

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended September 30, 1996

Commission file number 0-1375

FARMER BROS. CO.

California
State of Incorporation

95-0725980
Federal ID Number

20333 S. Normandie Avenue, Torrance, California
Registrant's Address

90502
Zip

(310) 787-5200
Registrant's telephone number

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 ☒ NO ☐

Number of shares of Common Stock outstanding: 1,926,414 as of September 30, 1996.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Dollars in thousands, except per share data)

FARMER BROS. CO.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	For the three months ended September 30,	
	1996	1995
Net sales	\$52,785	\$55,038
Cost of goods sold	25,369	27,511
	27,416	27,527
Selling expense	20,181	19,220
General and administrative expenses	1,518	1,894
	21,699	21,114
Income from operations	5,717	6,413
Other income (expense):		
Dividend income	686	625
Interest income	1,444	1,208
Other, net	140	154
	2,270	1,987
Income before taxes	7,987	8,400
Income taxes	3,328	3,609
Net income	\$ 4,659	\$ 4,791
Net income per share	\$2.42	\$2.49

The accompanying notes are an integral part of these financial statements.

FARMER BROS. CO.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 1996	June 30, 1996
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 47,382	\$ 28,165
Short term investments	67,108	74,937
Accounts and notes receivable, net	17,128	18,822
Inventories	39,188	40,818
Income tax receivable	29	1,000
Deferred income taxes	2,616	2,616
Prepaid expenses	906	701
Total current assets	174,357	167,059
Property, plant and equipment, net	33,279	33,343
Notes receivable	1,841	1,841
Long term investments	40,514	40,058
Other assets	17,491	17,320
Deferred income taxes	1,521	1,269
Total assets	\$269,003	\$260,890
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 6,619	\$ 4,635
Accrued payroll expenses	4,111	4,153
Other	8,326	5,542
Total current liabilities	19,056	14,330
Accrued postretirement benefits	13,178	12,892
Commitments and contingencies	-	-
Shareholders' equity:		
Common stock, \$1.00 par value, authorized 3,000,000 shares; issued and outstanding 1,926,414 shares	1,926	1,926
Additional paid-in capital	569	568
Retained earnings	234,343	230,840
Investment valuation allowance	(69)	334
Total shareholders' equity	236,769	233,668
Total liabilities and shareholders' equity	\$269,003	\$260,890

The accompanying notes are an integral part of these financial statements.

FARMER BROS. CO.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the three months ended September 30,	
	1996	1995
Cash flows from operating activities:		
Net Income	\$ 4,659	\$ 4,791
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,430	1,253
Deferred income taxes	-	33
Other	(15)	(32)
Net (gain) loss on investments	(20)	(46)
Change in assets and liabilities:		
Short term investments	-	-
Accounts and notes receivable	1,685	(275)
Inventories	1,629	1,734
Income tax receivable	971	1,266
Prepaid expenses and other assets	(453)	(486)
Accounts payable	1,984	(3,730)
Accrued payroll expenses and other liabilities	2,743	2,338
Accrued postretirement benefits	286	441
Total adjustments	10,240	2,496
Net cash provided by operating activities	\$14,899	\$ 7,287

The accompanying notes are an integral part of these financial statements.

FARMER BROS. CO
CONSOLIDATED STATEMENTS OF CASH FLOWS
(CONTINUED)
(Unaudited)

For the three months
ended September 30,

	1996	1995
Net cash provided by operating activities:	\$14,899	\$ 7,287
Cash flows from investing activities:		
Purchases of property, plant and equipment	(1,308)	(2,809)
Proceeds from sales of property, plant and equipment	35	72
Purchases of investments	(72,417)	(26,777)
Proceeds from sales of investments	79,155	29,693
Notes issued	-	-
Notes repaid	9,000	50,000
Net cash provided by (used in) investing activities	5,474	229
Cash flows from financing activities:		
Dividends paid	(1,156)	(963)
Net cash used in financing activities	(1,156)	(963)
Net increase (decrease) in cash and cash equivalents	19,217	6,553
Cash and cash equivalents at beginning of year	28,165	8,321
Cash and cash equivalents at end of quarter	\$47,382	\$14,874
Supplemental disclosure of cash flow information:		
Income tax payments	\$ 579	\$ 215

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

A. Unaudited Financial Statements

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. It is management's opinion that all adjustments of a normal recurring nature necessary for a fair statement of the results of operations for the interim periods have been made.

