

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 December 31, 1999

Commission file number 0-1375

FARMER BROS. CO.

California	95-0725980
State of Incorporation	Federal ID Number
20333 S. Normandie Avenue, Torrance, California	90502
Registrant's Address	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 requirement for the past 90 days. YES [X] NO []

Number of shares of Common Stock outstanding: 1,851,039 as of December 31, 1999.

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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 December 31,		For the six months ended December 31,	
	1999	1998	1999	1998
Net sales	\$56,303	\$58,408	\$109,371	\$112,443
Cost of goods sold	23,400	26,313	43,698	49,233
	32,903	32,095	65,673	63,210
Selling expense	20,230	19,836	40,160	39,750
General and administrative expenses	2,214	1,914	4,205	3,794
	22,444	21,750	44,365	43,544
Income from operations	10,459	10,345	21,308	19,666
Other income (expense):				
Dividend income	654	582	1,269	1,187
Interest income	2,384	2,290	4,654	4,529
Other, net	363	(42)	109	358
	3,401	2,830	6,032	6,074
Income before taxes	13,860	13,175	27,340	25,740
Income taxes	5,544	5,270	10,936	10,296
Net income	\$ 8,316	\$ 7,905	\$ 16,404	\$ 15,444
Earnings per common share	\$4.45	\$4.10	\$8.77	\$8.02
Weighted average shares outstanding	1,870,134	1,926,414	1,870,444	1,926,414
Dividends declared per common share	\$0.75	\$0.70	\$1.50	\$1.40

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

FARMER BROS. CO.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	December 31, 1999	June 30, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,948	\$ 4,403
Short term investments	94,972	122,203
Accounts and notes receivable, net	21,676	18,199
Inventories	33,680	33,675
Income tax receivable	-	249
Deferred income taxes	2,391	2,391
Prepaid expenses	931	429
Total current assets	163,598	181,549
Property, plant and equipment, net	36,213	31,543
Notes receivable	3,884	3,884
Long term investments, net	105,806	81,760
Other assets	22,475	21,382
Deferred income taxes	5,724	4,718
Total assets	\$337,700	\$324,836

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 7,096	\$ 4,786
Accrued payroll expenses	5,156	5,388
Other	6,681	5,744
Total current liabilities	18,933	15,918
Accrued postretirement benefits	18,512	17,707
Other long term liabilities	3,500	3,500
	22,012	21,207
Commitments and contingencies	-	-
Shareholders' equity:		
Common stock, \$1.00 par value, authorized 3,000,000 shares; issued 1,926,414 and outstanding 1,851,039 shares at December 31, 1999 and 1,870,754 shares at June 30, 1999	1,851	1,871
Additional paid-in capital	3,131	3,164
Retained earnings	293,680	283,191
Accumulated other comprehensive (loss)	(1,907)	(515)
Total shareholders' equity	296,755	287,711
Total liabilities and shareholders' equity	\$337,700	\$324,836

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

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

	For the six months ended December 31,	
	1999	1998
Cash flows from operating activities:		
Net Income	\$ 16,404	\$ 15,444
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,872	2,770
Other	43	(55)
Net loss (gain) on investments	182	(158)
Changes in assets and liabilities:		
Accounts and notes receivable	(3,545)	(2,349)
Inventories	(5)	2,448
Income tax receivable	249	453
Prepaid expenses and other assets	(1,633)	(952)

Accounts payable	2,310	3,712
Accrued payroll expenses and other liabilities	705	(1,816)
Accrued postretirement benefits	805	887
Total adjustments	\$ 1,983	\$ 4,940
Net cash provided by operating activities	\$ 18,387	\$ 20,384

