

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

FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
- --- EXCHANGE ACT OF 1934

For the quarterly period ended June 28, 1997

OR

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

Commission File Number 0-22684

UNIVERSAL FOREST PRODUCTS, INC.
(Exact name of registrant as specified in its charter)

Michigan

38-1465835

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

2801 East Beltline NE, Grand Rapids, Michigan

49525

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (616) 364-6161

NONE

(Former name or former address, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days. Yes X No
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Indicate the number of shares of each of the issuer's classes of common stock,
as of the latest practicable date:

Class	Outstanding as of August 1, 1997
Common stock, no par value	17,172,533

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(b) No reports were filed on Form 8-K during the
six months ended June 28, 1997.

UNIVERSAL FOREST PRODUCTS, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(Unaudited)

	June 28, 1997	December 28, 1996
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 807,178	\$ 1,275,636
Accounts receivable	70,008,803	32,102,276
Inventories:		
Raw materials	32,301,936	32,752,316
Finished goods	68,641,614	55,767,455
	-----	-----
	100,943,550	88,519,771
Other current assets	5,015,234	4,659,749
	-----	-----
TOTAL CURRENT ASSETS	176,774,765	126,557,432
OTHER ASSETS	4,293,223	4,092,038
NON-COMPETE AGREEMENTS	2,814,039	3,051,727
PROPERTY, PLANT AND EQUIPMENT:		
Property, plant and equipment, at cost.	109,789,000	103,643,146
Accumulated depreciation and amortization	(47,584,169)	(43,967,364)
	-----	-----
PROPERTY, PLANT AND EQUIPMENT, NET	62,204,831	59,675,782
	-----	-----
	\$ 246,086,858	\$193,376,979
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable	\$ 12,100,000	
Accounts payable	49,624,367	\$ 14,100,269
Accrued liabilities:		
Compensation and benefits	13,398,717	17,736,451
Income taxes	1,815,006	810,927
Other	994,978	1,761,486
Current portion of long-term debt and capital lease obligations.....	3,158,474	3,652,900
	-----	-----
TOTAL CURRENT LIABILITIES	81,091,542	38,062,033
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, less current portion	47,399,046	48,975,502
OTHER LIABILITIES	6,385,713	6,461,643
SHAREHOLDERS' EQUITY:		
Preferred stock, no par value; shares authorized 1,000,000; issued and outstanding, none.....		
Common stock, no par value; shares authorized 40,000,000; issued and outstanding, 17,170,323 and 17,040,467	17,170,323	17,040,467
Additional paid-in capital	29,540,153	28,801,707
Retained earnings	66,255,198	55,530,786
Foreign currency translation adjustment	(846,407)	(830,459)
	-----	-----
	112,119,267	100,542,501
Officers' stock notes receivable.....	(908,710)	(664,700)
	-----	-----
	111,210,557	99,877,801
	-----	-----
	\$ 246,086,858	\$193,376,979
	=====	=====

See notes to consolidated condensed financial statements.

UNIVERSAL FOREST PRODUCTS, INC.
CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 28, 1997	June 29, 1996	June 28, 1997	June 29, 1996
NET SALES.....	\$ 341,288,493	\$ 275,727,249	\$ 555,980,500	\$ 435,308,166
COST OF GOODS SOLD	308,817,103	244,760,871	503,802,682	387,515,823
GROSS PROFIT.....	32,471,390	30,966,378	52,177,818	47,792,343
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	17,035,778	16,170,465	30,571,333	27,861,028
EARNINGS FROM OPERATIONS.....	15,435,612	14,795,913	21,606,485	19,931,315
OTHER EXPENSE (INCOME):				
Interest expense.....	1,219,253	1,017,646	2,233,769	2,045,691
Interest income.....	(47,392)	(119,504)	(160,922)	(289,679)
Other, net.....	(131,285)	121,389	(64,341)	103
TOTAL OTHER EXPENSE	1,040,576	1,019,531	2,008,506	1,756,115
EARNINGS BEFORE INCOME TAXES.....	14,395,036	13,776,382	19,597,979	18,175,200
INCOME TAXES.....	5,374,768	5,579,000	7,322,638	7,361,000
NET EARNINGS.....	\$ 9,020,268	\$ 8,197,382	\$ 12,275,341	\$ 10,814,200
PRIMARY AND FULLY-DILUTED EARNINGS PER SHARE.....	\$.51	\$.46	\$.69	\$.61
WEIGHTED AVERAGE SHARES OUTSTANDING.....	17,811,000	17,658,000	17,820,000	17,663,000

