

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 March 31, 1995

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 March 31, 1995.

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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 March 31,		For the nine months ended March 31,	
	1995	1994	1995	1994
Net sales	\$59,514	\$48,628	\$176,294	\$145,191
Cost of goods sold	32,696	21,817	93,483	64,747
	26,818	26,811	82,811	80,444
Selling expense	18,958	18,605	56,578	55,825
General and administrative expenses	3,412	3,527	9,248	8,804
	22,370	22,132	65,826	64,629
Income from operations	4,448	4,679	16,985	15,815
Other income (expense):				
Dividend income	638	305	1,836	921
Interest income	1,154	879	3,102	2,700
Other	857	655	(418)	1,383
	2,649	1,839	4,520	5,004
Income before taxes and cumulative effect of accounting change	7,097	6,518	21,505	20,819
Provision for income taxes	3,075	2,586	8,721	8,326
Income before cumulative effect of accounting change	4,022	3,932	12,784	12,493

Cumulative effect of accounting change, net of income taxes	-	-	(593)	-
Net income	\$ 4,022	\$ 3,932	\$ 12,191	\$ 12,493
Income per share:				
Before accounting change	\$2.09	\$2.04	\$6.64	\$6.49
Cumulative effect of accounting change	-	-	(.31)	-
Net income per share	\$2.09	\$2.04	\$6.33	\$6.49

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

FARMER BROS. CO.  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)

	March 31, 1995	June 30, 1994
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,249	\$ 8,681
Short term investments	86,494	34,839
Accounts and notes receivable, net	18,648	15,975
Tax refund receivable	-	5,357
Inventories	36,478	34,910
Deferred income taxes	3,561	2,905
Prepaid expenses and other	1,212	708
Total current assets	155,642	103,375
Property, plant and equipment, net	31,244	28,943
Notes receivable	1,929	1,257
Investments	29,271	71,960
Other assets	15,107	13,649
Deferred taxes and other assets	1,099	719
Total assets	\$234,292	\$219,903

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 6,493	\$ 3,372
Accrued payroll expenses	4,540	4,573
Other	4,555	4,543
Total current liabilities	15,588	12,488
Other long term liabilities	11,302	10,010
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	569
Retained earnings	205,256	195,954
Net unrealized change in investment securities	(349)	(1,044)
Total shareholders' equity	207,402	197,405
Total liabilities and shareholders' equity	\$234,292	\$219,903

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

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

	For the nine months ended March 31,	
	1995	1994
Cash flows from operating activities:		
Net Income	\$ 12,191	\$ 12,493
Adjustments to reconcile net income to net cash provided by operating activities:		
Cumulative effect of accounting change	593	
Depreciation	3,922	3,717
Deferred income taxes	(256)	
Other	(143)	(22)
Net (gain) loss on investments	841	(1,007)
Change in assets and liabilities:		
Short term investments	(10,716)	(7,712)
Accounts and notes receivable	(2,667)	(2,120)
Inventories	(1,568)	(1,935)
Tax refund receivable	5,357	
Prepaid expenses and other assets	(1,951)	(2,467)
Accounts payable	3,121	(1,062)
Accrued payroll expenses and other liabilities	(22)	22
Other long term liabilities	1,292	738
Total adjustments	(2,197)	(11,848)
Net cash provided by operating activities	\$ 9,994	\$ 645

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

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

For the nine months  
ended March 31,

	1995	1994
Net cash provided by operating activities:	\$ 9,994	\$ 645
Cash flows from investing activities		
Purchases of property, plant and equipment	(6,348)	(4,553)
Proceeds from sales of property, plant and equipment	255	201
Purchases of investments		(64,695)
Proceeds from sales of investments	236	20,178
Notes issued	(761)	(833)
Notes repaid	82	1,025
Net cash (used in) investing activities	(6,536)	(48,677)
Cash flows from financing activities:		
Dividends paid	(2,890)	(2,890)
Net cash used in financing activities	(2,890)	(2,890)
Net (decrease) in cash and cash equivalents	568	(50,922)
Cash and cash equivalents at beginning of year	8,681	64,742
Cash and cash equivalents at end of quarter	\$ 9,249	\$ 13,820
Supplemental disclosure of cash flow information:		
Income tax payments	\$ 6,921	\$ 8,363

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. Inventories

	Processed	Unprocessed	Total
	(In thousands)		
March 31, 1995			
Coffee	\$ 3,139	\$10,905	\$14,044
Allied products	10,143	4,625	14,768
Coffee brewing equipment	1,792	5,874	7,666
	\$15,074	\$21,404	\$36,478
June 30, 1994			
Coffee	\$ 3,182	\$10,829	\$14,011
Allied products	10,395	3,022	13,417
Coffee brewing equipment	1,712	5,770	7,482
	\$15,289	\$19,621	\$34,910

C. Accounting Policy Change

The Company adopted the provisions of the Statement of Financial Accounting Standards No. 115 ("SFAS 115"), "Accounting for Certain Investments in Debt & Equity Securities" for such securities held as of or acquired after July 1, 1994. In accordance with SFAS 115, prior period financial statements have not been restated. Currently, a portion of the Company's investments have been classified as trading securities and are carried at fair value with unrealized gains and losses reported in earnings. The balance of the Company's investments are currently classified as available for sale and are carried at fair value with unrealized gains or losses excluded from earnings and reported as a separate component of shareholders' equity. The cost of investments sold is determined on the specific identification method. Investments are reported at fair value. Investments designated trading securities are carried as current assets. Available-for-sale investments are carried as current or non-current assets as appropriate. The Company has not identified any held-to-maturity investments at this time. Dividend and interest income are accrued as earned.

