UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2022

OR

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

For the transition period from to

Commission file number: 001-34249

FARMER BROS. CO.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**95-0725980**
(State or Other Jurisdiction of Incorporation of Organization)	(I.R.S. Employer Identification No.)

1912 Farmer Brothers Drive, Northlake, Texas 76262
(Address of Principal Executive Offices; Zip Code)

682-549-6600
(Registrant's Telephone Number, Including Area Code)

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value $1.00 per share	**FARM**	**Nasdaq Global Select Market**

None
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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 ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES ☐ NO ☒

As of April 28, 2022, the registrant had 18,448,058 shares outstanding of its common stock, par value $1.00 per share, which is the registrant's only class of common stock.

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PART I - FINANCIAL INFORMATION (UNAUDITED)
Item 1. Financial Statements

FARMER BROS. CO.
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(In thousands, except share and per share data)

	March 31, 2022	June 30, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 10,378	$ 10,263
Restricted cash	175	175
Accounts receivable, net of allowance for doubtful accounts of $369 and $325, respectively	47,443	40,321
Inventories	100,645	76,791
Short-term derivative assets	6,088	4,351
Prepaid expenses	4,834	5,594
Assets held for sale	—	1,591
Total current assets	169,563	139,086
Property, plant and equipment, net	141,614	150,091
Intangible assets, net	16,456	18,252
Right-of-use operating lease assets	28,011	26,254
Other assets	3,145	4,323
Total assets	$ 358,789	$ 338,006
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	63,059	45,703
Accrued payroll expenses	13,662	15,345
Operating lease liabilities - current	7,311	6,262
Term loan - current	3,800	950
Short-term derivative liabilities	1,691	1,555
Other current liabilities	7,834	6,425
Total current liabilities	97,357	76,240
Long-term borrowings under revolving credit facility	54,500	43,500
Term loan - noncurrent	40,894	44,328
Accrued pension liabilities	37,947	39,229
Accrued postretirement benefits	1,007	960
Accrued workers' compensation liabilities	3,381	3,649
Operating lease liabilities - noncurrent	21,175	20,049
Other long-term liabilities	1,822	5,092
Total liabilities	$ 258,083	$ 233,047
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $1.00 par value, 500,000 shares authorized; Series A Convertible Participating Cumulative Perpetual Preferred Stock, 21,000 shares authorized; 14,700 shares issued and outstanding as of March 31, 2022 and June 30, 2021; liquidation preference of $17,196 and $16,752 as of March 31, 2022 and June 30, 2021, respectively	15	15
Common stock, $1.00 par value, 50,000,000 and 25,000,000 shares authorized as of March 31, 2022 and June 30, 2021, respectively; 18,300,855 and 17,852,793 shares issued and outstanding as of March 31, 2022 and June 30, 2021, respectively	18,302	17,853
Additional paid-in capital	70,187	66,109
Retained earnings	53,983	66,311
Accumulated other comprehensive loss	(41,781)	(45,329)
Total stockholders' equity	$ 100,706	$ 104,959
Total liabilities and stockholders' equity	$ 358,789	$ 338,006

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

FARMER BROS. CO.
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(In thousands, except share and per share data)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
Net sales	$ 119,398	$ 93,152	$ 346,205	$ 294,993
Cost of goods sold	83,838	69,274	244,197	222,447
Gross profit	35,560	23,878	102,008	72,546
Selling expenses	27,477	22,767	81,505	71,035
General and administrative expenses	11,595	11,018	34,796	32,334
Net losses (gains) from sales of assets	426	488	(4,003)	(62)
Impairment of fixed assets	—	—	—	1,243
Operating expenses	39,498	34,273	112,298	104,550
Loss from operations	(3,938)	(10,395)	(10,290)	(32,004)
Other (expense) income:				
Interest expense	(1,591)	(2,993)	(7,106)	(9,174)
Other, net	1,579	(356)	5,790	17,283
Total other (expense) income	(12)	(3,349)	(1,316)	8,109
Loss before taxes	(3,950)	(13,744)	(11,606)	(23,895)
Income tax expense (benefit)	90	(60)	278	13,785
Net loss	$ (4,040)	$ (13,684)	$ (11,884)	$ (37,680)
Less: Cumulative preferred dividends, undeclared and unpaid	149	144	444	428
Net loss available to common stockholders	$ (4,189)	$ (13,828)	$ (12,328)	$ (38,108)
Net loss available to common stockholders per common share—basic	$ (0.23)	$ (0.78)	$ (0.68)	$ (2.17)
Net loss available to common stockholders per common share—diluted	$ (0.23)	$ (0.78)	$ (0.68)	$ (2.17)
Weighted average common shares outstanding—basic	18,289,815	17,756,619	18,118,469	17,569,026
Weighted average common shares outstanding—diluted	18,289,815	17,756,619	18,118,469	17,569,026

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

FARMER BROS. CO.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)
(In thousands)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
Net loss	$ (4,040)	$ (13,684)	$ (11,884)	$ (37,680)
Other comprehensive income (loss):				
Unrealized gains (losses) on derivatives designated as cash flow hedges	383	(1,315)	11,374	6,012
Gains on derivatives designated as cash flow hedges reclassified to cost of goods sold	(3,110)	(973)	(8,742)	(1,233)
Losses on derivative instruments undesignated as cash flow hedges reclassified to interest expense, net of tax	294	301	916	960
Change in pension and retiree benefit obligations	—	—	—	(1,105)
Total comprehensive loss, net of tax	$ (6,473)	$ (15,671)	$ (8,336)	$ (33,046)