See notes to consolidated condensed financial statements.

UNIVERSAL FOREST PRODUCTS, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended	
	June 28, 1997	June 29, 1996
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$12,275,341	\$ 10,814,200
Adjustments to reconcile net earnings to net cash used in operating activities:		
Depreciation and amortization	4,434,083	4,109,978
Stock Gift Program expense	2,703	1,764
Loss on disposal of property, plant and equipment	28,621	613
Change in:		
Accounts receivable	(37,906,527)	(36,637,552)
Inventories	(12,423,779)	(12,127,131)
Other	(457,829)	(80,756)
Accounts payable	35,524,098	18,008,597
Accrued liabilities	(4,100,164)	1,927,298
NET CASH USED IN OPERATING ACTIVITIES	(2,623,453)	(13,982,989)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Collection of notes receivable	202,914	177,571
Purchases of property, plant and equipment.....	(7,124,292)	(4,549,359)
Proceeds from sale of property, plant and equipment	132,578	49,770
NET CASH USED IN INVESTING ACTIVITIES	(6,788,800)	(4,322,018)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings of notes payable	12,100,000	
Proceeds from issuance of common stock	548,109	258,652
Cash dividends paid to shareholders	(515,108)	(511,146)
Repayment of long-term debt	(2,070,882)	(1,965,794)
Repurchase of common stock	(1,118,324)	(821,882)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	8,943,795	(3,040,170)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(468,458)	(21,345,177)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD.....	1,275,636	21,471,821
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 807,178	\$ 126,644
	=====	=====
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	\$ 2,173,368	\$ 2,063,538
Income taxes	6,318,554	4,151,771
NONCASH INVESTING ACTIVITIES:		
Equipment acquired through long-term debt		\$ 59,000

See notes to consolidated condensed financial statements.

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

A. BASIS OF PRESENTATION

The accompanying unaudited interim consolidated condensed financial statements (the "Financial Statements") of Universal Forest Products, Inc. and its wholly-owned subsidiaries and partnerships (together, the "Company"), have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, the Financial Statements do not include all of the information and footnotes normally included in the annual consolidated financial statements prepared in accordance with generally accepted accounting principles. All significant intercompany accounts and transactions have been eliminated in consolidation.

In the opinion of management, the Financial Statements contain all material adjustments necessary to present fairly the consolidated financial position, results of operations and cash flows of the Company for the interim periods presented. All such adjustments are of a normal recurring nature. These Financial Statements should be read in conjunction with the financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 1996.

Certain reclassifications have been made to the 1996 consolidated condensed statement of earnings to conform to the classifications used in 1997.

B. EARNINGS PER COMMON SHARE

Earnings per common share have been computed based on the weighted average number of common and common equivalent shares outstanding during the periods presented, giving effect to options granted in 1989 and 1993, utilizing the "treasury stock" method, as if the options were granted and outstanding as of the earliest period presented. Primary and fully-diluted earnings per common share were not materially different during the periods presented. Weighted average shares outstanding are as follows:

	Three Months Ended		Six Months Ended	
	June 28, 1997	June 29, 1996	June 28, 1997	June 29, 1996
Issued and outstanding.....	17,122,000	17,020,000	17,089,000	17,021,000
Effect of stock options.....	689,000	638,000	731,000	642,000
Weighted average shares outstanding.....	<u>17,811,000</u>	<u>17,658,000</u>	<u>17,820,000</u>	<u>17,663,000</u>

