This document consists of 20 pages, of which this is page number 1.
The index to Exhibits is on Page 19.

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 FISCAL QUARTER ENDED JULY 31, 1999, or

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

For the Transition period from _____ to _________.

Commission file number: 0-27446

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

CALIFORNIA	94-3025618
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

3603 HAVEN AVENUE
MENLO PARK, CALIFORNIA 94025
(Address of principal executive offices)

Registrant's telephone number, including area code:
(650) 306-1650

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 at least the past 90 days.

Yes X   No ----

As of September 3, 1999, 13,332,294 shares of the Registrant's common stock were outstanding.

LANDEC CORPORATION

FORM 10-Q For the Quarter Ended July 31, 1999

INDEX

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LANDEC CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS
(UNAUDITED)
(IN THOUSANDS)

ASSETS	July 31, 1999	October 31, 1998
Current Assets:		
Cash and cash equivalents	$ 4,256	$ 9,185
Short-term investments	--	992
Accounts receivable, net	2,782	2,808
Inventories	7,637	4,676
Prepaid expenses and other current assets	1,959	2,122
Total Current Assets	16,634	19,783
Property and equipment, net	9,956	8,280
Intangible assets, net	13,793	14,255
Other assets	38	38
	$ 40,421	$ 42,356

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:		
Accounts payable	$ 1,287	$ 1,399
Accrued compensation	1,032	1,017
Other accrued liabilities	1,129	942
Deferred revenue	16	2,499
Current portion of long term debt	115	156
Total Current Liabilities	3,579	6,013
Long term debt	2,633	2,655
Shareholders' Equity:		
Preferred stock	--	--
Common stock	77,185	76,821
Notes receivable from shareholders	--	(291)
Deferred compensation	--	(86)
Accumulated deficit	(42,976)	(42,756)
Total Shareholders' Equity	34,209	33,688
	$ 40,421	$ 42,356

SEE ACCOMPANYING NOTES.

LANDEC CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(IN THOUSANDS, EXCEPT PER-SHARE DATA)

	Three Months Ended July 31, 1999	Three Months Ended July 31, 1998	Nine Months Ended July 31, 1999	Nine Months Ended July 31, 1998
Revenues:				
Product sales	$ 5,409	$ 4,932	$ 28,713	$ 26,625
License fees	--	--	750	500
Research and development revenues	121	342	482	1,129
Total revenues	5,530	5,274	29,945	28,254
Operating costs and expenses:				
Cost of product sales	3,588	3,251	17,673	17,159
Research and development	1,433	1,387	4,359	4,022
Selling, general and administrative	2,525	2,235	8,249	7,780
Total operating costs and expenses	7,546	6,873	30,281	28,961
Operating loss	(2,016)	(1,599)	(336)	(707)
Interest income	69	155	322	619
Interest expense	(64)	(7)	(183)	(112)
Loss before provision for income taxes	(2,011)	(1,451)	(197)	(200)
Income tax benefit (expense)	(16)	137	(20)	(91)
Net loss	$ (2,027)	$ (1,314)	$ (217)	$ (291)
Basic and diluted net loss per share	$ (0.15)	$ (0.10)	$ (0.02)	$ (0.02)
Shares used in computation of net loss per share	13,294	12,781	13,252	12,738

SEE ACCOMPANYING NOTES.

LANDEC CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN THOUSANDS)

	Nine Months Ended July 31, 1999	1998
Cash flows from operating activities:		
Net income	$ (217)	$ (291)
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	1,562	1,454
Amortization of deferred compensation	86	84
Loss on sale of equipment	60	--
Changes in current assets and liabilities:		
Accounts receivable	26	10
Inventory	(2,961)	(1,875)
Prepaid expenses and other current assets	163	188
Accounts payable	(112)	278
Accrued compensation	15	36
Other accrued liabilities	187	(644)
Deferred revenue	(2,483)	(2,277)
Total adjustments	(3,457)	(2,746)
Net cash used in operating activities	(3,674)	(3,037)
Cash flows from investing activities:		
Increase (decrease) in other assets	--	67
Purchases of property and equipment	(2,458)	(2,808)
Proceeds from sale of equipment	15	--
Acquisition costs related to earn-out provisions	(393)	(390)
Purchases of available-for-sale securities	--	(5,003)
Sale of available-for-sale securities	--	4,805
Maturities of available-for-sale securities	989	7,234
Net cash provided by (used in) investing activities:	(1,847)	3,905
Cash flows from financing activities:		
Maturity of restricted investment	--	8,837
Proceeds from sale of common stock	364	303
Repayment of notes receivable from shareholders	291	8
Payment of payable related to acquisition	--	(9,189)
Proceeds from issuance of long term debt	--	29
Payments of long term debt	(63)	(22)
Net cash provided by (used in) financing activities	592	(34)
Net increase (decrease) in cash and cash equivalents	(4,929)	834
Cash and cash equivalents at beginning of period	9,185	5,163
Cash and cash equivalents at end of period	$ 4,256	$ 5,997

SEE ACCOMPANYING NOTES.

