SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended June 30, 1998

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

Securities registered pursuant to Section 12(b) of the Act: None

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

Title of each class	Name on each exchange on which registered
Common stock,	OTC

$1.00 par value

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 [ ]

Number of shares of Common Stock, $1.00 par value, outstanding as of August 3, 1998: 1,926,414 and the aggregate market value of the common shares held by non-affiliates of the Registrant was approximately $189 million.

Documents Incorporated by Reference

Certain portions of the Registrant's definitive Proxy Statement to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, in connection with the Annual Meeting of Shareholders of the Registrant to be held on November 30, 1998 are incorporated by reference into Part III of this report. The Form 8-K/A dated and filed with the SEC on April 14, 1997 is incorporated by reference into Part II of this report.

PART I

Item 1. Business

General: Farmer Bros. Co. (the "Company" or "Registrant") was incorporated in California in 1923, and is in the business of roasting, packaging and distributing coffee and allied products to restaurants, hotels, hospitals, convenience stores and fast food outlets.

Raw Materials and Supplies: Registrant's primary raw material is green coffee. Roast coffee sales account for approximately 61% of revenues. Coffee purchasing, roasting and packaging takes place at Registrant's Torrance, California plant, which is also the distribution hub for its branches. Green coffee is purchased through domestic commodity brokers. Coffee is an agricultural commodity, and is subject to fluctuations of both price and supply. Registrant has not been confronted by shortages in the supply of green coffee. Green coffee is grown outside the United States and can be subject to volatile price fluctuations resulting from concerns about crop availability and related conditions, such as weather, political events and social instability, in coffee producing nations. Government actions and trade restrictions between our own and foreign governments can also influence prices.

Green coffee prices continue to be affected by the actions of producer organizations. The most prominent of these are the Colombian Coffee Federation (CCF), the Association of Coffee Producing Countries (ACPC) and the International Coffee Organization (ICO). These organizations seek to increase green coffee prices, largely by attempting to restrict supplies, thereby limiting the availability of green coffee to coffee consuming nations.

Trademarks & Patents: Registrant owns approximately 36 registered U.S. trademarks which are integral to customer identification of its products. It is not possible to assess the impact of the loss of such identification.

Seasonality: Registrant experiences some seasonal influences. The winter months are the best sales months. Registrant's product line and geographic diversity provides some sales stability during the summertime decline in coffee consumption during the warmer months.

Distribution: Registrant's products are distributed by its selling divisions from 97 branches located in most large cities throughout the western states. The diversity of the product line (over 300 products) and size of the geographic area served requires each branch to maintain a sizable inventory. Registrant operates its own trucking fleet to more effectively control the supply of these warehouses.

Customers: No customer represents a significant concentration of sales. The loss of any one or more of the larger customer accounts would have no material adverse effect on the Company. Customer contact and service quality, which is integral to Registrant's sales effort, is often secondary to product pricing for customers with their own distribution systems.

Item 1. Business, Continued

Competition: Registrant faces competition from many sources, including multi-national companies like Procter and Gamble, Nestle and Philip Morris, grocery distributors like Sysco and U.S. Food Service and regional roasters like Boyd Coffee Co., Lingle Bros. and Royal Cup. Registrant has some competitive advantages due to its longevity, strong regional roots and sales and service force. Registrant's customer base is price sensitive and the Company is often faced with price competition.

Working Capital: Registrant finances its operations internally. Management believes that working capital from internal sources will be adequate for the coming year.

Foreign Operations: Registrant has no material revenues that result from foreign operations. Coffee brewing equipment is sold through distributors in Canada and Japan and manufactured in Europe under license.

Other: On June 30, 1998, Registrant employed 1,132 employees; 454 are subject to collective bargaining agreements. The effects of compliance with government provisions regulating discharge of materials into the environment have not had a material effect on the Company's financial condition or results of operations. The nature of Registrant's business does not provide for maintenance of or reliance upon a sales backlog.

Item 2. Properties

Registrant's largest facility is the 474,000 sq. ft. roasting plant, warehouses and administrative offices in Torrance, California. Registrant believes the existing plant will continue to provide adequate production capacity for the foreseeable future.

Item 3. Legal Proceedings

Registrant is a defendant in various legal proceedings incidental to its business which are ordinary and routine. It is management's opinion that the resolution of these lawsuits will not have a material impact on the Company's financial condition or results of operations.

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

None.

PART II

Item 5. Market for Registrant's Common Equity and Related Shareholder Matters

Registrant has one class of common stock which is traded in the over the counter market. The bid prices indicated below are as reported by NASDAQ and represent prices between dealers, without including retail mark up, mark down or commission, and do not necessarily represent actual trades.

	1998			1997		
	High	Low	Dividend	High	Low	Dividend
1st Quarter	$154.00	$127.00	$0.60	$154.00	$135.00	$0.60
2nd Quarter	188.00	144.00	0.65	154.00	142.00	0.60
3rd Quarter	193.00	163.00	0.65	155.00	130 00	0.60
4th Quarter	239.00	191.00	0.65	135.00	125.00	0.60

There were 559 holders of record on July 17, 1998.