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) - CONTINUED

C. NEW ACCOUNTING STANDARDS

In March 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128 ("SFAS 128"), "Earnings Per Share." SFAS 128 requires companies with complex capital structures that have publicly held common stock or common stock equivalents to present both basic and diluted earnings per share ("EPS") on the face of the income statement. The presentation of basic EPS replaces the presentation of primary EPS currently required by Accounting Principles Board Opinion No. 15 ("APB No. 15"), "Earnings Per Share." Basic EPS is calculated as income available to common stockholders divided by the weighted average number of common shares outstanding during the period. Diluted EPS (previously referred to as fully diluted EPS) is calculated using the "if converted" method for convertible securities and the treasury stock method for options and warrants as prescribed by APB No. 15. This new statement is effective for financial statements issued for interim and annual periods ending after December 15, 1997. The Company does not believe the adoption of SFAS 128 in fiscal 1997 will have a significant impact on the Company's reported EPS.

UNIVERSAL FOREST PRODUCTS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

FINANCIAL IMPACT OF FLUCTUATIONS IN LUMBER PRICES
AND SEASONALITY

The Company experiences significant fluctuations in the cost of lumber products from primary producers. The table below highlights such fluctuations for the six months ended June 28, 1997 and June 29, 1996. A variety of factors over which the Company has no control, including government regulations, environmental regulations, weather conditions, and natural disasters, impact the cost of lumber products. The Company anticipates these fluctuations will continue in the future.

The following table presents the Random Lengths framing lumber composite price. The composite price is a weighted average of nine key framing lumber prices chosen from major producing areas and species. The composite price is designed as a broad measure of price movement in the commodity lumber market ("Lumber Market"). The effects of the Lumber Market on the Company's results of operations are discussed below under the captions "Net Sales" and "Cost of Goods Sold and Gross Profit."

	Random Lengths Average \$/MBF	
	1997	1996
January	\$ 436	\$ 329
February	444	347
March	433	353
April	457	374
May	444	420
June	430	409
Period Average ..	\$ 441	\$ 372
	=====	=====

The Company's business is seasonal in nature and results of operations vary from quarter to quarter. The demand for many of the Company's products is highest during the period of April to August. Accordingly, the Company's sales tend to be greater during its second and third quarters. To support this sales peak, the Company builds its inventory of finished goods throughout the winter and spring. Therefore, quantities of raw materials and finished goods inventories tend to be at their highest, relative to sales, during the Company's first and fourth quarters. As a result, the Company has some exposure related to sharp declines in the Lumber Market during its primary selling season. However, the Company maintains supply programs with vendors which are intended to decrease its exposure. These programs have substantially reduced the Company's investment in inventories, and include those materials which are most susceptible to adverse changes in the Lumber Market.

UNIVERSAL FOREST PRODUCTS, INC.

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

RESULTS OF OPERATIONS

The following table presents, for the periods indicated, the components of the Company's Consolidated Condensed Statements of Earnings as a percentage of net sales.

	Three Months Ended		Six Months Ended	
	June 28, 1997	June 29, 1996	June 28, 1997	June 29, 1996
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	90.5	88.8	90.6	89.0
Gross profit	9.5	11.2	9.4	11.0
Selling, general and administrative expenses ..	5.0	5.9	5.5	6.4
Earnings from operations	4.5	5.3	3.9	4.6
Other expense, net	0.3	0.3	0.4	0.4
Earnings before income taxes	4.2	5.0	3.5	4.2
Income taxes	1.6	2.0	1.3	1.7
Net earnings	2.6%	3.0%	2.2%	2.5%

NET SALES

The Company manufactures, treats and distributes lumber products to the do-it-yourself (DIY), manufactured housing, wholesale lumber, and industrial markets. Its sales comprise a single industry segment. The following table presents, for the periods indicated, the Company's net sales (in thousands) and percentage of total net sales by market classification.