LANDEC CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
UNAUDITED

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Landec Corporation (the "Company" or "Landec") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary to present fairly the financial position, results of operations, and cash flows at July 31, 1999, and for all periods presented, have been made. Although the Company believes that the disclosures in these financial statements are adequate to make the information presented not misleading, certain information normally included in financial statements and related footnotes prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. The accompanying financial data should be reviewed in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1998.

The results of operations for the nine month period ended July 31, 1999 are not necessarily indicative of the results that may be expected for the fiscal year ended October 31, 1999. For instance, due to the cyclical nature of the corn seed industry, a significant portion of Fielder's Choice Hybrids' ("Fielder's Choice") revenues and profits will be concentrated over a few months during the spring planting season (generally during the Company's second fiscal quarter).

2. INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out method) or market and consisted of the following:

	JULY 31, 1999	OCTOBER 31, 1998
Raw materials.................	$ 1,084	$ 663
Work in process...............	396	228
Finished goods................	6,157	3,785
	$ 7,637	$ 4,676

3. LICENSING OF PORT-TM- TECHNOLOGY

In December 1997, the Company licensed the rights to worldwide manufacturing, marketing and distribution of the PORT ophthalmic devices to Alcon Laboratories, Inc. ("Alcon") in exchange for an upfront license fee of $500,000 in cash, and future license revenue, research and development revenue and royalties on the sale of commercial products. During the first nine months ended July 31, 1999, the Company received an additional cash payment of $1.0 million ($750,000 net of related costs) upon meeting a certain milestone and recognized $385,000 in research and development revenues associated with this arrangement.

ITEM 2.

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

The following discussion should be read in conjunction with the unaudited consolidated financial statements and notes thereto included in Part I--Item 1 of this Form 10-Q and the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1998.

Except for the historical information contained herein, the matters discussed in this report are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. These forward-looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Potential risks and uncertainties include, without limitation, those mentioned in this report and, in particular, the factors described below under "Additional Factors That May Affect Future Results," and those mentioned in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1998. The Company undertakes no obligation to revise any forward-looking statements in order to reflect events or circumstances that may arise after the date of this report.

OVERVIEW

Since its inception in October 1986, the Company has been primarily engaged in the research and development of its Intelimer-Registered Trademark- technology and related products. The Company has launched three product lines from this core development - QuickCast-Registered Trademark- splints and casts in April 1994; Intellipac-Registered Trademark- breathable membranes for the fresh-cut produce packaging market in September 1995; and Intelimer Polymer Systems for the industrial high performance materials market in June 1997.

Management has implemented a focused strategy of building strong, vertically integrated businesses in three industries: Food Technology and Packaging, Industrial High Performance Materials and Agricultural Seed Technology and Distribution. As part of this strategy, the Company has completed several strategic transactions. In April 1997, the Company acquired Dock Resins Corporation ("Dock Resins") and incorporated it into its Industrial High Performance Materials business. Dock Resins is primarily engaged in the manufacturing and marketing of specialty acrylics and other polymers. In September 1997, Intellicoat Corporation ("Intellicoat"), the Company's subsidiary focused on Agricultural Seed Technology and Distribution, acquired Fielder's Choice, a direct marketer of hybrid corn seed. To remain focused on the three core businesses, during 1997 the Company licensed two of its healthcare products: in August 1997, the Company sold its QuickCast product line to Bissell Healthcare Corporation ("Bissell") and in December 1997, the Company licensed the rights to worldwide manufacturing, marketing and distribution of the PORT ophthalmic devices to Alcon.

The Company has been unprofitable during each fiscal year since its inception and expects to incur additional losses, primarily due to the continuation of its research and development activities, charges related to acquisitions, and expenditures necessary to further develop its manufacturing and marketing capabilities. From inception through July 31, 1999, the Company's accumulated deficit was $43.0 million.

RESULTS OF OPERATIONS

Total revenues were $5.5 million for the third quarter of fiscal year 1999 compared to $5.3 million for the third quarter of fiscal year 1998. Revenues from product sales increased to $5.4 million in the third quarter of fiscal year 1999 from $4.9 million in the third quarter of fiscal year 1998 due principally to increased product sales from the Intellipac breathable membrane products which increased from $800,000 in the third quarter of fiscal year 1998 to $1.1 million in the third quarter of fiscal year 1999. The increase in Intellipac breathable membranes revenues was primarily due to the introduction of various new products and increased volumes for existing products. Revenues from research and development funding were $121,000 for the third quarter of fiscal year 1999 compared to $342,000 for the third quarter of fiscal year 1998. The decrease in research and development revenues was primarily due to the completion of research and development arrangements with Hitachi Chemical in July 1998 and Nitta Corporation in December 1998. For the first nine months of fiscal year 1999, total revenues were $29.9 million compared to $28.3 million during the same period in 1998. Revenues from product sales for the first nine months of fiscal year 1999 increased to $28.7 million from $26.6 million during the same period in 1998 due principally to increased product sales from Fielder's Choice and Intellipac breathable membrane products which increased from $13.3 million and $2.0 million, respectively, in the first nine months of fiscal year 1998 to $15.2 million and $3.1 million, respectively, during the same period in fiscal year 1999. The increase in Fielder's Choice revenue was primarily due to increased per unit sales prices, and the increase in Intellipac breathable membrane revenues was due primarily to the introduction of various new products and increased volumes for existing products. These increases were partially offset by a decrease in Industrial High Performance Materials product sales from $11.3 million during the first nine months of fiscal year 1998 to $10.2 million during the same period in fiscal year 1999. This decrease is a result of the overall weakness in the chemical industry during the first six months of fiscal year 1999. Revenues from license fees were $750,000 for the first nine months of fiscal year 1999 compared to $500,000 during the same period in 1998. The increase in license fees was due to a payment received from Alcon in fiscal year 1999 upon meeting a certain milestone in exchange for the license rights to worldwide manufacturing, marketing and distribution of the PORT ophthalmic devices. Revenues from research and development funding for the first nine months of fiscal year 1999 decreased to $482,000 from $1.1 million during the same period in 1998. The decrease in research and development revenues was primarily due to the completion of research and development arrangements with Hitachi Chemical and Nitta Corporation.