Item 6. Selected Financial Data

(In thousands, except per share data)

	1998	1997	1996
Net sales	$240,092	$224,802	$224,075
Income from operations	40,955	16,789	29,198
Net income	33,400	16,690	23,363
Net income per share	$17.34	$8.66	$12.13
Total assets	$307,012	$276,849	$260,890
Dividends declared per share	$2.55	$2.40	$2.15

	1995	1994
Net sales	$234,662	$193,861
Income from operations	25,235	9,488
Net income	19,517	10,330
Net income per share	$10.13	$5.36
Total assets	$244,340	$219,903
Dividends declared per share	$2.00	$2.00

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

Registrant continues to maintain a strong working capital position, and management believes cash requirements for the coming year will be provided by internal sources. Registrant has no major commitments for capital expenditures at this time.

(In thousands except ratio data)

	1998	1997	1996
Current assets	$194,828	$170,346	$167,059
Current liabilities	16,159	16,380	14,330
Working capital	$178,669	$153,966	$152,729
Quick ratio	9.46:1	7.96:1	8.51:1
Capital Expenditures	$ 3,035	$ 4,403	$ 5,277

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Continued

Results of Operations

Fiscal 1998 was a year of mixed results. The restaurant industry in Registrant's service continues to exhibit weakness. California, in particular, has been slow to show growth. The aftermath of the 1994 frosts in the Brazil coffee growing areas and a perceived shortage of coffee beans perpetrated by the ACPC, ICO, and the Brazilian growers during fiscal 1997 have caused the green coffee market to make dramatic price swings. Coffee prices increased 250% from December, 1996 to the end of May, 1997. The market may have stabilized during fiscal 1998, and world green coffee prices have been pressured by a large 1998 Brazilian coffee crop.

Higher green coffee costs result in higher prices of roast coffee that result in lower sales volume. During 1998 green coffee costs have declined, and competitive pressures continue to force decreases in the selling price of roast coffee. Although profit margins are more in line with historic results, competition from non-coffee beverages, both hot and cold, have reduced market share. As a result, the Company has worked hard to maintain and improve its distribution system, has added and experimented with new allied products and tried to restrain operating costs, with special attention toward making its operations more efficient.

Net sales reached $240,092,000 in 1998 as compared to $224,802,000 in 1997, and $224,075,000 in 1996. Gross profit increased to $132,124,000 in 1998, or 55% of sales, compared to $107,792,000 in 1997, or 48% of sales, and $118,811,000 in 1996, or 53% of sales.

Operating expenses, composed of selling and general and administrative expenses have remained comparatively stable, increasing to $91,169,000 in 1998 from $91,003,000 in 1997 and $89,613,000 in 1996. Other income, increased 13% to $11,882,000 in 1998 as compared to $10,521,000 in 1997, and $9,691,000 in 1996 primarily the result of more funds invested.

Income before taxes increased to $52,837,000 or 22% of sales in 1998, as compared to $27,310,000 or 12% of sales in 1997 and $38,889,000 or 17% of sales in 1996. Net income for fiscal year 1998 reached $33,400,000, or $17.34 per share, as compared to $16,690,000, or $8.66 per share, in 1997 and $23,363,000, or $12.13 per share, in 1996.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Continued

	1998	1997	1996
Net income per share	$17.34	$8.66	$12.13

Percentage change:

	1998 to 1997	1997 to 1996
Net sales	6.8%	0.3%
Cost of goods sold	(7.7)%	11.2%
Gross profit	22.6%	(9.3)%
Operating expenses	0.2%	1.6%
Income from operations	143.9%	(42.5)%
Provision for income taxes	83.0%	(31.6)%
Net income	100.1%	(28.6)%

Change in Earnings Per Share

A summary of the change in earnings per share, which highlights factors discussed earlier, is as follows:

		Per Share Earnings 1998 vs. 1997	Per Share Earnings 1997 vs. 1996
Coffee:	Prices	$10.80	$2.49
	Volume	(4.06)	(3.75)
	Cost	4.34	(5.13)
	Gross Profit	11.08	(6.39)
Allied products: Gross Profit		1.56	0.67
Operating expenses		(0.09)	(0.72)
Other income		0.71	.43
Provision for income taxes		(4.58)	2.54
Net income		$8.68	$(3.47)

Price Risk

The Company's operations are significantly impacted by the world market for its primary product: coffee. Coffee is an agricultural product that is produced in many nations around the world. Although it is consumed in those nations, the largest coffee consuming nation is the United States, followed by the nations of Western Europe. Green coffee is traded domestically on the New York Coffee, Sugar & Cocoa Exchange (CSCE), and is one of the largest and most volatile commodity markets.

The most important aspect of the Company's operations is to secure a consistent supply of coffee. Some proportion of green coffee price fluctuations can be passed through to Registrant's customers, even if lagging the market changes; but maintaining a steady supply of green coffee is essential to keep inventory levels low and sufficient stock to meet customer needs. Registrant purchases all its coffee through established coffee brokers, many of which are large international firms, to help minimize the risk of default on coffee deliveries. The Company purchases much of its coffee on forward contracts, occasionally for delivery as long as six months in the future. Sometimes these contracts are fixed price contracts, regardless of the change in the price of green coffee between the contract and delivery dates. At other times these contracts are variable price contracts, that allow the delivered price of contracted coffee to reflect the market price of coffee at the delivery date.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Continued

The Company occasionally uses futures contracts to hedge exposure to coffee price fluctuations. Gains on hedging transactions are deferred as an adjustment to the carrying value of the inventory. Losses on the hedging transactions are recognized in earnings currently and the Company's green coffee inventory is adjusted currently through its LIFO methodology. Futures contracts not designated as hedges, and terminations of contracts designated as hedges are marked to market and changes are recognized in current earnings. The Company had no open contracts at June 30, 1998, 1997 and 1996.