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

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

	For the six months ended December 31,	
	1999	1998
Net cash provided by operating activities:	\$ 18,387	\$ 20,384
Cash flows from investing activities:		
Purchases of property, plant and equipment	(7,722)	(2,528)
Proceeds from sales of property, plant and equipment	176	62
Purchases of investments	(162,031)	(325,859)
Proceeds from sales of investments	162,636	312,627
Notes issued	-	(54)
Notes repaid	68	88
Net cash used in investing activities	(6,873)	(15,664)
Cash flows from financing activities:		
Dividends paid	(2,809)	(2,697)
Purchase of common stock	(3,160)	-
Net cash used in financing activities	(5,969)	(2,697)
Net increase in cash and cash equivalents	5,545	2,023
Cash and cash equivalents at beginning of year	4,403	6,800
Cash and cash equivalents at end of quarter	\$ 9,948	\$ 8,823
Supplemental disclosure of cash flow information:		
Income tax payments	\$ 9,993	\$ 10,504

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

Notes to Consolidated Financial Statements (Unaudited)

Note 1. 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.

Note 2. Investments

The Company hedges interest rate risk in its portfolio of preferred stock. Deferred gains and losses associated with the hedge are \$265,000 and (\$923,000) at December 31, 1999 and June 30, 1999, respectively.

(In thousands)		Gross Unrealized Loss	Gross Unrealized Gain	Fair Value
December 31, 1999	Cost			
Current Assets				
Commercial Paper	\$ -	-	-	-
U.S. Government Obligations	95,283	(311)		-
94,972				
	\$ 95,283	(311)	-	\$ 94,972
Non-Current Assets				
U.S. Government Obligations	59,892	(1,373)	-	58,519
Municipal debt	1,695	(9)	-	1,686
Preferred stocks	38,967	(2,228)	803	37,542
Corporate bonds	3,083	(341)	4	2,746
Liquid asset fund and other	4,304	-	1,009	5,313
	\$107,941	(3,951)	1,816	\$105,806
(In thousands)		Gross Unrealized Loss	Gross Unrealized Gain	Fair Value
June 30, 1999	Cost			
Current Assets				
Commercial Paper	\$ 11,895	-	27	\$ 11,922
U.S. Government Obligations	110,368	(126)	39	110,281
	\$122,263	(126)	66	\$122,203
Non-Current Assets				
U.S. Government Obligations	\$ 35,015	(842)	-	\$ 34,173
Municipal debt	1,695	(8)	-	1,687
Preferred stocks	37,538	(548)	2,049	39,039
Corporate bonds	5,075	(461)	-	4,614
Liquid asset fund and other	2,247	-	-	2,247
	\$ 81,570	(1,859)	2,049	\$ 81,760

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

Maturities (In thousands)	Fair Value	
	12/31/99	06/30/99
Within 1 year	\$ 94,972	\$122,203
After 1 year through 5 years	60,205	35,860
	\$155,177	\$158,063

Gross realized gains and losses from available for sale securities were \$714,000 and \$(897,000) at December 31, 1999, respectively, and \$979,000 and \$(821,000) at December 31, 1998, respectively.

Note 3. Inventories

(In thousands)	Processed	Unprocessed	Total
December 31, 1999			
Coffee	\$ 3,822	\$ 9,220	\$13,042
Allied products	9,041	4,940	13,981
Coffee brewing equipment	1,823	4,834	6,657
	\$14,686	\$18,994	\$33,680
June 30, 1999			
Coffee	\$ 3,619	\$ 9,314	\$12,933
Allied products	11,078	3,424	14,502
Coffee brewing equipment	2,258	3,982	6,240
	\$16,955	\$16,720	\$33,675

Note 4. Comprehensive Income

Effective July 1, 1998, the Company adopted Statement of Financial Accounting Standards (SFAS 130) "Reporting Comprehensive Income". SFAS 130 requires disclosure of total non-stockholder changes in equity in interim periods and additional disclosures of the components of non-stockholder changes in equity on an annual basis. Total non-stockholder changes in equity includes all changes in equity during a period except those resulting from investments by and distributions to shareholders.