Market Classification	Three Months Ended				Six Months Ended			
	June 28, 1997	%	June 29, 1996	%	June 28, 1997	%	June 29, 1996	%
Do-It-Yourself	\$197,305	57.8%	\$163,617	59.3%	\$290,120	52.2%	\$234,631	53.9%
Manufactured Housing ..	105,158	30.8	81,619	29.6	196,267	35.3	148,005	34.0
Wholesale Lumber	19,676	5.8	17,313	6.3	34,603	6.2	29,601	6.8
Industrial	19,150	5.6	13,178	4.8	34,990	6.3	23,071	5.3
Total	\$341,289	100.0%	\$275,727	100.0%	\$555,980	100.0%	\$435,308	100.0%

UNIVERSAL FOREST PRODUCTS, INC.

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

Net Sales in the second quarter of 1997 increased \$65.6 million, or 23.8%, compared to the same period of 1996, reflecting an estimated 12% increase in overall selling prices combined with an estimated 12% increase in the volume of units shipped. Net sales in the first six months of 1997 increased \$120.7 million, or 27.7%, compared to the same period of 1996 due to an estimated 16% increase in overall selling prices combined with a 12% increase in the volume of units shipped.

The Company's ratio of value-added product sales to total sales decreased slightly to 31.4% in the second quarter of 1997 compared to 32.5% for the same period in 1996. Comparing the first six months of 1997 with the same period of 1996, this ratio decreased slightly to 32.5% from 33.3%. Value-added product sales consist primarily of items sold to the DIY market under the Company's Fence Fundamentals(TM), Lattice Basics(TM), Deck Necessities(R), Outdoor Essentials(R), Storage Solutions(TM), and YardLine(R) trade names, trusses sold to the manufactured housing market, and all products sold to the industrial market. The Company defines these products as "value-added" due to the higher margins it generally recognizes on the sale of these products versus those recognized on commodity-based products such as treated, untreated, and remanufactured lumber. A long-term goal of the Company is to achieve a ratio of value-added product sales to total sales of at least 50%.

Do-It-Yourself (DIY):

Net sales to the DIY market increased approximately \$33.7 million, or 20.6%, in the second quarter of 1997 compared to the same period of 1996, due to an increase in the Lumber Market which increased overall selling prices of the Company's commodity-based products, combined with an increase in unit sales of commodity-based and value-added products. Net sales to the DIY market in the first six months of 1997 increased \$55.5 million, or 23.7%, compared to the same period of 1996 due to these same factors.

The following table presents, for the periods indicated, the Company's value added and commodity-based and distributed product sales to the DIY market, in thousands:

	Three Months Ended				Six Months Ended			
	June 28, 1997	%	June 29, 1996	%	June 28, 1997	%	June 29, 1996	%
Value-added product sales	\$ 59,852	30.3%	\$ 54,622	33.4%	\$ 92,965	32.0%	\$ 81,503	34.7%
Commodity-based and distributed product sales	137,453	69.7	108,995	66.6	197,155	68.0	153,128	65.3
Total	\$197,305	100.0%	\$163,617	100.0%	\$290,120	100.0%	\$234,631	100.0%
	=====		=====		=====		=====	

UNIVERSAL FOREST PRODUCTS, INC.

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

Although unit sales of value-added products increased, the Company's ratio of value-added product sales to total sales decreased in the second quarter and first six months of 1997 compared to the same periods of 1996, primarily due to the effects of the higher Lumber Market on selling prices of commodity-based products. Sales of these products are generally indexed to the Lumber Market, while value-added products generally have fixed sales prices for a specified time period or quantity. Therefore, a higher Lumber Market caused commodity-based products to represent a proportionately higher percentage of total DIY sales dollars.