B. Investments

(In thousands)	September 30, 1996		June 30, 1996	
	Cost	Fair Value	Cost	Fair Value
Current Assets				
Commercial Paper	\$24,446	\$24,148	\$34,609	\$34,775
U.S. Government Obligations	\$42,976	\$42,960	\$40,129	\$40,162
	\$67,422	\$67,108	\$74,738	\$74,937
Non-Current Assets				
U.S. Government Obligations	\$ 2,085	\$ 2,066	\$ 2,096	\$ 2,043
Corporate bonds	1,300	1,265	1,400	1,350
Preferred stocks	35,011	35,721	34,475	35,114
Liquid asset fund and other	1,858	1,463	1,551	1,551
	\$40,254	\$40,515	\$39,522	\$40,058

The gross unrealized gains and (losses) on securities classified as available for sale were \$1,026,000 and (\$1,079,000), respectively, at September 30, 1996, and \$1,263,000 and (\$528,000), respectively, at June 30, 1996. Gross realized gains from available for sale securities were \$23,000 and \$25,000 at September 30, 1995 and 1996, respectively.

The Company hedges interest rate risk in its portfolio of preferred stock. Deferred gains associated with the hedge are \$424,000 and \$162,000 at September 30 and June 30, 1996, respectively.

The contractual maturities of debt securities classified as current and non-current available for sale are as follows:

Maturities (In thousands)	Fair Value	
	09/30/96	06/30/96
Within 1 year	\$67,108	\$74,937
After 1 year through 5 years	2,066	2,043
After 5 years through 10 years	1,265	1,350
After 10 years	-	-
	\$70,439	\$78,330

C. Inventories

	Processed	Unprocessed	Total
(In thousands)			
September 30, 1996			
Coffee	\$ 5,147	\$12,308	\$17,455
Allied products	9,285	4,881	14,166
Coffee brewing equipment	2,291	5,276	7,567
	\$16,723	\$22,465	\$39,188
June 30, 1996			
Coffee	\$ 5,302	\$12,259	\$17,561
Allied products	10,846	4,847	15,693
Coffee brewing equipment	2,475	5,089	7,564
	\$18,623	\$22,195	\$40,818

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Market trends from the fiscal 1996 continued into fiscal 1997, with higher coffee prices and higher roast coffee costs contributing to improved gross profit and lower sales volume. Net sales decreased 4% to \$52,785,000 in the quarter ending September 30, 1996 as compared to \$55,038,000 in the same quarter of fiscal 1996. Gross profit decreased in the first quarter of fiscal 1997 to \$27,416,000 as compared to \$27,527,000 in same quarter of fiscal 1996.

Operating expenses, composed of selling and general and administrative expenses, increased 3% to \$21,699,000 in the current quarter compared to \$21,114,000 in the same quarter of the prior fiscal year. This increase is primarily the result of higher employee benefits and increased coffee brewing equipment related expenses.

Other income increased 14% to \$2,270,000 in the first quarter of fiscal 1997 as compared to \$1,987,000 in the same quarter of the prior fiscal year primarily resulting from an improved interest rate environment.

Income before taxes decreased 5% to \$7,987,000, or 15% of sales, in the first quarter of the 1997 fiscal year as compared to \$8,400,000, or 15% of sales, in the same quarter of 1996. Net income for the first quarter of fiscal 1997 decreased 3% to \$4,659,000 or \$2.42 per share, from \$4,791,000, or \$2.49 per share, recorded in the first quarter of fiscal 1996.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, Continued

Quarterly Summary of Results
(in thousands of dollars)

	09/30/95	12/31/95	03/31/96	06/30/96	09/30/96
Net sales	55,038	58,571	56,774	53,692	52,785
Gross profit	27,527	30,865	30,885	29,534	27,416
Operating income	6,413	8,007	7,939	6,839	5,717
Net income	4,791	6,573	6,391	5,608	4,659

(as a percentage of sales)

	09/30/95	12/31/95	03/31/96	06/30/96	09/30/96
Net sales	100.00	100.00	100.00	100.00	100.00
Gross profit	50.01	52.69	54.40	55.00	51.94
Operating income	11.65	13.67	13.98	12.74	10.83
Net income	8.70	11.22	11.26	10.44	8.82

(in dollars)

	09/30/95	12/31/95	03/31/96	06/30/96	09/30/95
EPS	2.49	3.41	3.32	2.91	2.42

Part II Other Information

Item 1. Legal proceedings.	not applicable.
Item 2. Changes in securities.	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.	
(2) Plan of acquisition, reorganization, arrangement, liquidation or succession.	not applicable.
(4) Instruments defining the rights of security holders, including indentures.	not applicable.
(11) Statement re computation of per share earnings.	not applicable.

Part II Other Information, Continued

(15) Letter re unaudited interim financial information.	not applicable.
(18) Letter re change in accounting principles.	not applicable.
(19) Report furnished to security holders	not applicable.
(22) Published report regarding matters submitted to vote of security holders.	not applicable.
(23) Consents of experts and counsel.	not applicable.
(24) Power of attorney.	not applicable.
(27) Financial Data Schedule.	See attached Form EX-27.
(99) Additional exhibits.	not applicable.
(b) Reports on Form 8-K	none.

SIGNATURES

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

Date: November 14, 1996

FARMER BROS. CO.

(Registrant)

John E. Simmons

John E. Simmons
Treasurer and
Chief Financial Officer

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FARMER BROS CO
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