Year 2000 Issues
With the arrival of the year 2000, there exists a significant issue that directly impacts the ability of information systems and non-computing equipment to handle dates in their processing. Management continues to assess these issues, and has identified three major computer systems that are not year 2000 compliant. Efforts are underway to convert or replace these systems to new software and or new hardware. The cost of the conversion of these systems is not material and has been expensed as incurred. Registrant expect to be substantially completed during fiscal 1999. Production hardware, non-information technology systems and external agents have been assessed. Registrant continues to review the situation, but has no reason at this time to believe that any material impact will result.

Accounting Pronouncements
Recently issued accounting changes are described in Note A to the consolidated financial statements.

Item 7a. Qualitative and Quantitative Disclosures About Market Risk

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 June 30, 1998, over 98% of these funds were invested in instruments with maturities shorter than one year. The remaining balance matures during fiscal 2000. This portfolio's interest rate risk is unhedged. Its average maturity is approximately 90 days and a 100 basis point move in the Fed Funds Rate would not have a material effect on Registrant's results of operations.

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 contracts 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 at June 30, 1998. This table is predicated on an instantaneous change in the general level of interest rates and assumes predictable 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 of Preferred Securities	Market Value of Futures and Options	Total Portfolio	Change in Market Value of Total Portfolio
- -200 basis points ("b.p.")	$47,430.3	$ 0.0	$47,430.3	$ 4,653.3
- -100 b.p.	45,124.3	0.3	45,124.6	2,347.6
Unchanged	42,353.8	423.2	42,777.0	-
+100 b.p.	39,443.7	2,971.2	42,414.9	(362.1)
+200 b.p.	36,615.7	5,673.2	42,288.9	(488.1)

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 June 30, 1998 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 coffee. Registrant tries to manage this risk by adjusting its inventory position. Commodity hedge instruments are sometimes used, depending on market conditions. As of June 30, 1998 there were no open hedge positions. See Items 1 and 7 for futher discussion of inventory and price risk.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders
of Farmer Bros. Co. and Subsidiary

We have audited the accompanying consolidated balance sheet of Farmer Bros. Co. and Subsidiary (the "Company") as of June 30, 1998 and 1997, and the related consolidated statements of income, cash flows, and shareholders' equity for the two years in the period ended June 30, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Farmer Bros. Co. and Subsidiary at June 30, 1998 and 1997 and the consolidated results of their operations and their cash flows for the two years in the period ended June 30, 1998, in conformity with generally accepted accounting principles.

Ernst & Young LLP

Long Beach, California
September 16, 1998

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders
of Farmer Bros. Co. and Subsidiary

We have audited the consolidated statements of income, shareholders' equity and cash flows of Farmer Bros. Co. for the year ended June 30, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the Company's consolidated results of its operations and its cash flows for the year ended June 30, 1996 in conformity with generally accepted accounting principles.

Coopers & Lybrand L.L.P.

Los Angeles, California
September 25, 1996

FARMER BROS. CO.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share data)

	June 30, 1998	June 30, 1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,800	$ 34,174
Short term investments	128,004	77,791
Accounts and notes receivable, net	18,006	18,401
Inventories	38,067	35,176
Income tax receivable	649	2,216
Deferred income taxes	2,776	1,804
Prepaid expenses	526	784
Total current assets	194,828	170,346
Property, plant and equipment, net	30,551	32,526
Notes receivable	3,988	2,977
Long term investments	55,801	51,341
Other assets	19,527	18,035
Deferred income taxes	2,317	1,624
Total assets	$307,012	$276,849
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 5,605	$ 7,510
Accrued payroll expenses	4,876	4,247
Other	5,678	4,623
Total current liabilities	16,159	16,380
Accrued postretirement benefits	15,941	14,347
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	568	568
Retained earnings	271,395	242,907
Investment valuation allowance	1,023	721
Total shareholders' equity	274,912	246,122
Total liabilities and shareholders' equity	$307,012	$276,849

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

FARMER BROS. CO.
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands, except per share data)

	For the Years Ended June 30,		
	1998	1997	1996
Net sales	$240,092	$224,802	$224,075
Cost of goods sold	107,968	117,010	105,264
	132,124	107,792	118,811
Selling expense	82,207	82,967	81,515
General and administrative expense	8,962	8,036	8,098
	91,169	91,003	89,613
Income from operations	40,955	16,789	29,198
Other income:			
Dividend income	2,591	2,662	2,549
Interest income	8,055	6,624	6,128
Other, net	1,236	1,235	1,014
	11,882	10,521	9,691
Income before taxes	52,837	27,310	38,889
Income taxes	19,437	10,620	15,526
Net income	$ 33,400	$ 16,690	$ 23,363
Net income per share	$17.34	$8.66	$12.13
Weighted Average Shares Outstanding	1,926,414	1,926,414	1,926,414