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

FARMER BROS. CO.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
(In thousands, except share and per share data)

	Preferred Shares	Preferred Stock Amount	Common Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at June 30, 2021	**14,700**	**$ 15**	**17,852,793**	**$ 17,853**	**$ 66,109**	**$ 66,311**	**$ (45,329)**	**$ 104,959**
Net loss	—	—	—	—	—	(2,424)	—	(2,424)
Net reclassification of gain (loss) on cash flow hedges	—	—	—	—	—	—	4,253	4,253
ESOP compensation expense, including reclassifications	—	—	51,597	52	619	—	—	671
Share-based compensation	—	—	—	—	721	—	—	721
Issuance of common stock and Stock option exercises	—	—	94,407	94	(94)	—	—	—
Cumulative preferred dividends, undeclared and unpaid	—	—	—	—	—	(147)	—	(147)
Balance at September 30, 2021	**14,700**	**15**	**17,998,797**	**17,999**	**67,355**	**63,740**	**(41,076)**	**108,033**
Net loss	—	—	—	—	—	(5,420)	—	(5,420)
Net reclassification of gain (loss) on cash flow hedges	—	—	—	—	—	—	1,728	1,728
ESOP compensation expense, including reclassifications	—	—	82,437	84	664	—	—	748
Share-based compensation	—	—	—	—	858	—	—	858
Issuance of common stock and stock option exercises, net of shares withheld for taxes	—	—	129,292	129	(618)	—	—	(489)
Cumulative preferred dividends, undeclared and unpaid	—	—	—	—	—	(148)	—	(148)
Balance at December 31, 2021	**14,700**	**15**	**18,210,526**	**18,212**	**68,259**	**58,172**	**(39,348)**	**105,310**
Net loss	—	—	—	—	—	(4,040)	—	(4,040)
Net reclassification of (loss) gain on cash flow hedges	—	—	—	—	—	—	(2,433)	(2,433)
ESOP and 401 (k) compensation expense, including reclassifications	—	—	90,329	90	1,099	—	—	1,189
Share-based compensation	—	—	—	—	829	—	—	829
Issuance of common stock and stock option exercises	—	—	—	—	—	—	—	—
Cumulative preferred dividends, undeclared and unpaid	—	—	—	—	—	(149)	—	(149)
Balance at March 31, 2022	**14,700**	**$ 15**	**18,300,855**	**$ 18,302**	**$ 70,187**	**$ 53,983**	**$ (41,781)**	**$ 100,706**

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

FARMER BROS. CO.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED) (Continued)
(In thousands, except share and per share data)

	Preferred Shares	Preferred Stock Amount	Common Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at June 30, 2020	**14,700**	**$ 15**	**17,347,774**	**$ 17,348**	**$ 62,043**	**$ 108,536**	**$ (76,029)**	**$ 111,913**
Net loss	—	—	—	—	—	(6,270)	—	(6,270)
Net reclassification of gain (loss) on cash flow hedges	—	—	—	—	—	—	4,271	4,271
Change in the funded status of retiree benefit obligations, net of taxes	—	—	—	—	—	—	(7,289)	(7,289)
ESOP compensation expense, including reclassifications	—	—	76,671	77	323	—	—	400
Share-based compensation	—	—	—	—	745	—	—	745
Issuance of common stock and Stock option exercises	—	—	7,370	7	(7)	—	—	—
Cumulative preferred dividends, undeclared and unpaid	—	—	—	—	—	(142)	—	(142)
Balance at September 30, 2020	**14,700**	**15**	**17,431,815**	**17,432**	**63,104**	**102,124**	**(79,047)**	**103,628**
Net loss	—	—	—	—	—	(17,725)	—	(17,725)
Net reclassification of gain (loss) on cash flow hedges	—	—	—	—	—	—	3,455	3,455
Change in the funded status of retiree benefit obligations, net of taxes	—	—	—	—	—	—	6,184	6,184
ESOP compensation expense, including reclassifications	—	—	108,426	108	287	—	—	395
Share-based compensation	—	—	—	—	399	—	—	399
Issuance of common stock and Stock option exercises	—	—	50,843	51	(51)	—	—	—
Cumulative preferred dividends, undeclared and unpaid	—	—	—	—	—	(143)	—	(143)
Balance at December 31, 2020	**14,700**	**15**	**17,591,084**	**17,591**	**63,739**	**84,256**	**(69,408)**	**96,193**
Net loss	—	—	—	—	—	(13,684)	—	(13,684)
Net reclassification of (loss) gain on cash flow hedges	—	—	—	—	—	—	(1,987)	(1,987)
ESOP compensation expense, including reclassifications	—	—	162,259	162	769	—	—	931
Share-based compensation	—	—	—	—	680	—	—	680
Issuance of common stock and stock option exercises	—	—	17,898	18	(18)	—	—	—
Cumulative preferred dividends, undeclared and unpaid	—	—	—	—	—	(144)	—	(144)
Balance at March 31, 2021	**14,700**	**$ 15**	**17,771,241**	**$ 17,771**	**$ 65,170**	**$ 70,428**	**$ (71,395)**	**$ 81,989**

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

FARMER BROS. CO.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In thousands)