Cost of product sales consists of material, labor and overhead. Cost of product sales was $3.6 million for the third quarter of fiscal year 1999 compared to $3.3 million for the third quarter of fiscal year 1998. Cost of product sales as a percentage of product sales remained the same at 66% in the third quarter of fiscal years 1999 and 1998. Cost of product sales for the first nine months of fiscal year 1999 was $17.7 million compared to $17.2 million during the same period in 1998. Cost of product sales as a percentage of product sales decreased to 62% for the first nine months of fiscal year 1999 from 64% during the same period in 1998. The decrease in the cost of product sales as a percentage or product sales for the first nine months of fiscal year 1999, compared to the same period in 1998, was primarily the result of higher average selling prices of Fielder's Choice products and reduction in material costs in the Industrial High Performance Materials and Intellipac products. The Company anticipates that this trend will continue if sales volumes continue to increase in the Intellipac breathable membrane products. However, the longer-term trend is unpredictable due to the early stage of commercialization of several of the Company's products.

Research and development expenses were $1.4 million for the third quarter of fiscal years 1999 and 1998. For the first nine months of fiscal year 1999 research and development expenses were $4.4 million compared to $4.0 million during the same period in fiscal year 1998, an increase of 10%. The Company's research and development expenses consist primarily of expenses involved in product development process scale-up, and patent activities related to the Company's side chain crystallizable polymer technology and research and development expenses related to Dock Resins' products. The increase in research and development expenses during the nine month period ended July 31, 1999 compared to the same period of fiscal year 1998 was primarily due to development costs in the Intellicoat-TM- seed coatings and Intellipac breathable membrane product areas and scale-up costs of products associated with Intelimer Polymer Systems. In future periods, the Company expects that spending for research and development will continue to increase in absolute dollars, although it may vary as a percentage of total revenues.

Selling, general and administrative expenses were $2.5 million for the third quarter of fiscal year 1999 compared to $2.2 million for the third quarter of fiscal year 1998, an increase of 13%. For the first nine months of fiscal year 1999 selling, general and administrative expenses were $8.2 million compared to $7.8 million during the same period in 1998, an increase of 6%. Selling, general and administrative expenses consist primarily of sales and marketing expenses associated with the Company's product sales, business development expenses, and staff and administrative expenses. Specifically, sales and marketing expenses increased to $1.3 million for the third quarter of fiscal year 1999 from $1.2 million for the third quarter of fiscal year 1998. For the first nine months of fiscal year 1999 sales and marketing expenses increased to $4.5 million compared to $4.1 million during the same period in 1998. The increase in sales and marketing expenses for the three and nine month periods ended July 31, 1999 compared to the same periods of fiscal year 1998 was principally due to increased marketing efforts at Fielder's Choice. The Company expects that total selling, general and administrative spending for existing and newly acquired products will continue to increase in absolute dollars in future periods, although it may vary as a percentage of total revenues.

Net interest income for the three and nine month periods ended July 31, 1999 were $5,000 and $139,000, respectively, compared to $148,000 and $507,000 for the same periods of fiscal year 1998. These decreases in net interest income were due principally to less cash being available for investing.

LIQUIDITY AND CAPITAL RESOURCES

As of July 31, 1999 the Company had cash, cash equivalents and short-term investments of $4.3 million, a net decrease of $5.9 million from $10.2 million as of October 31, 1998. This decrease was primarily due to cash used in operations of $3.7 million and the purchase of $2.5 million of property, plant and equipment partially offset by cash provided by financing activities of $592,000 from the sale of common stock and repayment of notes receivable from shareholders. The cash used in operations was primarily comprised of planned purchases of Fielder's Choice corn seed inventory to support next year's growing season and a reduction of deferred revenue resulting from the shipment of Fielder's Choice corn seed during the second and third quarters of fiscal year 1999.

During the first nine months of fiscal year 1999, the Company incurred building improvement and equipment upgrade expenditures at Dock Resins to expand capacity, and purchased quality assurance equipment to support the development of Intellipac and Intellicoat products. These expenditures represented the majority of the $2.5 million of property and equipment purchased during the first nine months of fiscal year 1999.