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

FARMER BROS. CO.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	For the years ended June 30,		
	1998	1997	1996
Cash flows from operating activities:			
Net income	$33,400	$16,690	$23,363
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	4,980	5,353	5,698
Deferred income taxes	(1,912)	197	145
Other	(72)	(144)	(645)
Net (gain) on investments	(864)	(641)	(510)
Change in assets and liabilities:			
Accounts and notes receivable	965	466	(383)
Inventories	(2,891)	5,642	(4,057)
Income tax receivable	1,567	(1,216)	265
Prepaid expenses and other assets	(1,298)	(1,014)	(1,931)
Accounts payable	(1,905)	2,875	(4,773)
Accrued payroll expenses and other liabilities	1,684	(825)	379
Accrued postretirement benefits	1,594	1,455	1,387
Total adjustments	1,848	12,148	(4,425)
Net cash provided by operating activities	$35,248	$28,838	$18,938

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

FARMER BROS. CO
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	For the Years Ended June 30,		
	1998	1997	1996
Net cash provided by operating activities:	$ 35,248	$ 28,838	$ 18,938
Cash flows from investing activities:			
Purchases of property, plant and equipment	(3,035)	(4,403)	(5,277)
Proceeds from sales of property, plant and equipment	165	228	284
Purchases of investments	(485,098)	(431,719)	(259,995)
Proceeds from sales of investments	431,839	418,869	269,955
Notes issued	(1,668)	(1,218)	-
Notes repaid	87	37	81
Net cash (used in) provided by investing activities	(57,710)	(18,206)	5,048
Cash flows from financing activities:			
Dividends paid	(4,912)	(4,623)	(4,142)
Net cash used in financing activities	(4,912)	(4,623)	(4,142)
Net (decrease) increase in cash and cash equivalents	(27,374)	6,009	19,844
Cash and cash equivalents at beginning of year	34,174	28,165	8,321
Cash and cash equivalents at end of year	$ 6,800	$ 34,174	$ 28,165

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

FARMER BROS. CO.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Dollars in thousands, except per share data)

	For the Years Ended June 30,		
	1998	1997	1996
Common stock	$ 1,926	$ 1,926	$ 1,926
Additional paid-in capital	568	568	568
Retained earnings:			
Beginning balance	242,907	230,840	211,619
Net income for the year	33,400	16,690	23,363
Dividends	(4,912)	(4,623)	(4,142)
Ending balance	271,395	242,907	230,840
Investment valuation allowance:			
Beginning balance	721	334	(2)
Adjustment	302	387	336
Ending balance	1,023	721	334
Total shareholders' equity	$274,912	$246,122	$233,668
Dividends declared per share	$2.55	$2.40	$2.15

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

Notes to Consolidated Financial Statements

A. Summary of Significant Accounting Policies

Organization
The Company is in the business of roasting, packaging, and distributing coffee and allied products to restaurants, hotels, hospitals, convenience stores and fast food outlets.

Principles of Consolidation
The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary FBC Finance Company. All significant intercompany balances and transactions have been eliminated.

Financial Statement Preparation
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents
The Company considers all highly liquid investments with a maturity of 30 days or less when purchased to be cash equivalents, which approximate fair value.

Investments
The Company's investments have been recorded at fair value and have been classified as "available for sale". Any unrealized gains or losses have been recorded as a separate component of shareholders' equity. The cost of investments sold is determined on the specific identification method. Dividend and interest income is accrued as earned.

Inventories
Inventories are valued at the lower of cost or market. Costs of coffee and allied products are determined on the Last In, First Out (LIFO) basis. Costs of coffee brewing equipment manufactured are accounted for on the First In, First Out (FIFO) 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. Gains on the hedging transactions are deferred as an adjustment to the carrying amount of the inventory and are recognized in income at the time of the sale of inventory. Losses on the hedging transactions are recognized in earnings currently as the Company believes this appropriately reflects its LIFO methodology. Futures contracts not designated as hedges, and terminations of contracts designated as hedges, if any, are marked to market, and changes are recognized in earnings currently. No contracts were outstanding at June 30, 1998 or 1997.

A. Summary of Significant Accounting Policies, Continued

In the event of non-performance by the counterparties, the Company could be exposed to credit and supply risk. The Company monitors the financial viability of the counterparties in an attempt to minimize this risk.

Property, Plant and Equipment
Property, plant and equipment is carried at cost, less accumulated depreciation. Depreciation of buildings and facilities is computed using the straight-line method. Other assets are depreciated using the sum-of-the-years' digits and straight line methods. The following useful lives are used:

Buildings and facilities	10 to 30 years
Machinery and equipment	3 to 5 years
Office furniture and equipment	5 years

When assets are sold or retired the asset and related depreciation allowance are eliminated from the records and any gain or loss on disposal is included in operations. Maintenance and repairs are charged to expense, betterments are capitalized.

Income Taxes
Deferred income taxes are determined based on the temporary differences between the financial reporting and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which differences are expected to reverse.

Revenue Recognition
Sales and the cost of products sold are recorded at the time of delivery to the customer.

Net Income Per Common Share
Statement of Financial Accounting Standards ("SFAS") 128, "Earnings Per Share", was adopted in fiscal year 1998 and supersedes the Company's previous standards for computing net income per share under Accounting Principles Board No. 15. The new standard requires dual presentation of net income per common share and net income per common share assuming dilution on the face of the income statement. Basic net income per share is computed by dividing the net income attributable to common stockholders by the weighted average number of common shares outstanding during the period. The Company does not have any dilutive shares for any of the three fiscal years in the period ended June 30, 1998. The financial statements present basic net income per share.

