form S-8 filed under the Securities Act of 1933, as amended, dated April 1, 1987, as amended. *

10(d) Sysco Corporation 1995 Management Incentive Plan incorporated by reference to Form 10-K for the year ended July 1, 1995. *

10(e) Sysco Corporation 1991 Stock Option Plan incorporated by reference to Form 10-K for the year ended June 27, 1992. *

10(f) Amendments to Sysco Corporation 1991 Stock Option Plan incorporated by reference to Form 10-K for the year ended June 28, 1997. *

10(g) Sysco Corporation Amended and Restated Non-Employee Directors Stock Option Plan incorporated by reference to Form 10-K for the year ended June 28, 1997. *

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* Management contract or compensatory plan or arrangement.

10(h)	Amended and Restated Shareholder Rights Agreement, incorporated by reference to registration statement on Form 8-A/A, filed May 29, 1996.
21	SUBSIDIARIES OF THE REGISTRANT
23	INDEPENDENT PUBLIC ACCOUNTANTS' CONSENT
27	FINANCIAL DATA SCHEDULE

(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Sysco Corporation has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on this 4th day of September, 1998.

SYSCO CORPORATION

By /s/ BILL M. LINDIG

Bill M. Lindig
President and Chief Executive Officer

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

PRINCIPAL EXECUTIVE, FINANCIAL & ACCOUNTING OFFICERS:

/s/ JOHN F. WOODHOUSE ------------------------------------- John F. Woodhouse	Chairman of the Board
/s/ JOHN K. STUBBLEFIELD, JR. ------------------------------------- John K. Stubblefield, Jr.	Senior Vice President and Chief Financial Officer

DIRECTORS:

/s/ JOHN W. ANDERSON	/s/ RICHARD G. MERRILL
John W. Anderson	Richard G. Merrill
Gordon M. Bethune	Frank H. Richardson
/s/ COLIN G. CAMPBELL	/s/ RICHARD J. SCHNIEDERS
Colin G. Campbell	Richard J. Schnieders
/s/ CHARLES H. COTROS	/s/ PHYLLIS S. SEWELL
Charles H. Cotros	Phyllis S. Sewell
/s/ JUDITH B. CRAVEN	/s/ ARTHUR J. SWENKA
Judith B. Craven	Arthur J. Swenka
/s/ FRANK A. GODCHAUX III	/s/ THOMAS B. WALKER, JR.
Frank A. Godchaux III	Thomas B. Walker, Jr.
/s/ JONATHAN GOLDEN	/s/ JOHN F. WOODHOUSE
Jonathan Golden	John F. Woodhouse
/s/ BILL M. LINDIG	
Bill M. Lindig	

SYSCO CORPORATION AND SUBSIDIARIES

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

	Description	Balance at Beginning Of Period	Charged to Costs and Expenses	Charged to Other Accounts Describe (1)	Deductions Describe (2)	Balance at End of Period
For year ended June 29, 1996.........	Allowance for doubtful accounts	$16,001,000	$16,427,000	$ --	$16,048,000	$16,380,000
For year ended June 28, 1997.........	Allowance for doubtful accounts	$16,380,000	$21,588,000	$ 455,000	$21,183,000	$17,240,000
For year ended June 27, 1998.........	Allowance for doubtful accounts	$17,240,000	$22,959,000	$1,100,000	$21,218,000	$20,081,000

(1) Allowance accounts resulting from acquisitions.
(2) Customer accounts written off, net of recoveries.

INDEX TO EXHIBITS

Exhibit Number	Description of Exhibit
3(a)	Restated Certificate of Incorporation incorporated by reference to Form 10-K for the year ended June 28, 1997.
3(b)	Bylaws, as amended, incorporated by reference to Form 10-K for the year ended July 2, 1994.
3(c)	Amended Certificate of Designation, incorporated by reference to Form 10-K for the year ended June 29, 1996.
4(a)	Seventh Amendment and Restatement of Competitive Advance and Revolving Credit Facility Agreement dated as of June 27, 1997 incorporated by reference to Form 10-K for the year ended June 28, 1997.
4(b)	Sysco Corporation Note Agreement dated as of June 1, 1989 incorporated by reference to Form 10-K for the year ended June 28, 1997.
4(c)	Indenture, dated as of June 15, 1995, between Sysco Corporation and First Union National Bank of North Carolina, Trustee, incorporated by reference to Registration Statement on Form S-3 (File No. 33-60023).
4(d)	First Supplemental Indenture, dated as of June 27, 1995, between Sysco Corporation and First Union Bank of North Carolina, Trustee as amended, incorporated by reference to Form 10-K for the year ended June 29, 1996.
4(e)	Second Supplemental Indenture, dated as of May 1, 1996, between Sysco Corporation and First Union Bank of North Carolina, Trustee as amended, incorporated by reference to Form 10-K for the year ended June 29, 1996.
4(f)	Third Supplemented Indenture, dated as of April 25, 1997, between Sysco Corporation and First Union National Bank of North Carolina, Trustee incorporated by reference to Form 10-K for the year ended June 28, 1997.