Manufactured Housing (MH):

Net sales to the manufactured housing market increased approximately \$23.5 million, or 28.8%, in the second quarter of 1997 compared to the same period in 1996, primarily due to an increase in unit sales as a result of the acquisition of three plants from Hi-Tek Forest Products, Inc. on October 1, 1996 ("Hi-Tek"). Net sales to the manufactured housing market in the first six months of 1997 increased \$48.2 million, or 32.6%, compared to the same period of 1996, due primarily to the new Hi-Tek plants.

The following table presents, for the periods indicated, the Company's truss and commodity-based and distributed product sales to the manufactured housing market, in thousands:

	Three Months Ended				Six Months Ended			
	June 28, 1997	%	June 29, 1996	%	June 28, 1997	%	June 29, 1996	%
Truss sales	\$ 29,030	27.6%	\$22,646	27.7%	\$ 54,152	27.6%	\$ 41,725	28.2%
Commodity-based and distributed product sales	76,128	72.4	58,973	72.3	142,115	72.4	106,280	71.8
Total	<u>\$105,158</u>	<u>100.0%</u>	<u>\$81,619</u>	<u>100.0%</u>	<u>\$196,267</u>	<u>100.0%</u>	<u>\$148,005</u>	<u>100.0%</u>
	=====	=====	=====	=====	=====	=====	=====	=====

The Company's ratio of truss sales to total sales in the second quarter and first six months of 1997 compared to the same periods of 1996 remained flat. Although unit sales of trusses increased, the effect of the higher Lumber Market caused overall selling prices of commodity-based and distributed products to increase in 1997, while regional competition prevented selling prices of trusses from rising with the Lumber Market.

UNIVERSAL FOREST PRODUCTS, INC.

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

Wholesale:

Net sales to the wholesale lumber market increased \$2.4 million, or 13.7%, in the second quarter of 1997 compared to the same period in 1996 primarily due to the effect of the higher Lumber Market in 1997. The Company does not expect unit sales to this market to increase in the foreseeable future as a result of its goals to increase its ratio of value-added product sales to total sales, and increase the Company's geographic coverage to sell directly to customers. Net sales to this market in the first six months of 1997 increased \$5.0 million, or 16.9%, compared to the same period of 1996.

Industrial:

Net sales to the industrial market increased \$6.0 million, or 45.3%, in the second quarter of 1997 compared to the same period in 1996. This increase was primarily due to an increase in units shipped. In many cases, products sold to this market are produced from the by-products of manufactured products sold to other markets. Therefore, products produced for the industrial market provide the Company with opportunities to improve its raw material yields. The Company plans to grow its sales to this market in the future through internal expansion and strategic acquisitions. New sales positions have been created to exclusively serve and grow this market, and sales incentive programs have been implemented to achieve this growth strategy. Net sales to this market in the first six months of 1997 increased \$11.9 million, or 51.7%, compared to the same period of 1996 due to the same factors discussed above.

COST OF GOODS SOLD AND GROSS PROFIT

Gross profit as a percentage of net sales decreased to 9.5% in the second quarter of 1997 compared to 11.2% in the same period of 1996. This decrease was due to a combination of the following factors:

- * The effect of the higher Lumber Market on the gross profit percentage of the Company's commodity-based products. Selling prices of these products are generally indexed to the Lumber Market, along with a fixed dollar "adder" to cover production costs plus profit. Therefore, in a stable but high Lumber Market, the Company's gross profit percentage will be lower than the gross profit percentage it would realize with a stable but low Lumber Market. This is the situation the Company encountered during the second quarter of 1997, as the average monthly Random Lengths composite price ranged from \$21/MBF to \$83/MBF higher compared to the second quarter of 1996.

UNIVERSAL FOREST PRODUCTS, INC.

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

- - The Lumber Market was on an upward trend in the second quarter of 1996, compared to a stable to downward trending Lumber Market in the second quarter of 1997. This resulted in a comparatively lower gross profit percentage on the sale of commodity-based products in the second quarter of 1997 compared to the same period of 1996.
- - The effect of the higher Lumber Market on the gross profit percentage of the Company's value-added products. Selling prices of these products tend to be fixed for a specific time period or quantity. Therefore, in periods of high or increasing lumber costs, the Company's gross profit percentage will decrease.
- - The effect of competition in the manufactured housing market in certain geographic regions.