The Company is currently in the process of establishing a credit facility to be used to fund the expansion of the manufacturing capabilities of Intellicoat seed coating products and Intellipac breathable membrane products. The Company believes that this facility, along with existing cash and cash equivalents, will be sufficient to finance the Company's operational and capital requirements through at least the next twelve months. The Company's future capital requirements, however, will depend on numerous factors, including the progress of its research and development programs; the development of commercial scale manufacturing capabilities; the development of marketing, sales and distribution capabilities; the ability of the Company to establish and maintain new collaborative and licensing arrangements; the decision to pursue additional acquisition opportunities; the timing and amount, if any, of payments received under licensing and research and development agreements; the costs involved in preparing, filing, prosecuting, defending and enforcing intellectual property rights; the ability to comply with regulatory requirements; the emergence of competitive technology and market forces; the effectiveness of product commercialization activities and arrangements; and other factors. If the Company's currently available funds, together with any new credit facility and internally generated cash flow from operations are not sufficient to satisfy its financing needs, the Company would be required to seek additional funding through other arrangements with collaborative partners, bank borrowings and public or private sales of its securities. There can be no assurance that additional funds, if required, will be available to the Company on favorable terms if at all.

ADDITIONAL FACTORS THAT MAY AFFECT FUTURE RESULTS

The Company desires to take advantage of the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995 and of Section 21E and Rule 3b-6 under the Securities Exchange Act of 1934. Specifically, the Company wishes to alert readers that the following important factors, as well as other factors including, without limitation, those described elsewhere in this Report, could in the future affect, and in the past have affected, the Company's actual results and could cause the Company's results for future periods to differ materially from those expressed in any forward-looking statements made by or on behalf of the Company. The Company assumes no obligation to update such forward-looking statements.

HISTORY OF OPERATING LOSSES AND ACCUMULATED DEFICIT. The Company has incurred net losses in each fiscal year since its inception, including a loss of $217,000 for the nine months ended July 31, 1999. The Company's accumulated deficit as of July 31, 1999 totaled $43.0 million. The Company may incur additional losses in the future. The amount of future net losses is highly uncertain and there can be no assurance that the Company will be able to reach or sustain profitability for an entire fiscal year.

QUARTERLY FLUCTUATIONS IN OPERATING RESULTS. In the past, the Company's results of operations have varied significantly from quarter to quarter and such fluctuations are expected to continue in the future. Due to the seasonal nature of the corn seed industry, a significant portion of Fielder's Choice revenues and profits will be concentrated over a few months during the spring planting season (generally during the Company's second quarter). Further, the Company's principal customers in its Food Technology and Packaging segment are heavily affected by seasonal and weather factors, which could affect their purchases of the Company's products. In addition, quarterly operating results will depend upon several factors, including the timing and amount of expenses associated with expanding the Company's operations, the timing of collaborative agreements with, and performance of, potential partners, the timing of regulatory approvals and new product introductions, the mix between pilot production of new products and full-scale manufacturing of existing products and the mix between domestic and export sales. The Company also cannot predict rates of licensing fees and royalties received from its partners. As a result of these and other factors, the Company expects to continue to experience significant fluctuations in quarterly operating results, and there can be no assurance that the Company will be profitable in the future.

UNCERTAINTY RELATING TO INTEGRATION OF NEW BUSINESS ACQUISITIONS. The successful combination of the Company and Dock Resins and Intellicoat and Fielder's Choice has required and will continue to require substantial effort from each organization. The diversion of the attention of management and any difficulties encountered in the transition process could have a material adverse effect on the Company's ability to realize the anticipated benefits of the acquisitions. The successful combination of the companies also requires coordination of their research and development, manufacturing, and sales and marketing efforts. In addition, the process of combining the organizations could cause the interruption of, or a loss of momentum in, the Company's activities. There can be no assurance that the Company will be able to retain key management, technical, sales and customer support personnel of Dock Resins and Fielder's Choice, or that the Company will realize the anticipated benefits of the acquisitions, and the failure to do so would have a material adverse effect on the Company's business, operating results and financial condition.

EARLY COMMERCIALIZATION OF CERTAIN PRODUCTS; DEPENDENCE ON NEW PRODUCTS AND TECHNOLOGIES; UNCERTAINTY OF MARKET ACCEPTANCE. The Company is in the early stage of product commercialization of certain Intelimer polymer products and many of its potential products are in development. The Company believes that its future success will depend in large part on its ability to develop and market new products in its target markets and in new markets. In particular, the Company expects that its ability to compete effectively with existing food products, industrial, agricultural and medical companies will depend substantially on successfully developing, commercializing, achieving market acceptance of and reducing the cost of producing the Company's products. In addition, commercial applications of the Company's temperature switch polymer technology are relatively new and evolving. There can be no assurance that the Company will be able to successfully develop, commercialize, achieve market acceptance of or reduce the costs of producing the Company's new products, or that the Company's competitors will not develop competing technologies that are less expensive or otherwise superior to those of the Company. There can be no assurance that the Company will be able to develop and introduce new products and technologies in a timely manner or that new products and technologies will gain market acceptance. The failure to develop and successfully market new products would have a material adverse effect on the Company's business, operating results and financial condition.

The success of the Company in generating significant sales of its products will depend in part on the ability of the Company and its partners and licensees to achieve market acceptance of the Company's new products and technology. The extent to which, and rate at which, market acceptance and penetration are achieved by the Company's current and future products are a function of many variables including, but not limited to, price, safety, efficacy, reliability, conversion costs and marketing and sales efforts, as well as general economic conditions affecting purchasing patterns. There can be no assurance that markets for the Company's new products will develop or that the Company's new products and technology will be accepted and adopted. The failure of the Company's new products to achieve market acceptance would have a material adverse effect on the Company's business, operating results and financial condition.