4(g)	Fourth Supplemental Indenture, dated as of April 25, 1997, between Sysco Corporation and First Union National Bank of North Carolina, Trustee incorporated by reference to Form 10-K for the year ended June 28, 1997.
4(h)	FIFTH SUPPLEMENTAL INDENTURE, DATED AS OF JULY 27, 1998 BETWEEN SYSCO CORPORATION AND FIRST UNION NATIONAL BANK, TRUSTEE.
10(a)	Amended and Restated Sysco Corporation Executive Deferred Compensation Plan incorporated by reference to Form 10-K for the year ended July 1, 1995. *
10(b)	Fifth Amended and Restated Sysco Corporation Supplemental Executive Retirement Plan incorporated by reference to Form 10-K for the year ended June 28, 1997.
10(c)	Sysco Corporation Employee Incentive Stock Option Plan incorporated by reference to the Form S-8 filed under the Securities Act of 1933, as amended, dated April 1, 1987, as amended.
10(d)	Sysco Corporation 1995 Management Incentive Plan incorporated by reference to Form 10-K for the year ended July 1, 1995.
10(e)	Sysco Corporation 1991 Stock Option Plan incorporated by reference to Form 10-K for the year ended June 27, 1992.
10(f)	Amendments to Sysco Corporation 1991 Stock Option Plan incorporated by reference to Form 10-K for the year ended June 28, 1997.
10(g)	Sysco Corporation Amended and Restated Non-Employee Directors Stock Option Plan incorporated by reference to Form 10-K for the year ended June 28, 1997.
10(h)	Amended and Restated Shareholder Rights Agreement, incorporated by reference to registration statement on Form 8-A/A, filed May 29, 1996.
21	SUBSIDIARIES OF THE REGISTRANT

23	INDEPENDENT PUBLIC ACCOUNTANTS' CONSENT
27	FINANCIAL DATA SCHEDULE

SYSCO CORPORATION

AND

FIRST UNION NATIONAL BANK
(Formerly First Union National Bank of North Carolina)

Trustee

FIFTH SUPPLEMENTAL INDENTURE

Dated as of July 27, 1998

Supplementing the Indenture dated as of June 15, 1995

FIFTH SUPPLEMENTAL INDENTURE, dated as of the 27th day of July, 1998, between SYSCO CORPORATION, a corporation organized and existing under the laws of the State of Delaware (the "Company"), and FIRST UNION NATIONAL BANK (formerly First Union National Bank of North Carolina), a national banking association, as trustee (the "Trustee");

WHEREAS, the Company has heretofore executed and delivered to the Trustee an Indenture dated as of June 15, 1995 (the "Original Indenture") providing for the issuance by the Company from time to time of its unsecured debentures, notes or other evidences of indebtedness to be issued in one or more series (in the Original Indenture and herein called the "Securities"); and

WHEREAS, the Company has heretofore executed and delivered to the Trustee (i) a First Supplemental Indenture dated as of June 27, 1995 providing for the issuance by the Company of $150,000,000 aggregate principal amount of 6 1/2% Senior Notes due June 15, 2005 and (ii) a Second Supplemental Indenture dated as of May 1, 1996 providing for the issuance by the Company of $200,000,000 aggregate principal amount of 7% Senior Notes due May 1, 2006,
(iii) a Third Supplemental Indenture dated as of April 25, 1997 providing for the issuance by the Company of $50,000,000 aggregate principal amount of 7.16% Debentures due April 15, 2027, and (iv) a Fourth Supplemental Indenture dated as of April 25, 1997 providing for the issuance by the Company of $100,000,000 aggregate principal amount of 7.25% Senior Notes due April 15, 2007; and