	Nine Months Ended March 31, 2022	Nine Months Ended March 31, 2021
Cash flows from operating activities:		
Net loss	$ (11,884)	$ (37,680)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	18,119	21,231
Impairment of fixed assets	—	1,243
Postretirement Medical benefits gains	—	(14,577)
Deferred income taxes	—	13,472
Net gains from sales of assets	(4,003)	(62)
Net gains on derivatives instruments	(12,798)	(2,875)
Other adjustments	4,963	3,124
Change in operating assets and liabilities:		
Accounts receivable	(7,559)	4,210
Inventories	(25,610)	(7,744)
Derivative assets, net	13,223	3,309
Other assets	1,989	3,184
Accounts payable	16,921	6,496
Accrued expenses and other	(2,988)	3,181
Net cash used in operating activities	(9,627)	(3,488)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(8,896)	(12,796)
Proceeds from sales of property, plant and equipment	9,062	2,009
Net cash provided by (used in) investing activities	166	(10,787)
Cash flows from financing activities:		
Proceeds from Credit Facilities	15,000	27,150
Repayments on Credit Facilities	(4,950)	(61,150)
Payments of finance lease obligations	(144)	(57)
Payment of financing costs	(330)	(3,207)
Net cash provided by (used in) financing activities	9,576	(37,264)
Net increase (decrease) in cash and cash equivalents and restricted cash	115	(51,539)
Cash and cash equivalents and restricted cash at beginning of period	10,438	60,013
Cash and cash equivalents and restricted cash at end of period	$ 10,553	$ 8,474
Supplemental disclosure of non-cash investing and financing activities:		
Non cash additions to property, plant and equipment	$ 435	$ 297
Non-cash issuance of 401-K common stock	224	347
Cumulative preferred dividends, undeclared and unpaid	444	428

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

FARMER BROS. CO.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Introduction and Basis of Presentation

Farmer Bros. Co., a Delaware corporation (including its consolidated subsidiaries unless the context otherwise requires, the “Company”), is a leading coffee roaster, wholesaler and distributor of coffee, tea, and other allied products manufactured under our owned brands, as well as under private labels on behalf of certain customers.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States (“GAAP”) for complete consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation of the interim financial data have been included. Operating results for the three and nine months ended March 31, 2022 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2022. Events occurring subsequent to March 31, 2022 have been evaluated for potential recognition or disclosure in the unaudited consolidated financial statements for the three and nine months ended March 31, 2022.

The accompanying unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2021, filed with the Securities and Exchange Commission (the “SEC”) on September 10, 2021 (the “2021 Form 10-K”).

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its direct and indirect wholly owned subsidiaries FBC Finance Company, a California corporation, Coffee Bean Holding Co., Inc., a Delaware corporation and, the parent company of Coffee Bean International, Inc., an Oregon corporation, China Mist Brands, Inc., a Delaware corporation, and Boyd Assets Co., a Delaware corporation. All intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The Company reviews its estimates on an ongoing basis using currently available information. Changes in facts and circumstances may result in revised estimates and actual results may differ from those estimates.

Note 2. Summary of Significant Accounting Policies

For a detailed discussion about the Company’s significant accounting policies, see Note 2, “*Summary of Significant Accounting Policies,*” in the Notes to Consolidated Financial Statements in the 2021 Form 10-K.

During the three and nine months ended March 31, 2022, there were no significant updates made to the Company’s significant accounting policies.

Concentration of Credit Risk

At March 31, 2022 and June 30, 2021, the financial instruments which potentially expose the Company to concentration of credit risk consist of cash in financial institutions (in excess of federally insured limits), derivative instruments and trade receivables.

The Company does not have any credit-risk related contingent features that would require it to post additional collateral in support of its net derivative asset positions. At March 31, 2022 and June 30, 2021, none of the cash in the Company’s coffee-related derivative margin accounts was restricted. Further changes in commodity prices and the number of coffee-related derivative instruments held could have a significant impact on cash deposit requirements under certain of the Company's broker and counterparty agreements.

Approximately 50% and 31% of the Company’s trade accounts receivable balance was with five customers at March 31, 2022 and June 30, 2021, respectively. The Company estimates its maximum credit risk for accounts receivable at the amount recorded on the balance sheet. The trade accounts receivables are generally short-term and all estimated credit losses have been appropriately considered in establishing the allowance for doubtful accounts.

Recent Accounting Pronouncements

The Company considers the applicability and impact of all Accounting Standards Updates ("ASUs") issued by the Financial Accounting Standards Board (the "FASB"). ASUs not listed below were assessed and either determined to be not applicable or expected to have minimal impact on its consolidated financial statements.

The following table provides a brief description of the recent ASUs applicable to the Company:

Standard	Description	Effective Date	Effect on the Financial Statements or Other Significant Matters
In March 2020, the FASB issued ASU No. 2020-04, "Facilitation of the Effect of Reference Rate Reform on Financial Reporting" ("ASU 2020-04")	The London Interbank Offered Rate (LIBOR) is being discontinued between December 2021 and June 2023. The Company has not entered into any new contracts after December 31, 2021. With the overnight, 1-month, 3-month, 6-month and 12-month USD LIBOR rates being published through June 30, 2023, we will continue to leverage these for the existing contracts. ASU 2020-04 provides temporary optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by the transition from LIBOR to alternative reference rate.	Issuance date of March 12, 2020 through December 31, 2022.	The Company does not anticipate any material impacts on its consolidated financial statements.