COMPETITION AND TECHNOLOGICAL CHANGE. The Company operates in highly competitive and rapidly evolving fields, and new developments are expected to continue at a rapid pace. Competition from large food products, industrial, agricultural and medical companies is expected to be intense. In addition, the nature of the Company's collaborative arrangements may result in its corporate partners and licensees becoming competitors of the Company. Many of these competitors have substantially greater financial and technical resources and production and marketing capabilities than the Company, and may have substantially greater experience in conducting clinical and field trials, obtaining regulatory approvals and manufacturing and marketing commercial products. There can be no assurance that these competitors will not succeed in developing alternative technologies and products that are more effective, easier to use or less expensive than those which have been or are being developed by the Company or that would render the Company's technology and products obsolete and non-competitive.

LIMITED MANUFACTURING EXPERIENCE; DEPENDENCE ON THIRD PARTIES. The Company's success is dependent in part upon its ability to manufacture its products in commercial quantities in compliance with regulatory requirements and at acceptable costs. There can be no assurance that the Company will be able to achieve this. Although the Company believes Dock Resins will provide Landec with practical knowledge in the scale-up of Intelimer polymer products, production in commercial-scale quantities may involve technical challenges for the Company. The Company anticipates that a portion of the Company's products will be manufactured in the Linden, New Jersey facility acquired in the purchase of Dock Resins. The Company's reliance on this facility involves a number of potential risks, including the absence of adequate capacity, the unavailability of, or interruption in access to, certain process technologies and reduced control over delivery schedules, and low manufacturing yields and high manufacturing costs. The Company may also need to consider seeking collaborative arrangements with other companies to manufacture certain of its products. If the Company becomes dependent upon third parties for the manufacture of its products, then the Company's profit margins and its ability to develop and deliver such products on a timely basis may be adversely affected. Moreover, there can be no assurance that such parties will adequately perform and any failures by third parties may impair the Company's ability to deliver products on a timely basis, impair the Company's competitive position, or may delay the submission of products for regulatory approval. The occurrence of any of these factors could have a material adverse effect on the Company's business, operating results and financial condition. The manufacture of the Company's products will be subject to periodic inspection by regulatory authorities. There can be no assurance that the Company will be able to obtain necessary regulatory approvals on a timely basis or at all. Delays in receipt of or failure to receive such approvals or loss of previously received approvals would have a material adverse effect on the Company's business, financial condition and results of operations.

DEPENDENCE ON SINGLE SOURCE SUPPLIERS. Many of the raw materials used in manufacturing certain of the Company's products are currently purchased from a single source, including certain monomers used to synthesize Intelimer polymers and substrate materials for the Company's Intellipac breathable membrane products. In addition, virtually all of the hybrid corn varieties sold by Fielder's Choice are purchased from a single source. Upon manufacturing scale-up and increases in hybrid corn sales, the Company may enter into alternative supply arrangements. Although to date the Company has not experienced difficulty acquiring materials for the manufacture of its products nor has Fielder's Choice experienced difficulty in acquiring hybrid corn varieties, no assurance can be given that interruptions in supplies will not occur in the future, that the Company will be able to obtain substitute vendors, or that the Company will be able to procure comparable materials or hybrid corn varieties at similar prices and terms, or at all, within a reasonable time. Any such interruption of supply could have a material adverse effect on the Company's ability to manufacture and distribute its products and, consequently, could materially and adversely affect the Company's business, operating results and financial condition.

CUSTOMER CONCENTRATION. For the three and nine months ended July 31, 1999, sales to the Company's top five customers accounted for approximately 46% and 24%, respectively, of the Company's product sales with the top customer accounting for 18% and 9%, respectively of the Company's product sales. The Company expects that for the foreseeable future a limited number of customers may continue to account for a substantial portion of its net revenues. The Company may experience changes in the composition of its customer base as Dock Resins and Fielder's Choice have experienced in the past. The Company does not have long-term purchase agreements with any of its customers. The reduction, delay or cancellation of orders from one or more major customers for any reason or the loss of one or more of such major customers could materially and adversely affect the Company's business, operating results and financial condition. In addition, since the products manufactured in the Linden, New Jersey facility are often sole sourced to its customers, the Company's operating results could be materially and adversely affected if one or more of its major customers were to develop other sources of supply. There can be no assurance that the Company's current customers will continue to place orders, that orders by existing customers will not be canceled or will continue at the levels of previous periods or that the Company will be able to obtain orders from new customers.