WHEREAS, the Company, in the exercise of the power and authority conferred upon and reserved to it under the provisions of the Original Indenture, including Section 2.3 thereof, and pursuant to appropriate resolutions of the Board of Directors, has duly determined to make, execute and deliver to the Trustee this Fifth Supplemental Indenture to the Original Indenture as permitted by Sections 2.1, 2.3 and 8.1 of the Original Indenture in order to establish the form or terms of, and to provide for the creation and issue of, a series of Securities under the Original Indenture in the aggregate principal amount of $225,000,000; and

WHEREAS, all things necessary to make the Securities provided for herein, when executed by the Company and authenticated and delivered by the Trustee or any Authenticating Agent and issued upon the terms and subject to the conditions hereinafter and in the Original Indenture set forth against payment therefor, the valid, binding and legal obligations of the Company and to make this Fifth Supplemental Indenture a valid, binding and legal agreement of the Company, have been done;

NOW, THEREFORE, THIS FIFTH SUPPLEMENTAL INDENTURE WITNESSETH that, in order to establish the terms of a series of Securities, and for and in consideration of the premises and of the covenants contained in the Original Indenture and in this Fifth Supplemental Indenture and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, it is mutually covenanted and agreed as follows:

ARTICLE I

DEFINITIONS AND OTHER PROVISIONS
OF GENERAL APPLICATION

1.1 Definitions. Each capitalized term that is used herein and is defined in the Original Indenture shall have the meaning specified in the Original Indenture unless that term is otherwise defined herein.

1.2 Section References. Each reference to a particular section set forth in this Fifth Supplemental Indenture shall, unless the context otherwise requires, refer to this Fifth Supplemental Indenture.

ARTICLE II

TITLE AND TERMS OF SECURITIES

2.1 Title of the Securities. This Fifth Supplemental Indenture hereby establishes a series of Securities designated as the "6.5% Debentures due August 1, 2028" of the Company (collectively referred to herein as the "Debentures"). For purposes of the Original Indenture, the Debentures shall constitute a single series of Securities.

2.2 Term of the Debentures. The Debentures shall mature on August 1, 2028 (the "Stated Maturity"). In the event that the Stated Maturity of any Debenture is not a Business Day, principal and interest payable at maturity shall be paid on the next succeeding Business Day with the same effect as if that Business Day were the Stated Maturity and no interest shall accrue or be payable for the period from and after the Stated Maturity to the next succeeding Business Day.

2.3 Amount and Denominations; Currency of Payment. The aggregate principal amount in which the Debentures may be issued under this Fifth Supplemental Indenture is limited to $225,000,000.

The Debentures shall be issued in the form of one or more Registered Global Securities in the name of Cede & Co., as registered owner and nominee for The Depositary Trust Company, New York, New York ("DTC"). DTC shall initially act as Depository for the Debentures.

The Debentures shall be denominated in United States dollars in denominations of $1,000 and integral multiples of $1,000 in excess thereof.

2.4 Interest and Interest Rates. Each Debenture shall bear interest at the rate of 6.5% per annum from the date of issue or from the most recent Interest Payment Date (as defined below) to which interest on such Debenture has been paid or duly provided for, commencing with the Interest Payment Date next succeeding the date of issue, until the principal thereof is paid or made available for payment. Interest shall be payable to the Person in whose name a Debenture is registered at the close of business on the Regular Record Date (as defined below) next preceding an Interest Payment Date. Notwithstanding the foregoing, if a Debenture is originally issued after the Regular Record Date and before the corresponding Interest Payment Date, the first payment of interest on the Debenture shall be made on the next succeeding Interest Payment Date to the Person in whose name that Debenture was registered on the Regular Record Date with respect to such next succeeding Interest Payment Date. Interest on each Debenture shall be computed on the basis of a 360-day year comprising twelve 30-day months.

2.5 Interest Payments

The interest payment dates for each Debenture shall be February 1 and August 1 in each year (the "Interest Payment Dates"), beginning February 1, 1999 and the regular record dates shall be the January 15 and July 15 (the "Regular Record Dates") preceding those Interest Payment Dates, respectively. Interest shall also be payable at maturity of any Debenture.

If an Interest Payment Date with respect to the Debentures would otherwise fall on a day that is not a Business Day, such Interest Payment Date shall be postponed to the next succeeding Business Day with respect to the Debentures and no interest shall accrue or be payable on such next succeeding Business Day for the period from and after such original Interest Payment Date to such next succeeding Business Day.