Note 3. Leases

The Company has entered into leases for building facilities, vehicles and other equipment. The Company's leases have remaining contractual terms through September 30, 2028, some of which have options to extend the lease for up to 10 years. For purposes of calculating operating lease liabilities, lease terms are deemed not to include options to extend the lease renewal until it is reasonably certain that the Company will exercise that option. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Supplemental unaudited consolidated balance sheet information related to leases is as follows:

(In thousands)	Classification	March 31, 2022	June 30, 2021
Operating lease assets	Right-of-use operating lease assets	$ 28,011	$ 26,254
Finance lease assets	Property, plant and equipment, net	615	739
Total lease assets		**$ 28,626**	**$ 26,993**
Operating lease liabilities - current	Operating lease liabilities - current	7,311	6,262
Finance lease liabilities - current	Other current liabilities	193	192
Operating lease liabilities - noncurrent	Operating lease liabilities - noncurrent	21,175	20,049
Finance lease liabilities -noncurrent	Other long-term liabilities	446	563
Total lease liabilities		**$ 29,125**	**$ 27,066**

The components of lease expense are as follows:

		Three Months Ended March 31,		Nine Months Ended March 31,	
(In thousands)	Classification	2022	2021	2022	2021
Operating lease expense	General and administrative expenses and cost of goods sold	$ 1,887	$ 1,838	$ 5,557	$ 5,415
Finance lease expense:					
Amortization of finance lease assets	General and administrative expenses	41	54	123	63
Interest on finance lease liabilities	Interest expense	11	13	34	13
Total lease expense		**$ 1,939**	**$ 1,905**	**$ 5,714**	**$ 5,491**

Maturities of lease liabilities are as follows:

	March 31, 2022	
(In thousands)	**Operating Leases**	**Finance Leases**
2022	$ 1,839	$ 47
2023	7,264	193
2024	6,985	193
2025	5,727	193
2026	4,525	96
Thereafter	6,707	—
Total lease payments	33,047	722
Less: interest	(4,561)	(83)
Total lease obligations	**$ 28,486**	**$ 639**

Lease term and discount rate:

	March 31, 2022	**June 30, 2021**
Weighted-average remaining lease terms (in years):		
Operating lease	6.5	7.3
Finance lease	3.8	4.5
Weighted-average discount rate:		
Operating lease	5.69 %	5.23 %
Finance lease	6.50 %	6.50 %

Other Information:

	Nine Months Ended March 31,	
(In thousands)	**2022**	**2021**
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 5,138	$ 5,807
Operating cash flows from finance leases	34	13
Financing cash flows from finance leases	144	44

Note 4. Derivative Instruments

Derivative Instruments Held

Coffee-Related Derivative Instruments

The Company is exposed to commodity price risk associated with its price to be fixed green coffee purchase contracts, which are described further in Note 2, "*Summary of Significant Accounting Policies*," in the Notes to the Consolidated Financial Statements in the 2021 Form 10-K. The Company utilizes forward and option contracts to manage exposure to the variability in expected future cash flows from forecasted purchases of green coffee attributable to commodity price risk. Certain of these coffee-related derivative instruments utilized for risk management purposes have been designated as cash flow hedges, while other coffee-related derivative instruments have not been designated as cash flow hedges or do not qualify for hedge accounting despite hedging the Company's future cash flows on an economic basis.

The following table summarizes the notional volumes for the coffee-related derivative instruments held by the Company at March 31, 2022 and June 30, 2021:

(In thousands)	**March 31, 2022**	**June 30, 2021**
Derivative instruments designated as cash flow hedges:		
Long coffee pounds	10,838	14,625
Derivative instruments not designated as cash flow hedges:		
Long coffee pounds	2,735	6,886
Total	13,573	21,511

Coffee-related derivative instruments designated as cash flow hedges outstanding as of March 31, 2022 will expire within 12 months. At March 31, 2022 and June 30, 2021 approximately 80% and 68%, respectively, of the Company's outstanding coffee-related derivative instruments were designated as cash flow hedges.

Interest Rate Swap Derivative Instruments

Pursuant to an International Swap Dealers Association, Inc. (“ISDA”) Master Agreement which was effective March 20, 2019, the Company on March 27, 2019, entered into an interest rate swap transaction utilizing a notional amount of $80.0 million, with an effective date of April 11, 2019 and a maturity date of October 11, 2023 (the “Rate Swap”). In December 2019, the Company amended the notional amount to $65.0 million. The Rate Swap is intended to manage the Company’s interest rate risk on its floating-rate indebtedness under the Company’s revolving credit facility. Under the terms of the Rate Swap, the Company receives 1-month LIBOR, subject to a 0% floor, and makes payments based on a fixed rate of 2.1975%.

The Company had designated the Rate Swap derivative instrument as a cash flow hedge; however, during the three months ended September 30, 2020, the Company de-designated the Rate Swap derivative instrument. As a result, the balance in accumulated other comprehensive income, or “AOCI” was frozen at the time of de-designation. The Company recognized $0.3 million and $0.9 million, respectively, out of AOCI and into interest expense for the three and nine months ended March 31, 2022. The remaining balance of $1.7 million frozen in AOCI will be amortized over the life of the Rate Swap through October 11, 2023.

In connection with a new revolver credit facility agreement in April 2021 (see Note 11 for details), the Company also executed a new ISDA agreement (the “Amended Rate Swap”) to transfer its interest swap to Wells Fargo Bank, N.A. (“Wells Fargo”). Under the terms of the Amended Rate Swap, the Company receives 1-month LIBOR, subject to a 0% floor, and makes payments based on a fixed rate of 2.4725%, an increase of 0.275% from its original Rate Swap fixed rate of 2.1975%. The Amended Rate Swap utilizes the same notional amount of $65.0 million and maturity date of October 11, 2023 as the original interest rate swap.

The Company did not designate the Amended Rate Swap as a cash flow hedge. The Company’s obligations under the Amended Rate Swap are secured by the collateral which secures the loans under the new Revolver Credit Facility (see Note 11 for details) on a pari passu and pro rata basis with the principal of such loans.