Long-Lived Assets
In accordance with SFAS No. 121, long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For purposes of evaluating the recoverability of long-lived assets, the Company evaluates the carrying value of its property, plant and equipment on an ongoing basis and recognizes an impairment when the estimated future undiscounted cash flows from operations are less than the carrying value of the related long-lived assets.

A. Summary of Significant Accounting Policies, Continued

Accounting Pronouncements

The Financial Accounting Standards Board has issued SFAS No. 130, "Reporting Comprehensive Income," which is effective for fiscal years beginning after December 15, 1997; SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," which is effective for fiscal years beginning after December 15, 1997; SFAS No. 132, "Employers Disclosures about Pension and Other Postretirement Benefits", which is effective for fiscal years beginning after December 15, 1997; and SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", which is effective in all fiscal quarters of fiscal years beginning after June 15, 1999.

SFAS No. 130 requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The changes in unrealized gains and losses from investments, reported through the investment valuation allowance in shareholders' equity, is the Company's only component of comprehensive income. The Company will adopt this standard in fiscal 1999.

SFAS No. 131 requires a public enterprise to report financial and descriptive information about its reportable operating segments based upon the way management organizes segments within the enterprise for making operating decisions and assessing performances. Adoption of this standard will not change the number of segments (one) nor require any material changes in disclsoure. The Company will adopt the standard in fiscal 1999.

SFAS No. 132 requires improved disclosures about pensions and other postretirement benefits and makes the required information easier to prepare and more understandable. The Statement addresses disclosure issues only and does not change the existing measurement or recognition provisions. The Company plans to adopt the standard in fiscal 1999.

SFAS No. 133 requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The Company has not yet determined what the effect of SFAS No. 133 will be on the earnings and financial position of the Company, nor has it determined when it will be adopted.

B. Investments

(In thousands) June 30, 1998	Cost	Gross Unrealized Loss	Gross Unrealized Gain	Fair Value
Current Assets				
Commercial Paper	$ 95,838	-	594	$ 96,432
U.S. Government Obligations	31,608	(36)	-	31,572
	$127,446	(36)	594	$128,004
Non-Current Assets				
U.S. Government Obligations	$ 9,725	(151)	-	$ 9,574
Municipal debt	1,695	(11)	-	1,684
Preferred stocks	36,504	(52)	3,978	40,430
Liquid asset fund and other	4,067	-	46	4,113
	$ 51,991	(214)	4,024	$ 55,801

(In thousands) June 30, 1997	Cost	Gross Unrealized Loss	Gross Unrealized Gain	Fair Value
Current Assets				
Commercial Paper	$ 14,814	-	129	$ 14,943
U.S. Government Obligations	63,059	(211)	-	$ 62,848
	$ 77,873	(211)	129	$ 77,791
Non-Current Assets				
U.S. Government Obligations	$ 10,453	(169)	-	$ 10,284
Preferred stocks	36,816	(23)	2,575	39,368
Liquid asset fund and other	1,689	-	-	1,689
	$ 48,958	(192)	2,575	$ 51,341

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

Maturities (In thousands)	Fair Value 6/30/98	Fair Value 6/30/97
Within one year	$128,004	$ 77,791
After 1 year through 5 years	11,258	10,284
	$139,262	$ 88,075

Gross realized gains and losses from available for sale securities were $2,072,000 and ($1,208,000) respectively in 1998, $2,271,000 and ($1,630,000) respectively in 1997 and gross realized gains and losses from available for sale securities were $1,907,000 and ($1,397,000) respectively in 1996.

B. Investments, Continued

The Company hedges interest rate risk in its portfolio of preferred stocks. A substantial portion of the preferred stock portfolio was hedged with put options on U.S. Treasury futures traded on a national exchange. Deferred losses at June 30, 1998 and 1997, associated with the hedge were $2,600,000 and $1,081,000, respectively. Such deferred gains and losses are recognized in other income as the related unrealized gains and losses in the preferred stock portfolio are realized.

C. Allowance for Doubtful Accounts and Notes Receivable

(In thousands)	1998	1997	1996
Balance at beginning of year	$555	$555	$545
Additions	413	429	683
Deductions	(448)	(429)	(673)
Balance at end of year	$520	$555	$555

D. Inventories

June 30, 1998 (In thousands)	Processed	Unprocessed	Total
Coffee	$ 4,119	$10,406	$14,525
Allied products	12,025	5,079	17,104
Coffee brewing equipment	2,191	4,247	6,438
	$18,335	$19,732	$38,067

June 30, 1997 (In thousands)	Processed	Unprocessed	Total
Coffee	$ 3,564	$10,024	$13,588
Allied products	10,551	3,794	14,345
Coffee brewing equipment	2,310	4,933	7,243
	$16,425	$18,751	$35,176

Current cost of coffee and allied products inventories exceeds the LIFO cost by approximately $24,032,000, and $28,608,000 as of June 30, 1998 and 1997, respectively.

Decreases in the Company's green coffee inventories during fiscal 1997 resulted in a LIFO decrement which increased fiscal pre-tax income by $4,007,000.

