

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities  
Exchange Act of 1934

For the quarterly period ended December 31, 1993

Commission file Number 0-1375

FARMER BROS. CO.

a California Corporation 95-0725980

20333 South Normandie Avenue, Torrance CA U.S.A. 90502

Registrant's telephone number, including area code: (310) 787-5241

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 \$1.00 Par Value Common Stock outstanding as of  
December 31, 1993: 1,926,414 shares.

FARMER BROS. CO.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)  
(Amounts in thousands, except per share data)

	For the three months ended December 31,		For the six months ended December 31,	
	1993	1992	1993	1992
	-----	-----	-----	-----
Net Sales	\$49564	\$49717	\$96562	\$97505
Cost of goods sold	21943	20958	42930	39379
	-----	-----	-----	-----
Gross Profit	27621	28759	53632	58126
Selling expenses	18979	18187	37220	35904
General and adminis- trative expenses	2753	2873	5278	5494
	-----	-----	-----	-----
	21732	21060	42498	41398
Income from operations	5889	7699	11134	16728
Other income:				
Dividend income	306	312	616	610
Interest income	947	1172	1822	2295
Other	203	418	728	618
	-----	-----	-----	-----
	1456	1902	3166	3523
Income before taxes and cumulative effect of accounting changes	7345	9601	14300	20251
Provision for income taxes	3149	3714	5739	7834
	-----	-----	-----	-----
Income before cumulative effect of accounting changes	4196	5887	8561	12417
Cumulative effect of accounting changes				5294
	-----	-----	-----	-----
Net income	4196	5887	8561	7123
	=====	=====	=====	=====
Income per share:				
Before accounting changes	\$ 2.18	\$3.06	\$4.44	\$6.45
Cumulative effect of accounting changes				(2.75)
Net income per share outstanding	\$ 2.18	\$3.06	\$4.44	\$3.70
	=====	=====	=====	=====

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

/TABLE



FARMER BROS. CO.  
CONSOLIDATED BALANCE SHEETS (Unaudited)  
(Amounts in thousands)

	December 31,1993 (Unaudited)	June 30, 1993 (Audited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 9474	\$ 64742
Short term investments	66902	40046
Accounts and notes receivable, net	16152	13813
Inventories	35182	32333
Deferred income taxes	3356	3356
Prepaid expenses	1012	858
	-----	-----
Total current assets	132078	155148
Property, plant and equipment, net		
Notes receivable	1385	1050
Long term investments, net	45691	20222
Other assets	12269	11179
Deferred income taxes	966	966
	-----	-----
Total assets	\$ 220425	\$ 216266
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:		
Accounts payable	\$ 4092	\$ 6560
Accrued payroll expenses	4053	4815
Other	4156	3894
	-----	-----
Total current liabilities	12301	15269
Other long term liabilities	9517	9025
Shareholders' equity		
Common stock, \$1.00 par value, authorized 3,000,000 shares; issued and outstanding 1,926,414 shares	1926	1926
Additional paid-in capital	569	569
Retained earnings	196112	189477
	-----	-----
Total shareholders' equity	\$198607	\$191972
Total liabilities and shareholders' equity	\$220425	\$216266
	=====	=====

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



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

	For the six months ended December 31,	
	1993	1992
Cash flows from operating activities:		
Net income	\$ 8561	\$ 7123
	-----	-----
Adjustments to reconcile net income to net cash provided by operating activities:		
Cumulative effect of accounting changes		5294
Depreciation	2444	2589
Other	13	(54)
Net gain (loss) on investments	(485)	(360)
Change in assets and liabilities:		
Short term investments	(26855)	(11009)
Accounts & notes receivable	(2302)	(1062)
Inventories	(2849)	652
Prepaid expenses and other assets	(1245)	(483)
Accounts payable	(2468)	(2359)
Accrued payroll expenses and other liabilities	(500)	(1800)
Other long term liabilities	492	447
	-----	-----
Total adjustments	(33755)	(8145)
	-----	-----
Net cash provided by operating activities	(25194)	(1022)
	-----	-----
Cash flows from investing activities:		
Purchases of property, plant & equipment	(2940)	(2301)
Proceeds from sales of property, plant & equipment	147	150
Purchases of investments	(37921)	(9942)
Proceeds from sales of investments	12938	9635
Notes issued	(833)	(14)
Notes repaid	461	183
	-----	-----
Net cash provided by (used in) investing activities	28148	(2289)
Cash flows from financing activities:		
Dividends paid	(1926)	(1637)
	-----	-----
Net cash used by financing activities	(1926)	(1637)
Net increase (decrease) in cash and cash equivalents	\$(55268)	\$(4948)
Cash and cash equivalents at beginning of year	\$ 64742	\$26352
	-----	-----
Cash and cash equivalents at end of quarter	\$ 9474	\$21404
	=====	=====
Supplemental disclosure of cash flow information:		
Income tax payments	\$ 5502	\$ 8784

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

/TABLE



## FARMER BROS. CO.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), December 31, 1993

## 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 necessary for a fair statement of the results of operations for the interim periods have been made.