Effect of Derivative Instruments on the Financial Statements

Balance Sheets

Fair values of derivative instruments on the Company’s consolidated balance sheets:

	Derivative Instruments Designated as Cash Flow Hedges		Derivative Instruments Not Designated as Accounting Hedges	
(In thousands)	**March 31, 2022**	**June 30, 2021**	**March 31, 2022**	**June 30, 2021**
Financial Statement Location:				
Short-term derivative assets:				
Coffee-related derivative instruments	$ 5,561	$ 3,823	$ 526	$ 528
Long-term derivative assets:				
Coffee-related derivative instruments (1)	—	292	—	—
Interest rate swap derivative instruments (1)	—	—	162	—
Short-term derivative liabilities:				
Coffee-related derivative instruments	24	20	1,123	3
Interest rate swap derivative instruments	—	—	544	1,532
Long-term derivative liabilities:				
Coffee-related derivative instruments (2)	—	—	—	—
Interest rate swap derivative instruments (2)	—	—	—	1,653

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(1) Included in “Other assets” on the Company's consolidated balance sheets.
(2) Included in “Other long-term liabilities” on the Company's consolidated balance sheets.

Statements of Operations

The following table presents pretax net gains and losses for the Company's derivative instruments designated as cash flow hedges, as recognized in "AOCI," "Cost of goods sold" and "Other, net".

(In thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Nine Months Ended March 31, 2022	Nine Months Ended March 31, 2021	Financial Statement Classification
Net losses recognized in AOCI - Interest rate swap	$ —	$ —	$ —	$ (304)	AOCI
Net (losses) gains recognized from AOCI to earnings - Interest rate swap	(1)	9	(6)	(354)	Interest Expense
Net losses reclassified from AOCI to earnings for de-designated Interest rate swap	(293)	(320)	(910)	(960)	Interest Expense
Net gains (losses) recognized in AOCI - Coffee-related	383	(1,315)	11,374	6,051	AOCI
Net gains recognized in earnings - Coffee - related	3,110	983	8,742	1,587	Cost of goods sold

For the three and nine months ended March 31, 2022 and 2021, there were no gains or losses recognized in earnings as a result of excluding amounts from the assessment of hedge effectiveness.

Net (gains) losses on derivative instruments in the Company's consolidated statements of cash flows also include net (gains) losses on coffee-related derivative instruments designated as cash flow hedges reclassified to cost of goods sold from AOCI in the three and nine months ended March 31, 2022 and 2021. Gains and losses on coffee-related derivative instruments not designated as accounting hedges are included in "Other, net" in the Company's consolidated statements of operations and in Net (gains) losses on derivative instruments in the Company's consolidated statements of cash flows.

Net gains and losses recorded in "Other, net" are as follows:

(In thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Nine Months Ended March 31, 2022	Nine Months Ended March 31, 2021
Net gains (losses) on coffee-related derivative instruments (1)	$ 665	$ (832)	$ 3,087	$ 1,002
Non-operating pension and other postretirement benefits	896	455	2,685	15,943
Other gains (losses), net	18	21	18	338
Other, net	$ 1,579	$ (356)	$ 5,790	$ 17,283

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(1) Excludes net gains and losses on coffee-related derivative instruments designated as cash flow hedges recorded in cost of goods sold in the three and nine months ended March 31, 2022 and 2021.

Offsetting of Derivative Assets and Liabilities

The Company has agreements in place that allow for the financial right of offset for derivative assets and liabilities at settlement or in the event of default under the agreements. Additionally, under certain coffee derivative agreements, the Company maintains accounts with its counterparties to facilitate financial derivative transactions in support of its risk management activities.

The following table presents the Company's net exposure from its offsetting derivative asset and liability positions, as well as cash collateral on deposit with its counterparties as of the reporting dates indicated:

(In thousands)		Gross Amount Reported on Balance Sheet	Netting Adjustments	Cash Collateral Posted	Net Exposure
March 31, 2022	Derivative Assets	$ 6,250	$ (1,147)	$ —	$ 5,103
	Derivative Liabilities	1,691	(1,147)	—	544
June 30, 2021	Derivative Assets	4,643	(23)	—	4,620
	Derivative Liabilities	3,208	(23)	—	3,185

Cash Flow Hedges

Changes in the fair value of the Company's coffee-related derivative instruments designated as cash flow hedges are deferred in AOCI and subsequently reclassified into cost of goods sold in the same period or periods in which the hedged forecasted purchases affect earnings, or when it is probable that the hedged forecasted transaction will not occur by the end of the originally specified time period. Based on recorded values at March 31, 2022, $9.4 million of net gains on coffee-related derivative instruments designated as a cash flow hedge are expected to be reclassified into cost of goods sold within the next twelve months. These recorded values are based on market prices of the commodities as of March 31, 2022.

The Company had designated the Rate Swap derivative instrument as a cash flow hedge; however, during the three months ended September 30, 2020, the Company de-designated the Rate Swap derivative instrument. The frozen AOCI is subsequently reclassified into interest expense in the period or periods when the hedged transaction affects earnings or when it is probable that the hedged forecasted transaction will not occur by the end of the originally specified time period. As of March 31, 2022, $1.1 million of net losses on the Rate Swap de-designated as a cash flow hedge are expected to be reclassified into interest expense within the next twelve months.