E. Property, Plant and Equipment

(In thousands)	1998	1997
Buildings and facilities	$30,355	$30,067
Machinery and equipment	45,390	45,261
Office furniture and equipment	6,407	6,030
	82,152	81,358
Accumulated depreciation	(56,735)	(53,966)
Land	5,134	5,134
	$30,551	$32,526

E. Property, Plant and Equipment, Continued

Maintenance and repairs charged to expense for the years ended June 30, 1998, 1997 and 1996 were $10,035,000, $11,015,000 and $11,608,000, respectively.

F. Retirement Plans

The Company has a contributory defined benefit pension plan for all employees not covered under a collective bargaining agreement (Farmer Bros. Co.) and a non-contributory defined benefit pension plan for certain hourly employees covered under a collective bargaining agreement (Brewmatic Co.). The Company's funding policy is to contribute annually at a rate that is intended to fund benefits as a level percentage of salary (Farmer Bros. Co.) and as a level dollar cost per participant (Brewmatic Co.) over the working lifetime of the plan participants. Benefit payments are determined under a final pay formula (Farmer Bros. Co.) and flat benefit formula (Brewmatic Co.)

The net periodic pension benefit for 1998, 1997 and 1996 is comprised of the following:

(In thousands)	Farmer Bros. Co.	Brewmatic Co.
	1998	
Service cost	$ 1,321	$ 22
Interest cost	2,671	140
Actual return on assets	(15,918)	(824)
Net amortization and deferral	11,035	544
Net periodic pension benefit	$ (891)	$ (118)
	1997	
Service cost	$ 1,300	$ 21
Interest cost	2,479	133
Actual return on assets	(7,099)	(491)
Net amortization and deferral	2,772	248
Net periodic pension benefit	$ (548)	$ (89)
	1996	
Service cost	$ 1,200	$ 19
Interest cost	2,310	131
Actual return on assets	(7,621)	(499)
Net amortization and deferral	3,773	284
Net periodic pension benefit	$ (338)	$ (65)

F. Retirement Plans, Continued

The funded status of the plans at June 30, 1998 was as follows:

(In thousands)	Farmer Bros. Co.	Brewmatic Co.
Actuarial present value of benefit obligations:		
Vested	$ 39,123	$ 1,792
Non-vested	256	-
Accumulated benefit obligations	38,379	1,792
Effect of projected salary increases	3,723	355
Projected benefit obligations	43,102	2,147
Plan assets at fair value	(68,586)	(4,014)
Plan assets at fair value in excess of projected benefit obligations	(25,484)	(1,867)
Unrecognized net asset at June 30, 1997	3,103	183
Unrecognized prior service cost	(1,215)	(108)
Unrecognized net gain	12,825	738
Prepaid pension cost	$(10,771)	$(1,054)
Assumptions for 1998:		
Discount rate for plan obligations	6.70%	6.70%
Assumed long term return on assets	8.00%	8.00%
Projected compensation increases for pay related plans	2.50%	-

The funded status of the plans at June 30, 1997 was as follows:

(In thousands)	Farmer Bros. Co.	Brewmatic Co.
Actuarial present value of benefit obligations:		
Vested	$31,544	$ 1,792
Non-vested	184	-
Accumulated benefit obligations	31,728	1,792
Effect of projected salary increases	3,457	25
Projected benefit obligations	35,185	1,817
Plan assets at fair value	(54,536)	(3,262)
Plan assets at fair value in excess of projected benefit obligations	(19,351)	(1,445)
Unrecognized net asset at June 30, 1996	3,723	219
Unrecognized prior service cost	(1,397)	(126)
Unrecognized net gain (loss)	7,146	429
Prepaid pension cost	$(9,879)	$(923)
Assumptions for 1997:		
Discount rate for plan obligations	7.75%	7.75%
Assumed long term return on assets	8.00%	8.00%
Projected compensation increases for pay related plans	3.10%	-

The assets of each plan are primarily invested in publicly traded stocks and bonds, U.S. government securities and money market funds. The Farmer Bros. Co. Retirement Plan owned 28,565 shares of the Company's common stock at June 30, 1998 and 1997, with a fair value of approximately $6,827,000 and $3,828,000, respectively.

F. Retirement Plans, Continued

The Company contributes to two multi-employer defined benefit plans for certain union employees. The contributions to these multi-employer pension plans were approximately $1,540,000, $1,679,000 and $1,699,000 for 1998, 1997 and 1996, respectively. The Company also has a defined contribution plan for eligible non-union employees. No Company contributions have been made nor are required to be made to this plan.

The Company sponsors defined benefit postretirement medical and dental plans that cover non-union employees and retirees, and certain union locals. The plan is contributory and retirees contributions are fixed at a current level. The plan is unfunded.