Except as provided in the preceding paragraph, interest payments shall be in the amount of interest accrued to, but excluding, the Interest Payment Date.

2.6 Place of Payment, Transfer and Exchange. The Company authorizes and appoints the Trustee as the sole paying agent (the "Paying Agent") with respect to any Debentures represented by Registered Global Securities without prejudice to the Company's authority to appoint additional paying agents from time to time pursuant to Section 3.4 of the Original Indenture. Payments of principal on each Debenture and interest thereon payable at maturity or upon redemption shall be made in immediately available funds, at the request of the Holder, at the office or agency of the Paying Agent in New York, New York or any other duly appointed Paying Agent; provided that the Debenture is presented to the Paying Agent in time for the Paying Agent to make the payments in immediately available funds in accordance with its normal procedures. Notwithstanding the foregoing, so long as the Debentures are represented by a Registered Global Security, interest (other than interest payable at maturity) shall be paid in immediately available funds by wire transfer to the Depositary for such Debentures, on the written order of the Depositary. In addition, the Company may maintain a drop agent, in such location or locations as the Company may select, to provide the Holders with an office at which they may present the Debentures for payment. The Company hereby acknowledges that any drop agent maintained will accept Debentures for presentment, take payment instructions from the Holder and forward the Debentures presented and any related payment instructions to the Paying Agent by overnight courier, for next day delivery. Debentures presented as set forth in the previous sentence shall be deemed to be presented to the Paying Agent on the Business Day next succeeding the day the Debentures are delivered to the drop agent.

The Company appoints the Trustee as the sole Security registrar with respect to the Debentures, without prejudice to the Company's authority to appoint additional Security registrars from time to time pursuant to Section 2.8 of the Original Indenture. The Debentures may be presented by the Holders thereof for registration of transfer or exchange at the office or agency of the Security registrar or any successor or co-registrar in New York, New York. In addition, the Company may maintain a drop agent, in such location or locations as the Company may select, to provide the Holders with an office at which they may present the Debentures for registration of transfer or exchange. The Company hereby acknowledges that any drop agent maintained by the Company will accept Debentures for registration of transfer or exchange and forward those Debentures to the Security registrar by overnight courier, for next day delivery. Debentures accepted as set forth in the previous sentence shall be deemed to be presented to the Security registrar on the Business Day next succeeding the day that Debentures are delivered to the drop agent.

2.7 No Sinking Fund. The Debentures shall not be subject to any sinking fund.

2.8 Redemption at Option of the Company. The Debentures are redeemable in whole or in part at any time at the option of the Company, at a redemption price equal to the greater of (i) 100% of the principal amount of the Debentures being redeemed, plus accrued but unpaid interest thereon to the date of redemption, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 12.5 basis points, plus accrued but unpaid interest thereon to the date of redemption. If a redemption date does not fall on an Interest Payment Date, then with respect to the interest payment immediately succeeding the redemption date, only the unaccrued portion of such interest payment as of the redemption date shall be included in any present value calculation pursuant to clause (ii).

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Debentures to be redeemed that would be used, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Debentures. "Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the Trustee after consultation with the Company.

"Comparable Treasury Price" means, with respect to any redemption date,
(i) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding such redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities" or (ii) if such release (or any successor release) is not published or does not contain such prices on such business day, (a) the average of the Reference Treasury Dealer Quotations for such redemption date,

after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (b) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such Quotations. "Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 5:00 p.m. New York, New York time on the third business day preceding such redemption date.

"Reference Treasury Dealer" means each of Merrill Lynch, Pierce Fenner & Smith Incorporated, Chase Securities Inc. and Goldman, Sachs & Co., their respective successors and any other primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer") selected by the Company pursuant to the terms of the Indenture in addition to, or in substitution for, any of such firms; provided, however, that if any of the foregoing shall cease to be a Primary Treasury Dealer, the Company shall substitute therefor another Primary Treasury Dealer.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each holder of Debentures to be redeemed.

2.9. Form and Other Terms of the Debentures. Attached hereto as Exhibit A is a form of a Debenture denominated in United States dollars, which form is hereby established as a form in which Debentures may be issued. In addition, any Debenture may be issued in such other form as may be provided by, or not inconsistent with, the terms of the Original Indenture and this Fifth Supplemental Indenture.