Note 5. Fair Value Measurements

Assets and liabilities measured and recorded at fair value on a recurring basis were as follows:

(In thousands)	Total	Level 1	Level 2	Level 3
March 31, 2022				
Derivative instruments designated as cash flow hedges:				
Coffee-related derivative assets (1)	$ 5,561	$ —	$ 5,561	$ —
Coffee-related derivative liabilities (1)	24	—	24	—
Derivative instruments not designated as accounting hedges:				
Coffee-related derivative assets(1)	526	—	526	—
Interest rate swap derivative assets (1)	162	—	162	—
Coffee-related derivative liabilities(1)	1,123	—	1,123	—
Interest rate swap derivative liabilities (2)	544	—	544	—

	Total	Level 1	Level 2	Level 3
June 30, 2021				
Derivative instruments designated as cash flow hedges:				
Coffee-related derivative assets (1)	$ 4,115	$ —	$ 4,115	$ —
Coffee-related derivative liabilities (1)	20	—	20	—
Derivative instruments not designated as accounting hedges:				
Coffee-related derivative assets (1)	528	—	528	—
Coffee-related derivative liabilities (1)	3	—	3	—
Interest rate swap derivative liabilities (2)	3,185	—	3,185	—

(1) The Company's coffee-related derivative instruments are traded over-the-counter and, therefore, classified as Level 2.
(2) The Company's interest rate swap derivative instrument are model-derived valuations with directly or indirectly observable significant inputs such as interest rate and, therefore, classified as Level 2.

Note 6. Accounts Receivable, Net

(In thousands)	March 31, 2022	June 30, 2021
Trade receivables	$ 45,943	$ 37,208
Other receivables(1)	1,869	3,438
Allowance for doubtful accounts	(369)	(325)
Accounts receivable, net	$ 47,443	$ 40,321

(1) Includes vendor rebates and other non-trade receivables.

There was no material change in the allowance for doubtful accounts during the nine months ended March 31, 2022.

Note 7. Inventories

(In thousands)	March 31, 2022	June 30, 2021
Coffee		
Processed	$ 27,058	$ 20,917
Unprocessed	53,473	34,762
Total	$ 80,531	$ 55,679
Tea and culinary products		
Processed	$ 13,003	$ 15,228
Unprocessed	72	60
Total	$ 13,075	$ 15,288
Coffee brewing equipment parts	$ 7,039	$ 5,824
Total inventories	$ 100,645	$ 76,791

In addition to product cost, inventory costs include expenditures such as direct labor and certain supply, freight, warehousing, overhead variances, purchase price variance and other expenses incurred in bringing the inventory to its existing condition and location. The "Unprocessed" inventory values as stated in the above table represent the value of raw materials and the "Processed" inventory values represent all other products consisting primarily of finished goods.

Note 8. Property, Plant and Equipment

(In thousands)	March 31, 2022	June 30, 2021
Buildings and facilities	$ 95,049	$ 94,846
Machinery, vehicles and equipment	219,893	223,579
Capitalized software	25,238	24,218
Office furniture and equipment	14,240	13,834
	$ 354,420	$ 356,477
Accumulated depreciation	(224,761)	(218,341)
Land	11,955	11,955
Property, plant and equipment, net	$ 141,614	$ 150,091

Coffee Brewing Equipment ("CBE") and Service

Capitalized CBE included in machinery and equipment above are:

(In thousands)	March 31, 2022	June 30, 2021
Coffee Brewing Equipment	$ 94,917	$ 97,105
Accumulated depreciation	(70,039)	(70,705)
Coffee Brewing Equipment, net	$ 24,878	$ 26,400

Depreciation expense related to capitalized CBE and other CBE related expenses provided to customers and reported in cost of goods sold were as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
(In thousands)	2022	2021	2022	2021
Depreciation expense in COGS	$ 1,829	$ 2,263	$ 5,698	$ 6,957
CBE Costs excl. depreciation exp	6,479	5,499	18,242	17,035

Other expenses related to CBE provided to customers, such as the cost of servicing that equipment (including service employees' salaries, cost of transportation and the cost of supplies and parts), are considered directly attributable to the generation of revenues from the customers. Therefore, these costs are included in cost of goods sold.

Note 9. Intangible Assets

The following is a summary of the Company's amortized and unamortized intangible assets other than goodwill:

		March 31, 2022			June 30, 2021		
(In thousands)	Weighted Average Amortization Period as of March 31, 2022	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Amortized intangible assets:							
Customer relationships	5.0	$ 33,003	$ (21,342)	$ 11,661	$ 33,003	$ (19,692)	$ 13,311
Non-compete agreements	0.0	220	(220)	—	220	(202)	18
Recipes	1.6	930	(719)	211	930	(619)	311
Trade name/brand name	1.7	510	(448)	62	510	(420)	90
Total amortized intangible assets		$ 34,663	$ (22,729)	$ 11,934	$ 34,663	$ (20,933)	$ 13,730
Unamortized intangible assets:							
Trademarks, trade names and brand name with indefinite lives		$ 4,522	$ —	$ 4,522	$ 4,522	$ —	$ 4,522
Total unamortized intangible assets		$ 4,522	$ —	$ 4,522	$ 4,522	$ —	$ 4,522
Total intangible assets		$ 39,185	$ (22,729)	$ 16,456	$ 39,185	$ (20,933)	$ 18,252

Aggregate amortization expense for the three months ended March 31, 2022 and 2021 was $0.6 million in each period. Aggregate amortization expense for the nine months ended March 31, 2022 and 2021 was $1.8 million in each period.