## B. Inventories

(amounts in thousands)

	Processed	Unprocessed	Total
December 31, 1993			
Coffee	\$ 3224	\$12369	\$15593
Allied products	8850	3455	12305
Coffee brewing equipment	703	6581	7284
	-----	-----	-----
	\$12777	\$22405	\$35182
June 30, 1993			
Coffee	\$ 3430	\$ 8544	\$11974
Allied products	10079	3468	13547
Coffee brewing equipment	1523	5290	6813
	-----	-----	-----
	\$15032	\$17302	\$32334

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

Net sales for the second quarter of fiscal 1994 reached \$49,564,000 as compared to \$49,717,000 in the same quarter of the prior fiscal year. Net sales for the first half of fiscal 1994 were \$96,562,000, a decrease of 1% from those in the same period of fiscal 1993. Economic conditions in Registrant's marketing area remain stagnant, with some improvement noted outside of California.

Gross profit in the second quarter decreased 4% to \$27,621,000 as compared to \$28,759,000 in the second quarter of the prior fiscal year and gross profit for the first half of fiscal 1994 decreased 8% to \$53,632,000 from \$58,126,000 in the same period of the prior fiscal year. This is primarily the result of higher green coffee costs in the current fiscal year. The continued efforts of the Association of Coffee Producing Countries (ACPC) to establish a voluntary retention program have helped sustain higher prices of green coffee. Registrant is unable to forecast future costs of green coffee, and cautions against using past results to predict future earnings.

Operating expenses have increased 3% to \$42,498,000 in the first six months of 1994 from \$41,398,000 in the same period of fiscal 1993. Increased costs of coffee brewing equipment, medical expenses, payroll and workers' compensation expenses more than offset decreases in insurance and legal costs.

Second quarter net income decreased 31% to \$4,196,000 or \$2.18 per share, from \$5,887,000 or \$3.06 per share, in the same period of the prior fiscal year. Income before cumulative effect of accounting changes for the first six months of fiscal 1994 decreased 31% to \$8,561,000 or \$4.44 per share, as compared to \$12,417,000 or \$6.45 per share, in the same quarter of fiscal 1993. The cumulative effect of adopting SFAS 106 and 109 resulted in a cost, net of tax, of \$2.75 per share in the first quarter of fiscal 1993. Net income for the first six months of fiscal 1994 increased 20% to \$8,561,000 or \$4.44 per share, as compared to \$7,123,000 or \$3.70 per share, in the same period of the prior fiscal year.

## FARMER BROS. CO.

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

## Quarterly Summary

	12/31/92	3/31/93	6/30/93	9/30/93	12/31/93
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(amounts in thousands)

Net sales	\$49717	\$46667	\$46507	\$46998	\$49564
Gross profit	28759	28399	27732	26010	27621
Operating income	7698	7015	6187	5244	5889
Net income	5886	5187	6640	4365	4196

per share:

Net sales	\$25.81	\$24.22	\$24.14	\$24.40	\$25.73
Gross profit	14.93	14.74	14.40	13.50	14.34
Operating income	4.00	3.64	3.21	2.72	3.06
Net income	3.06	2.69	3.45	2.27	2.18

common sized:

Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Gross profit	57.8	60.9	59.6	55.3	55.7
Operating income	15.5	15.0	13.3	11.1	11.9
Net income	11.8	11.1	14.2	9.3	8.5



FARMER BROS. CO.  
PART II - Other Information

Item 4. Submission of matters to a vote of security holders.

The annual meeting of shareholders of Farmer Bros. Co. was held on November 29, 1993. Holders of the Company's common stock were entitled to one vote per share of common stock held.

The proposal to amend the Company's Bylaws to increase the number of authorized directors from 5 to 6 was adopted, with 1,646,623 shares in favor, 2,868 shares against the proposal and 320 shares abstaining.

Six directors were elected at the meeting, each to serve for the coming year and until any successors are elected and qualify. The following persons were elected as directors: Roy F. Farmer, Lewis A. Coffman, Guenter W. Berger, Catherine E. Crowe, John M. Anglin and Roy E. Farmer. There were 1,645,686 shares for the election of directors, 363 shares against and 456 shares abstaining.

The proposal to appoint Coopers & Lybrand as the independent accountants for the Company for the year ending June 30, 1994 was approved, with 1,649,742 shares in favor of the resolution, 3 shares against and 40 shares abstaining.

Item 6. Exhibits and Reports on Form 8-K.

a. Exhibits

None

b. Reports on Form 8-K

No reports have been filed on Form 8-K during this quarter.



## 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.

FARMER BROS. CO.  
Registrant

Date: February 11, 1994

John E. Simmons  
John E. Simmons  
Treasurer and Chief Financial Officer