ARTICLE III

MISCELLANEOUS PROVISIONS

The Trustee makes no undertaking or representation in respect of, and shall not be responsible in any manner whatsoever for and in respect of, the validity or sufficiency of this Fifth Supplemental Indenture or the proper authorization or the due execution hereof by the Company or for or in respect of the recitals and statements contained herein, all of which recitals and statements are made solely by the Company.

Except as expressly amended hereby, the Original Indenture, as heretofore amended and supplemented, shall continue in full force and effect in accordance with the provisions thereof and the Original Indenture is in all respects hereby ratified and confirmed. This Fifth Supplemental Indenture and all its provisions shall be deemed a part of the Original Indenture in the manner and to the extent herein and therein provided.

This Fifth Supplemental Indenture shall be governed by, and construed in accordance with, the laws of the State of New York.

This Fifth Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Fifth Supplemental Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

SYSCO CORPORATION

By:

Diane Day Sanders Vice President and Treasurer

FIRST UNION NATIONAL BANK, as Trustee

By:

Karen Atkinson Assistant Vice President

SYSCO CORPORATION AND SUBSIDIARIES

SUBSIDIARIES OF THE REGISTRANT

EXHIBIT 21

Registrant: Sysco Corporation

The following is a list of wholly-owned subsidiaries of the Registrant.

Name of Subsidiary	State or Jurisdiction of Incorporation
K.W. Food Distributors Ltd.	B.C. Canada
Miesel/Sysco Food Service Company	Delaware
Nobel/Sysco Food Services Company	Colorado
* Sysco Equipment & Furnishings Company	Delaware
Pegler-Sysco Food Services Company	Nebraska
* Pegler-Sysco Transportation Co.	Nebraska
Ritter Sysco Food Services, Inc.	New Jersey
* Dowd Food Discount Corp.	New Jersey
Sysco Administrative Services, Inc	Delaware
Sysco Financial Services, Inc.	Delaware
* Hardin's-Sysco Food Services, Inc.	Tennessee
* Lankford-Sysco Food Services, Inc.	Maryland
* Robert Orr-Sysco Food Services Company	Tennessee
* Sysco Food Services of Austin, Inc.	Delaware
* Sysco Food Services of Beaumont, Inc.	Delaware
* Sysco Food Services of Dallas, Inc.	Delaware
* Sysco Food Services of Houston, Inc.	Delaware
* Sysco Food Services of New Orleans, Inc.	Delaware
* Sysco Food Services of San Antonio, Inc.	Delaware
Sysco Food Services-Chicago, Inc.	Delaware
Sysco Food Services-Jacksonville, Inc.	Delaware
Sysco Food Services-West Coast Florida, Inc.	Delaware
Sysco Food Services of Arizona, Inc.	Delaware
* Sysco Arizona Leasing, Inc.	Delaware
Sysco Food Services of Arkansas, Inc.	Arkansas
Sysco Food Services of Atlanta, Inc.	Delaware

Name of Subsidiary	State or Jurisdiction of Incorporation
Sysco Food Services of Central Alabama, Inc..........	Delaware
Sysco Food Services of Central Florida, Inc..........	Delaware
Sysco Food Services of Central Pennsylvania, Inc.....	Pennsylvania
Sysco Food Services of Charlotte, Inc................	North Carolina
Sysco Food Services of Cleveland, Inc................	Delaware
Sysco Food Services of Grand Rapids, Inc.............	Michigan
Sysco Food Services of Idaho, Inc....................	Idaho
Sysco Food Services of Indianapolis, Inc.............	Delaware
Sysco Food Services of Iowa, Inc.....................	Delaware
Sysco Food Services of Kansas City, Inc..............	Missouri
Sysco Food Services of Los Angeles, Inc..............	Delaware
Sysco Food Services of Minnesota, Inc................	Delaware
Sysco Food Services of Modesto, Inc..................	California
Sysco Food Services of Montana, Inc..................	Delaware
Sysco Food Services of Northern New England, Inc.....	Maine
Sysco Food Services of Oklahoma, Inc.................	Delaware
Sysco Food Services of Philadelphia, Inc.............	Pennsylvania
* Garden Cash & Carry, Inc......................	Delaware
Sysco Food Services of Pittsburgh	Pennsylvania
Sysco Food Services of Portland, Inc.................	Delaware
Sysco Food Services of San Diego, Inc................	Delaware
Sysco Food Services of San Francisco, Inc............	California
Sysco Food Services of Seattle, Inc..................	Delaware
Sysco Food Services of South Florida, Inc............	Delaware
Sysco Food Services of Southeast Florida, Inc........	Delaware
Sysco Food Services of St. Louis, Inc................	Delaware
Sysco Food Services of Virginia, Inc.................	Virginia
Sysco Holdings Limited	New Brunswick, Canada
* Strano Sysco Foodservice Limited.............	Ontario, Canada
Sysco Intermountain Food Services, Inc...............	Delaware
Sysco/Louisville Food Services Co....................	Delaware
The SYGMA Network, Inc...............................	Delaware
The SYGMA Network of Ohio, Inc.......................	Delaware