Registrant has reported the cumulative effect of the change in accounting principle relating to trading securities in the first quarter of fiscal 1995 as an expense of \$593,000, net of taxes. During the quarter ended March 31, 1995, the market value of the Company's trading securities

## C. Accounting Policy Change (CONTINUED)

increased \$1,731,000, and for the nine months ended March 31, 1995 reflects net unrealizable gain of \$589,000, and is included in Other income (expense). The Company has reported the cumulative effect of the change in accounting principle relating to available for sale securities in the first quarter of fiscal 1995 as a reduction in shareholders' equity of \$546,000, net of taxes. During the quarter ended March 31, 1995, the fair value of the Company's available for sale securities increased resulting in an increase in shareholders equity of \$654,000, and an increase for the fiscal year of \$197,000.

Unrealized gains and losses on available for sale investment securities included in shareholders' equity at March 31, 1995, were fixed income government securities maturing after one through five years with a cost of \$26,709,000, a fair value of \$26,035,000, resulting in a net unrealized loss of (\$674,000) and fixed income government backed securities with a maturity after five through ten years with a cost of \$3,203,000, a fair value of \$3,155,000, resulting in a net unrealized loss of (\$48,000).

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

Registrant's operations in the third quarter of fiscal 1995 continue to reflect the high prices of green coffee. Green coffee costs for the nine months exceed those of the prior year by more than 140%. Higher sales prices of roast coffee have passed along most cost increases, but higher prices result in lower volume and gross profit margins have not been as strong as in prior years. Gross profit and operating expenses compare favorably with the same periods of the prior fiscal year. Registrant cautions that the green coffee market becomes even more volatile as we approach the traditional Brazilian frost season, and is unable to predict either the direction of green coffee costs or whether current profit margins can be maintained in this critical raw material.

Net sales for the second quarter of fiscal 1995 increased 22% to \$59,514,000 as compared to \$48,628,000 in the same quarter of the prior year. Net sales for the first nine months of fiscal 1995 increased 21% to \$176,294,000 from \$145,190,000 in the same period of fiscal 1994. Gross profit in the third quarter was \$26,818,000 or 45% of sales, as compared to \$30,084,000 or 48% of sales, in the second quarter of fiscal 1995 and \$26,811,000, or 55% of sales, in the same quarter of fiscal 1994. Gross profit for the first nine months of fiscal 1995 increased 3% to \$82,811,000 from \$80,443,000 in the same period of the prior fiscal year. Operating expenses reached \$22,370,00 in the third quarter of fiscal 1995, as compared to \$22,132,000 in the third quarter of fiscal 1994. Operating expenses for the first three fiscal quarters increased 2% to \$65,826,000 in 1995 as compared to \$64,629,000 in the same period of the prior fiscal year.

Income after taxes and before effect of accounting change for the three months ended March 31, 1995, reached \$4,022,000, or \$2.09 per share, as compared to \$5,374,000, or \$2.79 per share, in the second quarter of fiscal

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

1995, and \$3,932,000 or \$2.04 per share in the second quarter of fiscal 1994.

Net income for the first half of fiscal 1995 has been reduced as a result of adopting the provisions of SFAS 115 in the first quarter of fiscal 1995. The cumulative effect of its adoption, net of tax, was \$(593,000) or \$(.031) per share. Income after taxes and before the effect of accounting change for the six months ended December 31, 1994, reached \$12,191,000, or \$6.33 per share, as compared to \$12,493,000, or \$6.49 per share, in the first nine months of fiscal 1994.

Quarterly Summary of Results  
(in thousands of dollars)

	03/31/94	06/30/94	09/30/94	12/31/94	03/31/95
Net sales	48,628	48,671	54,182	62,598	59,514
Gross profit	26,811	13,853	25,908	30,084	26,818
Operating income	4,679	(6,324)	4,514	8,021	4,448
Net income	3,932	(2,163)	2,795	5,374	4,002

(as a percentage of sales)

	03/31/94	06/30/94	09/30/94	12/31/94	03/31/95
Net sales	100.00	100.00	100.00	100.00	100.00
Gross profit	55.13	28.46	47.82	48.06	45.06
Operating income	9.62	(12.99)	8.33	12.81	7.47
Net income	8.09	(4.44)	5.16	8.58	6.72

(in dollars)

	03/31/94	06/30/94	09/30/94	12/31/94	03/31/95
EPS	2.04	(1.13)	1.45	2.79	2.09

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.



PART II OTHER INFORMATION, (CONTINUED)

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.          |
| (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: May 12, 1995

FARMER BROS. CO.  
(Registrant)

John E. Simmons

John E. Simmons  
Treasurer and  
Chief Financial Officer

3-MOS		9-MOS	
JUN-30-1995		JUN-30-1995	
MAR-31-1995		MAR-31-1995	
	9249		9249
	86494		86494
	18648		18648
	445		445
	36478		36478
	155642		155642
	31244		31244
	49308		49308
	234292		234292
15588		12488	
	0		0
	1926		1926
0		0	
	0		0
	0		0
234292	234292		
	59514		176294
59514		176294	
	32696		93483
	22370		65826
	0		0
	0		0
0		0	
7097		21505	
	3075		8721
0		0	
	0		0
	0		0
	0		(593)
	4022		12191
	2.09		2.09
	2.09		2.09