PATENTS AND PROPRIETARY RIGHTS. The Company's success depends in large part on its ability to obtain patents, maintain trade secret protection and operate without infringing on the proprietary rights of third parties. There can be no assurance that any pending patent applications will be approved, that the Company will develop additional proprietary products that are patentable, that any patents issued to the Company will provide the Company with competitive advantages or will not be challenged by any third parties or that the patents of others will not prevent the commercialization of products incorporating the Company's technology. The Company has received, and may in the future receive, from third parties, including some of its competitors, notices claiming that it is infringing third party patents or other proprietary rights. For example, in January 1996, the Company received a letter alleging that its Intellipac breathable membrane product infringes patents of another party. The Company has investigated this matter and believes that its Intellipac breathable membrane product does not infringe the specified patents of such party. The Company has received an opinion of patent counsel that the Intellipac breathable membrane product does not infringe any valid claims of such patents. No additional correspondence, other than the initial letter, has been received. If the Company were determined to be infringing any third-party patent, the Company could be required to pay damages, alter its products or processes, obtain licenses or cease certain activities. If the Company is required to obtain any licenses, there can be no assurance that the Company will be able to do so on commercially favorable terms, if at all. Litigation, which could result in substantial costs to and diversion of effort by the Company, may also be necessary to enforce any patents issued or licensed to the Company or to determine the scope and validity of third-party proprietary rights. Any such litigation or interference proceeding, regardless of outcome, could be expensive and time consuming and could subject the Company to significant liabilities to third parties, require disputed rights to be licensed from third parties or require the Company to cease using such technology and, consequently, could have a material adverse effect on the Company's business, operating results and financial condition.

ENVIRONMENTAL REGULATIONS. Federal, state and local regulations impose various environmental controls on the use, storage, discharge or disposal of toxic, volatile or otherwise hazardous chemicals and gases used in certain manufacturing processes, including those utilized by Dock Resins. As a result of historic off-site disposal practices, Dock Resins was recently involved in two actions seeking to compel the generators of hazardous waste to remediate hazardous waste sites. Dock Resins has been informed by its counsel that it is a DE MINIMIS generator to these sites, and that its financial exposure in these sites is not material to the Company's financial position. These matters have been settled on terms consistent with the above. In addition, the New Jersey Industrial Site Recovery Act ("ISRA") requires an investigation and remediation of any industrial establishment, like Dock Resins, which changes ownership. This statute was activated by the Company's acquisition of Dock Resins. Dock Resins has completed its investigation of the site, delineated the limited areas of concern on the site, and completed the bulk of the active remediation required under the statute. The costs associated with this effort are being borne by the former owner of Dock Resins, and counsel has advised Dock Resins and the Company that funds of the former owner required by ISRA to be set aside for this effort are sufficient to guarantee the successful completion of remedial activities at the site. In most cases, the Company believes its liability will be limited to sharing clean-up or other remedial costs with other potentially responsible parties. Any failure by the Company to control the use of, or to restrict adequately the discharge of, hazardous substances under present or future regulations could subject it to substantial liability or could cause its manufacturing operations to be suspended and could have a material adverse effect on the Company's business, operating results and financial condition. There can be no assurance that changes in environmental regulations will not impose the need for additional capital equipment or other requirements.

LIMITED SALES AND MARKETING EXPERIENCE. The Company has only limited experience marketing and selling its Intelimer polymer products. While Dock Resins will provide consultation and in some cases direct marketing support for Landec's Intelimer polymer products, establishing sufficient marketing and sales capability will require significant resources. The Company intends to distribute certain of its products through its corporate partners and other distributors and to sell certain other products through a direct sales force. There can be no assurance that the Company will be able to recruit and retain skilled sales management, direct salespersons or distributors, or that the Company's sales and marketing efforts will be successful. To the extent that the Company has or will enter into distribution or other collaborative arrangements for the sale of its products, the Company will be dependent on the efforts of third parties. There can be no assurance that such sales and marketing efforts will be successful and any failure in such efforts could have a material adverse effect on the Company's business, operating results and financial condition.

DEPENDENCE ON COLLABORATIVE PARTNERS AND LICENSEES. The Company's strategy for the development, clinical and field testing, manufacture, commercialization and marketing of certain of its current and future products includes entering into various collaborations with corporate partners, licensees and others. To date, the Company has entered into collaborative arrangements with The BFGoodrich Company and Hitachi Chemical in connection with its Intelimer Polymer Systems; Fresh Express Farms and Apio, Inc. in connection with its Intellipac breathable membrane products; Bissell in connection with the QuickCast splints and casts; Alcon in connection with the PORT ophthalmic devices; and Nitta Corporation and Hitachi Chemical in connection with its adhesive products. The Company is dependent on its corporate partners to develop, test, manufacture and/or market certain of its products. Although the Company believes that its partners in these collaborations have an economic motivation to succeed in performing their contractual responsibilities, the amount and timing of resources to be devoted to these activities are not within the control of the Company. There can be no assurance that such partners will perform their obligations as expected or that the Company will derive any additional revenue from such arrangements. There can be no assurance that the Company's partners will pay any additional option or license fees to the Company or that they will develop, market or pay any royalty fees related to products under the agreements. Moreover, certain of the collaborative agreements provide that they may be terminated at the discretion of the corporate partner, and certain of the collaborative agreements provide for termination under certain other circumstances. In addition, there can be no assurance as to the amount of royalties, if any, on future sales of QuickCast and PORT products as the Company no longer has control over the sales of such products since the sale of the QuickCast and the license of the PORT product lines.