The Plan's accumulated postretirement benefit obligation ("APBO") is as follows:

(In thousands)	June 30, 1998	June 30, 1997
Retirees and dependents	$ 6,419	$ 4,887
Fully eligible active participants	4,745	4,774
Other active plan participants	7,780	5,995
Total APBO	$18,944	$15,656
Unrecognized net gain	638	2,618
Unrecognized prior service cost	(3,641)	(3,927)
Accrued postretirement benefit cost	$15,941	$14,347

Net periodic postretirement benefit costs included the following components:

(In thousands)	For the years ended June 30, 1998	1997	1996
Service cost	$615	$512	$485
Interest cost	1,241	1,114	1,026
Amortization of unrecognized net (gain)		(58)	(70)
Unrecognized prior service cost	266	285	286
Net periodic postretirement benefit cost	$2,122	$1,853	$1,727

The assumptions used to determine the APBO and net periodic postretirement benefit costs are as follows:

	For the years ended June 30, 1998	1997	1996
Discount rate, net periodic postretirement benefit cost	6.70%	7.75%	7.75%
Discount rate, APBO	7.75%	7.75%	7.75%
Medical care cost trend rate	7.50%	9.00%	9.00%

F. Retirement Plans, Continued

The weighted-average discount rate used in determining the accumulated postretirement benefit obligation at June 30, 1998 was 6.7%. The annual assumed rate of increase in the per capita cost of covered medical benefits is 7.5% for the 1998-1999 fiscal year and is assumed to decrease gradually to 5.0% after five years and remain at that level thereafter. Covered dental costs were assumed to increase 6.0% for the 1998-1999 fiscal year and decrease gradually to 5.0% after five years and remain at that level thereafter.

The weighted-average discount rate used in determining the accumulated postretirement benefit obligation at June 30, 1997 was 7.75%. The annual assumed rate of increase in the capita cost of covered medical benefits is 8.0% for the 1997-1998 fiscal year and is assumed to decrease gradually to 5.5% after five years and remain at that level thereafter. Covered dental costs were assumed to increase 6.0% for the 1997-1998 fiscal year and decrease gradually to 5.5% after five years and remain at that level thereafter.

The health care cost trend rate assumption can have a significant effect on the amounts reported. For example, increasing the assumed health care cost trend rate by one percentage point in each year would increase the accumulated postretirement benefit obligation as of June 30, 1998 by $1,088,900 and the aggregate of the service and interest cost components of the net periodic postretirement benefit cost for the 1997-1998 fiscal year by $148,500.

G. Income Taxes

The current and deferred components of the provision for income taxes consist of the following:

(In thousands)		1998	1997	1996
Current:	Federal	$17,128	$ 8,168	$12,621
	State	4,221	2,255	2,760
		21,349	10,423	15,381
Deferred:	Federal	(1,543)	257	(48)
	State	(369)	(60)	193
		(1,912)	197	145
		$19,437	$10,620	$15,526

G. Income Taxes, Continued

A reconciliation of the provision for income taxes to the statutory federal income tax expense is as follows:

	1998	1997	1996
Statutory tax rate	35.0%	35.0%	35.0%
(In thousands)			
Income tax expense at statutory rate	$18,493	$9,559	$13,611
State income tax (net of federal tax benefit)	2,504	1,426	1,919
Dividend income exclusion	(639)	(661)	(622)
Other (net)	(921)	296	618
	$19,437	$10,620	$15,526
Income taxes paid	$19,231	$13,799	$14,820

The primary components of temporary differences which give rise to the Company's net deferred tax assets at June 30, 1998 and 1997 are as follows:

(In thousands)	June 30, 1998	June 30, 1997
Deferred tax assets:		
Postretirement benefits	$6,458	$5,726
Accrued liabilities	1,777	1,616
State taxes	796	474
Unicap adjustment	822	144
Other	2,026	1,552
	11,879	9,512
Deferred tax liabilities:		
Pension assets	(4,460)	(3,986)
Tax depreciation over book	(1,579)	(1,598)
Other	(747)	(500)
	(6,786)	(6,084)
Net deferred tax assets	$5,093	$3,428

H. Other Current Liabilities

Other current liabilities consist of the following:

(In thousands)	1998	1997
Accrued workers' compensation liabilities	$3,561	$3,293
Dividends payable	1,252	1,156
Other	865	174
	$5,678	$4,623

I. Commitments and Contingencies

The Company incurred rent expense of approximately $654,000, $658,000, and $682,000, for the fiscal years ended June 30, 1998, 1997 and 1996, respectively, and is obligated under leases for branch warehouses with terms not exceeding five years. Certain leases contain renewal options.

Future minimum lease payments are as follows:

June 30,	(In thousands)
1999	$521
2000	324
2001	243
2002	101
2003	65

The Company is a party to various pending legal and administrative proceedings. It is management's opinion that the outcome of such proceedings will not have a material impact on the Company's financial position, results of operations, or cash flows.

Concentration of Credit Risk: At June 30, 1998, financial instruments which potentially expose the Company to concentrations of credit risk consist of cash in financial institutions (which exceeds federally insured limits), cash equivalents (principally commercial paper), short term investments, investments in the preferred stocks of other companies and accounts receivable. Commercial paper investments are not concentrated by issuer, industry or geographic area. Maturities are generally shorter than 90 days. Other investments are in U.S. government securities. Investment in the preferred stocks of other companies are limited to high quality issuers and are not concentrated by geographic area or issuer. Concentration of credit risk with respect to trade receivables for the Company is limited due to the large number of customers comprising the Company's customer base, and their dispersion across many different geographic areas. The trade receivables are short-term, and all probable bad debt losses have been appropriately considered in establishing the allowance for doubtful accounts.