Gross profit as a percentage of net sales decreased to 9.4% for the first six months of 1997 compared to 11.0% for the same period of 1996 due primarily to the same factors discussed above.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased approximately \$0.9 million, or 5.4%, comparing the second quarter of 1997 to the same period of 1996. This net increase was primarily due to:

- - General increases in selling and administrative head count.
- - Expenses added through the acquisition of Hi-Tek.
- - The creation of new centralized Marketing, National Sales, and Manufacturing Design departments.
- - Increased depreciation expense related to upgraded information systems.
- - Increases in certain variable expenses related to sales.

These increases were offset by a decrease in accrued incentive compensation expenses related to return on investment objectives. Selling, general and administrative expenses for the first six months

UNIVERSAL FOREST PRODUCTS, INC.

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

of 1997 increased approximately \$2.7 million, or 9.7%, compared to the same period of 1996, primarily due to the same factors discussed above.

OTHER EXPENSE, NET

Other expense, net is primarily comprised of interest expense and interest income. Net interest costs (interest expense less interest income) increased approximately \$275,000 comparing the second quarter of 1997 to the same period of 1996, as average indebtedness increased due to increased working capital requirements as a result of a growth in business. Net interest costs for the first six months of 1997 increased approximately \$317,000 compared to the same period of 1996 due to the same factors.

INCOME TAXES

The Company's effective tax rate in the second quarter and first six months of 1997 was 37.4% in each period compared to 40.5% in each of the same periods of 1996. Effective tax rates differ from statutory federal income tax rates primarily due to provisions for state and local income taxes, which can vary from year to year based on changes in income generated by the Company in each of the states in which it operates. Due to the reorganization it completed on December 28, 1996 to formalize its existing operating structure, the Company anticipates realizing a reduction in its state income taxes.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows used in operating activities for the first six months of 1997 improved to \$2.6 million from \$14.0 million in the same period of 1996. This improvement in cash flow used in operations was due to an increase in the Company's net earnings, combined with a net decrease in its working capital investment comparing June 28, 1997 and June 29, 1996. The Company's cash cycle (days sales outstanding plus days supply of inventory less days payable outstanding) remained flat at 43 days for the first six months of 1997 compared to the same period of 1996.

Capital expenditures totaled \$7.1 million in the first six months of 1997, as the Company remains on pace to spend approximately \$13 to \$15 million for the year to replace existing machinery and equipment, upgrade information systems, improve production efficiencies, and expand current

UNIVERSAL FOREST PRODUCTS, INC.

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

production capacity. The largest capital expenditures were made to construct a new wood preservation facility and specialty products plant in Moultrie, Georgia and acquire real estate previously leased from the Company's profit sharing and 401(k) plan.

Cash flows from financing activities consisted primarily of short-term borrowings on lines of credit offset by repayments of long-term debt and payments to repurchase common stock from certain officers of the Company. On June 28, 1997, approximately \$107 million remained available on revolving credit facilities.

ENVIRONMENTAL CONSIDERATIONS AND REGULATIONS

The Company is self-insured for environmental impairment liability, and accrues for the estimated cost of remedial actions when situations requiring such action arise. The Company owns and operates seventeen facilities throughout the United States that chemically treat lumber products. In connection with the ownership and operation of these and other real properties, and the disposal or treatment of hazardous or toxic substances, the Company may, under various federal, state, and local environmental laws, ordinances, and regulations, be potentially liable for removal and remediation costs, as well as other potential costs, damages, and expenses. Remediation activities are currently being conducted at the Company's Granger, Indiana; Union City, Georgia; and Elizabeth City, North Carolina wood preservation facilities.