There can be no assurance that the Company's partners will not pursue existing or alternative technologies in preference to the Company's technology. Furthermore, there can be no assurance that the Company will be able to negotiate additional collaborative arrangements in the future on acceptable terms, if at all, or that such collaborative arrangements will be successful. To the extent that the Company chooses not to or is unable to establish such arrangements, it would experience increased capital requirements to undertake research, development, manufacturing, marketing or sale of its current and future products. There can be no assurance that the Company will be able to independently develop, manufacture, market, or sell its current and future products in the absence of such collaborative agreements and failure to do so could have a material adverse effect on the Company's business, operating results and financial condition.

GOVERNMENT REGULATION. The Company's products and operations are subject to governmental regulation in the United States and foreign countries. Although Landec has no reason to believe that it will not be able to comply with all applicable regulations regarding the manufacture and sale of its products and polymer materials, such regulations are always subject to change and depend heavily on administrative interpretations and the country in which the products are sold. There can be no assurance that future changes in regulations or interpretations relating to such matters as safe working conditions, laboratory and manufacturing practices, environmental controls, and disposal of hazardous or potentially hazardous substances will not adversely affect the Company's business. There can be no assurance that the Company will not be required to incur significant costs to comply with such laws and regulations in the future, or that such laws or regulations will not have a material adverse effect on the Company's business, operating results and financial condition. Failure to comply with the applicable regulatory requirements can, among other things, result in fines, injunctions, civil penalties, suspensions or withdrawal of regulatory approvals, product recalls, product seizures, including cessation of manufacturing and sales, operating restrictions and criminal prosecution.

INTERNATIONAL OPERATIONS AND SALES. In the third quarter of fiscal years 1999 and 1998, approximately 3% and 7%, respectively, of the Company's total revenues were derived from product sales to and collaborative agreements with international customers, and the Company expects that international revenues, although down on a percentage basis from historical levels, will continue to be an important component of its total revenues. The Company has recently entered into agreements with European distributors to sell certain products in the Industrial High Performance Materials market. A number of risks are inherent in international transactions. International sales and operations may be limited or disrupted by the regulatory approval process, government controls, export license requirements, political instability, price controls, trade restrictions, changes in tariffs or difficulties in staffing and managing international operations. Foreign regulatory agencies have or may establish product standards different from those in the United States, and any inability to obtain foreign regulatory approvals on a timely basis could have a material adverse effect on the Company's international business and its financial condition and results of operations. While the Company's foreign sales are currently priced in dollars, fluctuations in currency exchange rates, such as those recently experienced in many Asian countries which comprise a part of the territories of certain of the Company's collaborative partners, may reduce the demand for the Company's products by increasing the price of the Company's products in the currency of the countries to which the products are sold. There can be no assurance that regulatory, geopolitical and other factors will not adversely impact the Company's operations in the future or require the Company to modify its current business practices.

PRODUCT LIABILITY EXPOSURE AND AVAILABILITY OF INSURANCE. The testing, manufacturing, marketing, and sale of the products being developed by the Company involve an inherent risk of allegations of product liability. While no product liability claims have been made against the Company to date, if any such claims were made and adverse judgments obtained, they could have a material adverse effect on the Company's business, operating results and financial condition. Although the Company has taken and intends to continue to take what it believes are appropriate precautions to minimize exposure to product liability claims, there can be no assurance that it will avoid significant liability. The Company currently maintains medical and non-medical product liability insurance with limits in the amount of $4.0 million per occurrence and $5.0 million in the annual aggregate. There can be no assurance that such coverage is adequate or will continue to be available at an acceptable cost, if at all. A product liability claim, product recall or other claim with respect to uninsured liabilities or in excess of insured liabilities could have a material adverse effect on the Company's business, operating results and financial condition.

POSSIBLE VOLATILITY OF STOCK PRICE. Factors such as announcements of technological innovations, the attainment of (or failure to attain) milestones in the commercialization of the Company's technology, new products, new patents or changes in existing patents, the acquisition of new businesses or the sale or disposal of a part of the Company's businesses, or development of new collaborative arrangements by the Company, its competitors or other parties, as well as government regulations, investor perception of the Company, fluctuations in the Company's operating results and general market conditions in the industry may cause the market price of the Company's Common Stock to fluctuate significantly. In addition, the stock market in general has recently experienced extreme price and volume fluctuations, which have particularly affected the market prices of technology companies and which have been unrelated to the operating performance of such companies. These broad fluctuations may adversely affect the market price of the Company's Common Stock.

IMPACT OF YEAR 2000. The Year 2000 issue concerns the potential inability of computer applications, other information technology systems, and certain software-based "embedded" control systems to recognize and process properly date-sensitive information as the Year 2000 approaches and beyond. The Company could suffer material adverse impacts on its operations and financial results if the applications and systems used by the Company, or by third parties with whom the Company does business, do not accurately or adequately process or manage dates or other information as a result of the Year 2000 issue. The Company has completed a review of its financial accounting and inventory tracking systems and concluded that they are not materially affected by the Year 2000 issue.