J. Quarterly Financial Data (Unaudited)

	Quarter Ended			
	09/30/97	12/31/97	03/31/98	06/30/98
(In thousands except per share data)				
Net sales	$59,497	$64,062	$58,951	$57,582
Gross profit	29,326	36,161	32,249	34,388
Income from operations	7,652	13,377	10,067	9,859
Net income	6,228	9,782	8,020	9,370
(Per share)				
Net income	$3.23	$5.08	$4.16	$4.86

J. Quarterly Financial Data (Unaudited), Continued

(In thousands except per share data)	Quarter Ended 09/30/96	12/31/96	03/31/97	06/30/97
Net sales	$52,785	$57,460	$55,336	$59,221
Gross profit	27,416	31,506	21,896	26,974
Income (loss) from operations	5,717	8,633	(71)	2,510
Net income	4,659	6,834	1,595	3,602
(Per share)				
Net income	$2.42	$3.55	$0.83	$1.86

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Registrant incorporates by reference Form 8-K/A dated and filed with the SEC on April 14, 1997, which reported the engagement of Ernst & Young LLP as its new independent accountants.

PART III

Item 10. Directors and Executive Officers of the Registrant

Reference is made to the information to be set forth in the section entitled "Election of Directors" in the definitive proxy statement involving the election of directors in connection with the Annual Meeting of Shareholders to be held on November 30, 1998 (the "Proxy Statement") which section is incorporated herein by reference. The Proxy statement will be filed with the Securities and Exchange Commission no later than 120 days after June 30, 1998, pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended.

Name	Age	Position
Roy F. Farmer	82	Chairman of Board of Directors since 1951.
Roy E. Farmer	46	President since 1993; various positions since 1976, son of Chairman of the Board, R.F. Farmer.
Guenter W. Berger	61	Vice President of Production, Director since 1980; various positions since 1960.
Kenneth R. Carson	58	Vice President of Sales since 1990; Sales Management since 1968.
David W. Uhley	57	Secretary since 1985; various positions since 1968.
John E. Simmons	47	Treasurer since 1985; various positions since 1980.

Item 10. Directors and Executive Officers of the Registrant, Continued

All officers are elected annually by the Board of Directors and serve at the pleasure of the Board.

Item 11. Executive Compensation

Reference is made to the information to be set forth in the section entitled "Management Remuneration" in the Proxy Statement, which is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Reference is made to the information to be set forth in the sections entitled "Principal Shareholders" and "Election of Directors" in the Proxy Statement, which is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

Reference is made to the information to be set forth in the sections entitled "Principal Shareholders" and "Election of Directors" in the Proxy Statement, which is incorporated herein by reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) List of Financial Statements and Financial Statement Schedules

1. Financial Statements included in Item 8:
   Consolidated Balance Sheets as of June 30, 1998 and 1997.
   Consolidated Statements of Income For the Years Ended June 30, 1998, 1997 and 1996.
   Consolidated Statements of Cash Flows For the Years Ended June 30, 1998, 1997 and 1996.
   Consolidated Statements of Shareholders' Equity For the Years Ended June 30, 1998, 1997 and 1996.
   Notes to Consolidated Financial Statements.

2. Financial Statement Schedules:
   Financial Statement Schedules are omitted as they are not applicable, or the required information is given in the consolidated financial statements or notes thereto.

3. Exhibits required by Item 601 of Regulation S-K.
   See item (c) below.

(b) Reports on Form 8-K.
   Not applicable.

(c) Exhibits required by Item 601 of Regulation S-K.

Exhibits

3. Articles of incorporation and by-laws.
   Filed with the Form 10-K for the fiscal year ended June 30, 1986.

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K., Continued

4. Instruments defining the rights of security holders, including indentures.
   Not applicable.
9. Voting trust agreement.
   Not applicable.
10. Material contracts
   Not applicable.
11. Statement re computation of per share earnings.
   Not applicable.
12. Statements re computation of ratios.
   Not applicable.
13. Annual report to security holders, Form 10-Q or quarterly report to security holders.
   Not applicable.
18. Letter re change in accounting principles.
   Not applicable.
19. Previously unfiled documents.
   Not applicable.
22. Subsidiaries of the Registrant.
   Not applicable.
23. Published report regarding matters submitted to vote of security holders.
   Not applicable.
24. Consents of experts and counsel.
   Not applicable.
25. Power of attorney.
   Not applicable.
28. Additional exhibits.
   Not applicable.
29. Information from reports furnished to state insurance regulatory authorities.
   Not applicable.

(d) Financial statements required by Regulation S-X but excluded from the annual report to shareholders by Rule 14a - 3(b).
   None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Farmer Bros. Co.

By: Roy F. Farmer
(Roy F. Farmer, Chief Executive Officer and
Chairman of the Board of Directors)
Date: September 25, 1998

By: John E. Simmons
(John E. Simmons, Treasurer and
Chief Financial and Accounting Officer)
Date: September 25, 1998

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

Roy E. Farmer, President and Director
Date: August 21, 1998

Guenter W. Berger, Vice President and Director
Date: August 21, 1998

Lewis A. Coffman, Director
Date: August 21, 1998

John M. Anglin, Director
Date: August 21, 1998

Catherine E. Crowe, Director
Date: August 21, 1998

5
1000

12-MOS
JUN-30-1998
JUN-30-1998
6800
128004
18006
520
38067
194828
87286
56735
307012
16159
0
0
0
1926
272986
307012
240092
240092
107968
91169
0
0
0
52837
19437
33400
0
0
0
33400
17.34
17.34