(In thousands)	For the three months ended December 31,		For the six months ended December 31,	
	1999	1998	1999	1998
Net income	\$ 8,316	\$ 7,905	\$16,404	\$15,444
Unrealized investment gains (losses), net	(1,010)	(736)	(1,392)	(1,641)
Total comprehensive income	\$ 7,306	\$ 7,169	\$15,012	\$13,803

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

Net sales for the second quarter of fiscal 2000 decreased 4% to \$56,303,000 from \$58,408,000 in the same quarter of the prior fiscal year and net sales for the first half of fiscal 2000 decreased 3% to \$109,371,000 from \$112,443,000 in the first half of fiscal 1999. Decreased roast coffee sales volume and lower roast coffee prices offset increased sales of allied products and combined with lower green coffee costs resulted in increased gross profit. Second quarter gross profit increased 3% to \$32,903,000 or 58% of sales, as compared to \$32,095,000, or 55% of sales, in the same quarter of fiscal 1999. Gross profit for the first half of fiscal 2000 increased 4% to \$65,673,000 or 60% of sales from \$63,210,000 or 56% of sales during the same period of fiscal 1999.

Operating expenses increased 3% to \$22,444,000 in the second quarter of fiscal 2000 as compared to \$21,750,000 in the second quarter of fiscal 1999. Operating expenses for the first half of fiscal 1999 increased 2% to \$44,365,000 from \$43,544,000 during the same period of fiscal 1999.

Income after taxes for the second quarter of fiscal 2000 reached \$8,316,000, or \$4.45 per share, as compared to \$8,088,000, or \$4.32 per share, in the first quarter of fiscal 2000 and \$7,905,000, or \$4.10 per share, in the same quarter of fiscal 1999. Net income for the first half of fiscal 2000 reached \$16,404,000, or \$8.77 per share, as compared to \$15,444,000, or \$8.02 per share, in the first six months of fiscal 1999.

QUARTERLY SUMMARY OF RESULTS

(In thousands of dollars)

	12/31/98	03/31/99	06/30/99	09/30/99	12/31/99
Net sales	58,408	55,207	53,921	53,068	56,303
Gross profit	32,095	35,153	33,374	32,770	32,903
Operating income	10,345	12,144	4,960	10,849	10,459
Net income	7,905	9,159	4,262	8,088	8,316

(As a percentage of sales)

	12/31/98	03/31/99	06/30/99	09/30/99	12/31/99
Net sales	100.00	100.00	100.00	100.00	100.00
Gross profit	54.95	63.67	61.89	61.75	58.44
Operating income	17.71	22.00	9.20	20.44	18.58
Net income	13.53	16.59	7.90	15.24	14.77

(In dollars)

	12/31/98	03/31/99	06/30/99	09/30/99	12/31/99
EPS	4.10	4.83	2.29	4.32	4.45

Employee Stock Ownership Plan

On December 21, 1999, Registrant filed a Form 8-K in which the Company announced that it established an employee stock ownership plan (ESOP) effective January 1, 2000. This plan provides the Registrant with a flexible means of acquiring Company stock from any source. In addition to providing existing employees with a long-term incentive plan, the ESOP also helps make the Company's compensation package more competitive in a tight labor market and it provides all shareholders with a source of liquidity.

The plan will initially be established as a leveraged ESOP and the Company will be the initial lender. The Company expects to make the necessary investment in this program to purchase up to 300,000 shares of Company stock at times and in increments compatible with other corporate objectives. Approximately 77,500 shares, owned by a subsidiary, have been acquired for this purpose and Registrant expects to make additional share contributions either through open market purchases and negotiated purchase transactions or by issuing new shares to the ESOP.

Year 2000 Issues

During this early part of year 2000, Registrant has not realized any material effect of year 2000 issues. It is too early to conclude that no

further issues need be addressed, and the Company is proceeding with its business plan.