Note 10. Employee Benefit Plans

Single Employer Pension Plans

As of March 31, 2022, the Company has two defined benefit pension plans for certain employees, the "Farmer Bros. Plan" and the "Hourly Employees' Plan". The Company froze benefit accruals and participation in these plans effective June 30, 2011 and October 1, 2016, respectively. After the plan freezes, participants do not accrue any benefits under the plan, and new hires are not eligible to participate in the plan.

The net periodic benefit (credit) cost for the defined benefit pension plans is as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
(In thousands)	2022	2021	2022	2021
Service cost	$ —	$ —	$ —	$ —
Interest cost	848	859	2,544	2,578
Expected return on plan assets	(1,237)	(1,038)	(3,711)	(3,113)
Amortization of net loss(1)	339	502	1,017	1,507
Net periodic benefit (credit) cost	$ (50)	$ 323	$ (150)	$ 972

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(1) These amounts represent the estimated portion of the net loss in AOCI that is expected to be recognized as a component of net periodic benefit cost over the current fiscal year.

Weighted-Average Assumptions Used to Determine Net Periodic Benefit Cost

	March 31, 2022	June 30, 2021
Discount rate	2.60%	2.55%
Expected long-term return on plan assets	6.25%	6.25%

Multiemployer Pension Plans

The Company participates in one multiemployer defined benefit pension plan that is union sponsored and collectively bargained for the benefit of certain employees subject to collective bargaining agreements, called the Western Conference of Teamsters Pension Plan ("WCTPP"). The Company makes contributions to this plan generally based on the number of hours worked by the participants in accordance with the provisions of negotiated labor contracts. The company also contributes to two defined contribution pension plans (All Other Plans) that are union sponsored and collectively bargained for the benefit of certain employees subject to collective bargaining agreements.

Contributions made by the Company to the multiemployer pension plans were as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
(In thousands)	2022	2021	2022	2021
Contributions to WCTPP	$ 275	$ 260	$ 679	$ 783
Contributions to All Other Plans	7	12	19	26

Multiemployer Plans Other Than Pension Plans

The Company participates in nine multiemployer defined contribution plans other than pension plans that provide medical, vision, dental and disability benefits for active, union-represented employees subject to collective bargaining agreements. The plans are subject to the provisions of the Employee Retirement Income Security Act of 1974, and provide that participating employers make monthly contributions to the plans in an amount as specified in the collective bargaining agreements. Also, the plans provide that participants make self-payments to the plans, the amounts of which are negotiated through the collective bargaining process. The Company's participation in these plans is governed by collective bargaining agreements which expire on or before January 31, 2025.

401(k) Plan

Farmer Bros. Co. 401(k) Plan (the "401(k) Plan") is available to all eligible employees. The 401(k) Plan match portion is available to all eligible employees who have worked more than 1,000 hours during a calendar year and were employed at the end of the calendar year. Participants in the 401(k) Plan may choose to contribute a percentage of their annual pay subject to the maximum contribution allowed by the Internal Revenue Service. The Company's matching contribution is discretionary, based on approval by the Company's Board of Directors.

In March 2020, due to the impact the COVID-19 pandemic had on our business and financial results, the Company elected to suspend the 401(k) Plan matching contribution for non-union employees.

Beginning in July 2021, the Company re-instated a 401(k) Plan matching program (the "401(k) Match") for non-union employees, by matching 50% of any non-union employee's annual contribution to the 401(k) Plan, up to 6% of such employee's eligible income, which is substantially similar to the program prior to its suspension in March 2020.

Beginning in January 2022, the Company amended the 401(k) Match, whereby the Company on a quarterly basis, will contribute, instead of cash, shares of the Company's common stock., par value $1.00 per share (the "Common Stock") with a value equal to 50% of any non-union employee's annual contribution to the 401(k) Plan, up to 6% of such employee's eligible income . The terms of the match are substantially the same as the safe-harbor non-elective contribution. The Company recorded matching contributions of $0.5 million and $1.6 million in operating expenses in the three and nine months ended March 31, 2022.

Additionally, the Company makes an annual safe harbor non-elective contribution of Common Stock equal to 4% of each eligible participant's annual plan compensation. During the three months ended March 31, 2022 and 2021, the Company contributed a total of 90,329 and 162,259 of shares Common Stock with a value of $0.6 million and $0.8 million, respectively, to eligible participants' annual plan compensation.

During the nine months ended March 31, 2022 and 2021, the Company contributed a total of 224,363 and 347,356 shares of Common Stock with a value of $1.8 million and $1.4 million, respectively, to eligible participants' annual plan compensation.

Effective January 1, 2022, the Company amended the 401(k) Plan to, among other things, increase the number of shares of Common Stock, available for issuance under the 401(k) Plan by 2,000,000 additional shares of Common Stock and permit participants in the 401(k) Plan to invest a portion of their 401(k) Plan accounts into Common Stock.

Effective January 1, 2022, the Company merged the Company's Employee Stock Ownership Plan ("ESOP") into the 401(k) Plan and transferred all of the assets and shares in the ESOP to the 401(k) Plan.

Postretirement Benefits

Retiree Medical Plan and Death Benefit

On March 23, 2020, the Company announced a plan to amend and terminate the postretirement medical benefit plan that covers qualified non-union retirees and certain qualified union retirees ("Retiree Medical Plan") effective January 1, 2021. As a result, the re-measurement generated a prior service credit. This credit, along with actuarial gains, were amortized over the remaining months of the plan through January 1, 2021. The Retiree Medical Plan is now terminated.