The Company has accrued, in other long-term liabilities, amounts totaling \$1.6 million and \$1.7 million at June 28, 1997 and December 28, 1996, respectively, representing the estimated costs to complete remediation efforts currently in process and those expected to occur in the future. The Company believes the potential future costs of known remediation efforts will not have a material adverse effect on its future financial position, results of operations or liquidity.

UNIVERSAL FOREST PRODUCTS, INC.

FORWARD-LOOKING STATEMENTS AND RISK FACTORS

Included in this report, and from time to time, certain forward-looking statements may be made by the Company within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements are based on the beliefs of the Company's management as well as on assumptions made by and information currently available to the Company at the time such statements are made. Actual results could differ materially from those included in such forward-looking statements as a result of, among other things, the factors set forth below, the matters included in this report generally and certain economic and business factors, some of which may be beyond the control of the Company. Investors are cautioned that all forward-looking statements involve risks and uncertainty.

Lumber Market Volatility:

The Company experiences significant fluctuations in the cost of lumber products from primary producers. While the Company attempts to minimize its risk from severe price fluctuations, substantial, rapid changes in lumber prices can affect the Company's financial results.

Competition:

The Company is subject to competitive selling and pricing pressures in its major markets. While the Company is generally aware of its existing competitors' capabilities, it is subject to entry in its markets by new competitors, which could negatively impact financial results.

Market Growth:

The Company's sales growth is dependent, in part, upon growth within the markets it serves. If the Company's markets do not maintain anticipated growth, or if the Company fails to maintain its market share, financial results could be impaired.

Government Regulations:

The Company is subject to a substantial amount of existing government regulations which create a burden on the Company. Should the Company become subject to additional laws and regulations enacted in the future, or changes in interpretation of existing laws, it could have an adverse affect on the Company's financial results.

UNIVERSAL FOREST PRODUCTS, INC.

PART II. OTHER INFORMATION

Item 2. Changes in Securities.

(a) None.

(b) None.

(c) Sales of equity securities not registered under the Securities Act.

	Date of Sale -----	Class of Stock -----	Number of Shares -----	Purchasers -----	Consideration Exchanged -----
Stock Option Exercises	04/12/97	Common	140,000	Eligible officers	\$364,400
Employee Stock Gift Program	05/19/97	Common	50	Eligible officers and employees	None
Employee Stock Gift Program	06/23/97	Common	50	Eligible officers and employees	None

UNIVERSAL FOREST PRODUCTS, INC. AND SUBSIDIARIES

PART II. OTHER INFORMATION

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

The following matters were voted upon at the Company's Annual Meeting of Shareholders on April 23, 1997.

(1) Election of the following Directors for three year terms expiring in 2000:

	For -----	Withheld -----
Richard M. DeVos	11,999,023	9,168
John W. Garside	11,355,526	652,665
Peter F. Secchia	11,911,824	96,367

Other Directors whose terms of office continued after the meeting are as follows:

William G. Currie
Philip M. Novell
Louis A. Smith
John C. Canepa

(2) Proposal to amend the Articles of Incorporation to authorize an additional 15,000,000 shares of common stock.

For: 11,575,757
Against: 421,795
Abstain: 10,639

(3) Proposal to approve the Long Term Stock Incentive Plan.

For: 9,111,368
Against: 1,331,988
Abstain: 45,477

UNIVERSAL FOREST PRODUCTS, INC.

SIGNATURE

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

UNIVERSAL FOREST PRODUCTS, INC.

Date: August 12, 1997

By:

William G. Currie

Its: President and Chief Executive
Officer

Date: August 12, 1997

By:

Elizabeth A. Bowman

Its: Executive Vice President of Finance
and Administration and Treasurer
(Principal Financial Officer)

UNIVERSAL FOREST PRODUCTS, INC.

EXHIBIT INDEX

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6-MOS
DEC-27-1997
DEC-29-1996
JUN-28-1997
807,178
0
70,918,982
910,179
100,943,550
176,774,765
109,789,000
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0
17,070,323
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246,086,858
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555,980,500
503,802,682
503,802,682
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2,233,769
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7,322,638
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.69