The Company also uses a variety of other software applications, business information systems, accounting subsystems, process control systems and related software, communication devices, and networking and other operating systems. The Company has completed its inventory of all such systems and has begun testing, upgrading, replacing, or otherwise modifying these systems to adequately address the Year 2000 issue. The Company believes it will be able to timely modify or replace its affected systems to prevent any material detrimental effects on operations and financial results. The Company anticipates this work will continue, with appropriate testing, remediation and/or replacement taking place during the second half of 1999. Possible risks of this process include, but are not limited to, the ability of the Company's personnel and outside vendors to adequately and timely identify and resolve all critical Year 2000 issues. The Company can give no assurance that all critical Year 2000 issues will be resolved in a timely manner or that potentially unresolved issues would not have a material adverse impact on the results of operations.

The Company has certain key relationships with customers, vendors and outside service providers. Failure by the Company's key customers, vendors and outside service providers to adequately address the Year 2000 issue could have a material adverse impact on the Company's operations and financial results. The Company is currently assessing the Year 2000 readiness of these key customers and suppliers and, at this time, cannot determine what the impact of this assessment will be on the Company. The Company is primarily relying upon the voluntary disclosures from third parties for this review of their Year 2000 readiness. This assessment includes, but is not limited to, soliciting responses from each of these parties concerning their Year 2000 readiness and reviewing public documents filed by many of these parties. Management expects to complete the assessment of these key suppliers during the second half of 1999.

Since the Company anticipates that its affected systems will be remediated or replaced to timely address the Year 2000 issue and is currently focusing its resources in those areas, the Company has not yet developed any other contingency plans regarding the Year 2000 issue for its internal systems. However, the Company intends to develop contingency plans if at a later date management determines that any of its systems will not be Year 2000 compliant and that such noncompliance would be expected to have a material adverse impact on the Company's operations or financial results. Many of the identified risks from key customers, vendors and outside service providers are both general and speculative in nature, such as possible power or telecommunication failures, breakdowns in transportation systems, inability to process financial transactions, and similar events affecting general business services. The Company has not developed any contingency plans for these general risks, is not currently able to ascertain the likelihood that any of these risks will actually occur, and has not otherwise analyzed or identified possible "worst case" scenarios relating to Year 2000 issues. Once the Company has completed its assessment of Year 2000 readiness of key customers, vendors and outside service providers, management intends to develop contingency plans to mitigate material known detrimental effects that may be caused by their Year 2000 noncompliance. However, it is unlikely that any contingency plan would mitigate the adverse impact to the financial condition or operations of the Company of any catastrophic event due to the Year 2000 issue that leads to a prolonged disruption of essential services.

Management believes that total Year 2000 costs will not exceed $50,000, most of which will be incurred in fiscal year 1999. The costs associated with this effort are incremental to the Company. As of July 31, 1999, the Company has not incurred any external costs related to the Year 2000 issue. In addition to the costs mentioned above, the Company's capital spending for upgrading certain non-information systems to enhance the capabilities of those systems will be accelerated, in part, due to the Year 2000 issue. The total estimated increase in capital spending for these systems is anticipated to be under $200,000. As of July 31, 1999 the Company has incurred $75,000 of capital expenditures associated with replacing non-compliant equipment. The Company's current estimates of the amount of time and costs necessary to remediate and test its computer systems are based on the facts and circumstances existing at this time. The estimates were made using assumptions of future events including the continued availability of certain resources, Year 2000 readiness plans, implementation success by key third party vendors, and other factors. New developments may occur that could increase the Company's estimates of the amount of time and costs necessary to modify and test its various information and non-information systems. These potential developments include but are not limited to the availability and increased cost of personnel trained in this area of expertise, the ability to locate and correct all relevant computer codes and equipment, and any unanticipated Year 2000 problems from key customers, vendors, and outside service providers.

INTRODUCTION OF THE EURO. On January 1, 1999, certain member states of the European Economic Community fixed their respective currencies to a new currency, commonly known as the "Euro". During the three years beginning on January 1, 1999, business in these countries will be conducted both in the existing national currency, as well as the Euro. Companies operating in or conducting business in these countries will need to ensure that their financial and other software systems are capable of processing transactions and properly handling the existing currencies and the Euro. Based on the current level of direct European business conducted by the Company, and also because the Company expects that any transactions in Europe in the near future will be priced in U.S. dollars, the Company does not expect that introduction and use of the Euro will materially affect the Company's business. The Company will continue to evaluate the impact over time of the introduction of the Euro. However, if the Company encounters unexpected opportunities or difficulties in Europe, the Company's business could be adversely affected, including the inability to bill customers and to pay suppliers for transactions denominated in the Euro and the inability to properly record transactions denominated in the Euro in the Company's financial statements.

ITEM 3. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

27.1(+) Financial Data Schedule

(b) There were no reports on Form 8-K filed during the quarter ended July 31, 1999.

(+) filed herewith

SIGNATURES

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

LANDEC CORPORATION

By: /s/ Joy T. Fry

Joy T. Fry
Vice President, Finance and Administration
and Chief Financial Officer
(Duly Authorized and Principal Financial and Accounting Officer)

Date: September 13, 1999

LANDEC CORPORATION

INDEX TO EXHIBITS

5
1,000

9-MOS
OCT-31-1999
NOV-01-1998
JUL-31-1999
4,256
0
2,825
(43)
7,637
16,634
13,972
(4,016)
40,421
3,579
0
0
0
77,185
(42,976)
40,421
28,713
29,945
17,673
22,032
0
0
183
(197)
20
(217)
0
0
0
(217)
(0.02)
(0.02)