Market Risk Disclosures

Financial Markets

Securities are recorded at fair value and unrealized gains or losses have been recorded as a separate component of shareholders equity. The Company maintains two distinct portfolios of securities, both portfolios are classified as available for sale.

The Company's portfolio of investment grade money market instruments includes bankers acceptances, discount commercial paper, federal agency issues and treasury securities. As of December 31, 1999, over 40% of these funds were invested in instruments with maturities shorter than three months. The remaining balance matures during fiscal 2001 and 2002. This portfolio's interest rate risk is unhedged. Its average maturity is approximately 255 days and a 100 basis point move in the Fed Funds Rate is illustrated in the following table.

Interest Rate Changes

(In thousands)

	Market Value of December 31, 1999 Fixed Income Investments	Change in Market Value of Fixed Income Investments
- -100 b.p.	\$164,632	1,590
unchanged	\$163,042	-
+100 b.p.	\$161,452	(1,590)

The Company is exposed to market value risk arising from changes in interest rates on its portfolio of preferred securities. The Company reviews the interest rate sensitivity of these securities and (a) enters into "short positions" in futures contracts on U.S. Treasury securities or (b) holds put options on such futures contracts in order to reduce the impact of certain interest rate changes on such preferred stocks. Specifically, the Company attempts to manage the risk arising from changes in the general level of interest rates. The Company does not transact in futures contract or put options for speculative purposes.

The following table demonstrates the impact of varying interest rate changes based on the preferred stock holdings, futures and options positions, and market yield and price relationships between the prices of preferred securities holdings, the yields on U.S. Treasury securities, and related futures and options.

Interest Rate Changes

(In thousands)

	Market Value at December 31, 1999			Change in Market
	Preferred Securities	Futures and Options	Total Portfolio	Value of Total Portfolio
- -200 basis points ("b.p.")	\$47,252.4	\$0.9	\$47,253.3	\$4,624.3
- -100 b.p.	43,898.7	179.5	44,078.2	1,449.2
Unchanged	40,378.2	2,250.8	42,629.0	0.0
+100 b.p.	37,037.1	5,638.8	42,675.9	46.9
+200 b.p.	34,023.8	8,501.3	42,525.1	(104.0)

The number and type of futures and options contracts entered into depends on, among other items, the specific maturity and issuer redemption provisions for each preferred security held, the slope of the Treasury yield curve, the expected volatility of Treasury yields, and the costs of using futures and/or options. At December 31, 1999 the hedge consisted entirely of put options on the U.S. Treasury Bond futures contract.

Commodity Price Changes

The Company is exposed to commodity price risk arising from changes in the market price of green coffee. Registrant prices its inventory on the LIFO basis. In the normal course of business, the Company enters into commodity purchase agreements with suppliers, and futures contracts to hedge exposure to inventory price fluctuations. The Company does not transact in futures contracts or put options for speculative purposes.

The following table demonstrates the impact of changes in the price of green coffee inventory and hedge instruments at December 31, 1999. It assumes an immediate change in the price of green coffee, and the demonstrable relationship between the price of green coffee and the valuations of coffee index futures and put options and relevant commodity purchase agreements at December 31, 1999, and does not take into account fluctuations of inventory levels and futures and options activity.

Commodity Risk Disclosure
(In thousands)

Coffee Cost Change	Coffee Inventory	Market Value of December 31, 1999 Futures & Options	Total	Change in Market Value
- -10%	\$13,042	\$ 2,046	\$15,088	\$ 1,683
unchanged	\$13,042	\$ 363	\$13,405	-
+10%	\$13,042	\$ (1,320)	\$11,722	\$ (1,683)

At December 31, 1999 the hedge consisted of commodity futures with maturities shorter than three months.

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 computations of per share earnings. not applicable.

(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 December 21, 1999.

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: February 14, 2000

FARMER BROS. CO.
(Registrant)

John E. Simmons

John E. Simmons
Treasurer and
Chief Financial Officer

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