INACTIVE

DiPaolo/Sysco Food Services, Inc.	Ohio
Grants - Sysco Food Services, Inc.	Michigan
Olewine's Sysco Food Services Company................	Delaware
SyscoMed, Inc..	Delaware

* 2nd Tier Subsidiary

SYSCO CORPORATION AND SUBSIDIARIES

INDEPENDENT PUBLIC ACCOUNTANTS' CONSENT

EXHIBIT 23

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K for the year ended June 27, 1998, into the Company's previously filed (i) Post-Effective Amendment No. 1 of the Registration Statement and Prospectus of Sysco Corporation relating to the offering of Sysco Common Stock under the Sysco Corporation Management Incentive Plan (Registration No. 2-73392), (ii) Registration Statement and Prospectus of Sysco Corporation relating to the Sysco Corporation 1974 Employee's Stock Purchase Plan (Registration No. 33-10906), (iii) Post-Effective Amendment No. 1 of the Registration Statement and Prospectus relating to the offering of Sysco Common Stock under the Sysco Corporation Employee Incentive Stock Option Plan (Registration No. 2-76096), (iv) Registration Statement and Prospectus of Sysco Corporation relating to the offering of additional shares of Sysco Common Stock under the Sysco Corporation 1995 Management Incentive Plan (Registration No. 33-45804), (v) Registration Statement and Prospectus of Sysco Corporation relating to the offering of Sysco Common Stock under the Sysco Corporation 1991 Stock Option Plan (Registration No. 33-45820), (vi) Registration Statement of Sysco Corporation relating to the offering of Sysco Common Stock under the Sysco Corporation Non-Employee Directors Stock Option Plan (Registration No. 333-1259), (vii) Registration Statement of Sysco Corporation relating to the offering of additional shares of Sysco Common Stock under the Sysco Corporation 1991 Stock Option Plan (Registration No. 333-1255), (viii) Registration Statement of Sysco Corporation relating to the offering of additional shares of Sysco Common Stock under the Sysco Corporation 1995 Management Incentive Plan (Registration No. 333-1257), (ix) Registration Statement of Sysco Corporation relating to the offering of additional shares of Sysco Common Stock under the Sysco Corporation 1974 Employees Stock Purchase Plan (Registration No. 333-27405) and (x) Registration Statement and Prospectus of Sysco Corporation relating to the offering of Sysco Debt Securities (Registration No. 333-52897).

/s/ Arthur Andersen LLP

Arthur Andersen LLP
Houston, Texas
September 23, 1998

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM ITEM 8., FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000

PERIOD TYPE	YEAR
FISCAL YEAR END	JUN 27 1997
PERIOD END	JUN 27 1998
CASH	110,288
SECURITIES	0
RECEIVABLES	1,235,691
ALLOWANCES	(20,081)
INVENTORY	790,501
CURRENT ASSETS	2,180,067
PP&E	2,145,921
DEPRECIATION	(994,867)
TOTAL ASSETS	3,780,189
CURRENT LIABILITIES	1,324,190
BONDS	867,017
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	382,587
OTHER SE	974,202
TOTAL LIABILITY AND EQUITY	3,780,189
SALES	15,327,536
TOTAL REVENUES	15,327,536
CGS	12,499,636
TOTAL COSTS	14,795,043
OTHER EXPENSES	53
LOSS PROVISION	22,959
INTEREST EXPENSE	58,422
INCOME PRETAX	532,493
INCOME TAX	207,672
INCOME CONTINUING	324,821
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	28,053
NET INCOME	296,768
EPS PRIMARY	0.87
EPS DILUTED	0.86

End of Filing