The Company provides a postretirement death benefit (the "Death Benefit" Plan) to certain employees and retirees, subject, in the case of current employees, to continued employment with the Company until retirement and certain other conditions related to the manner of employment termination and manner of death. In June 2021, the Company amended the Death Benefit Plan effective immediately, which triggered re-measurement of the plan. In conjunction with the amendment, the Company created a new Executive Death Benefit Plan (the "Executive Death Benefit Plan") for a small group of participants in the Death Benefit Plan. Under the Executive Death Benefit Plan, the participants receive the same benefits they would have received under the Death Benefit Plan.

The following table shows the components of net periodic postretirement benefit cost (credit) for the Retiree Medical Plan and Death Benefit Plan for the three and nine months ended March 31, 2022 and 2021.

	Three Months Ended March 31,		Nine Months Ended March 31,	
(In thousands)	**2022**	**2021**	**2022**	**2021**
Components of Net Periodic Postretirement Benefit Cost (Credit):				
Service cost	$ —	$ 5	$ —	$ 14
Interest cost	7	73	20	220
Amortization of net gain	2	80	8	(5,376)
Amortization of prior service credit	—	—	—	(8,961)
Net periodic postretirement benefit cost (credit)	$ 9	$ 158	$ 28	$ (14,103)

Weighted-Average Assumptions Used to Determine Net Periodic Postretirement Benefit Cost

	Fiscal year	
	2022	**2021**
Retiree Medical Plan discount rate	N/A	0.06%
Death Benefit Plan discount rate	2.72%	2.87%

Note 11. Debt Obligations

The following table summarizes the Company's debt obligations:

				March 31, 2022		June 30, 2021	
(In thousands)	**Debt Origination Date**	**Maturity**	**Principal Borrowing Amount**	**Carrying Value**	**Weighted Average Interest Rate (1)**	**Carrying Value**	**Weighted Average Interest Rate**
Revolver	Various	4/25/2025	N/A	$ 54,500	2.75 %	$ 43,500	6.21 %
Term Loan	4/26/2021	4/25/2025	$47,500	44,694	7.50 %	45,278	7.50 %
Total				$ 99,194		$ 88,778	

(1) The weighted average interest rate excludes the fixed rate on the de-designated Amended Rate Swap

On April 26, 2021, the Company entered into a new senior secured facility composed of (a) a Credit Agreement, (the "Revolver Credit Facility Agreement") by and among the Company, Boyd Assets Co., FBC Finance Company, Coffee Bean Holding Co., Inc., Coffee Bean International, Inc. and China Mist Brands, Inc., as borrowers (collectively, the "Borrowers"), Wells Fargo, as administrative agent and lender, and the other lenders party thereto, and various loan documents relating thereto including the Guaranty and Security Agreement, (the "Revolver Security Agreement"), by and among the Borrowers, as grantors, and Wells Fargo, as administrative agent, and (b) a Credit Agreement, (the "Term Credit Facility Agreement") by and among the Borrowers, MGG Investment Group LP. ("MGG"), as administrative agent, and the lenders party thereto, and various loan documents relating thereto including the Guaranty and Security Agreement, (the "Term Security Agreement"), by and among the Borrowers, as grantors, and MGG, as administrative agent.

The following is a summary description of the Revolver Credit Facility Agreement and the Revolver Security Agreement key items. Please refer to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 for the full text of the agreements.

The Revolver Credit Facility Agreement, among other things includes:

1. A commitment of up to $80.0 million (“Revolver”);
2. sublimit on letters of credit of $10.0 million;
3. maturity date of April 25, 2025, and has no scheduled payback required on the principal prior to the maturity date;
4. full collateralization by all existing and future capital stock of the Borrowers (other than the Company) and all of the Borrowers' personal and real property;
5. Revolver calculated as the lesser of (a) $80.0 million and (b) the amount derived pursuant to a borrowing base composed of the sum of (i) 85% of eligible accounts receivable (less a dilution reserve), plus (ii) the lesser of: (a) 80% of eligible raw material inventory, eligible in-transit inventory and eligible finished goods inventory (collectively, “Eligible Inventory”), and (b) 85% of the net orderly liquidation value of Eligible Inventory, minus (c) applicable reserve;
6. interest under the Revolver equal to either LIBOR + 2.25% per annum, with LIBOR floor 0.50%, or base rate + 1.25% per annum; and
7. Financial covenants, in the event that Borrowers' availability to borrow under the Revolver falls below $10.0 million requiring the Company to have a fixed charge coverage ratio of at least 1.00:1.00 at all such times.

The Revolver Credit Facility Agreement and the Revolver Security Agreement contain customary affirmative and negative covenants and restrictions typical for a financing of this type that, among other things, require the Company to satisfy certain financial covenants and restrict the Company's and its subsidiaries' ability to incur additional debt, pay dividends and make distributions, make certain investments and acquisitions, repurchase its stock and prepay certain indebtedness, create liens, enter into agreements with affiliates, modify the nature of its business, transfer and sell material assets and merge or consolidate. Non-compliance with one or more of the covenants and restrictions could result in the full or partial principal balance of the Revolver Credit Facility Agreement becoming immediately due and payable and termination of the commitments.

The following is a summary description of the Term Credit Facility Agreement and the Term Security Agreement key items. Please refer to Exhibit 10.3 to our Quarterly Report on Form 10-Q for quarter ended March 31, 2021 for the full text of the agreements.

The Term Credit Facility Agreement, among other things includes:

1. total commitment of $47.5 million in the form of a term loan (“Term Loan”);
2. maturity date of April 25, 2025;
3. full collateralization by all existing and future capital stock of the Borrowers (other than the Company) and all of the Borrowers' personal and real property;
4. interest under the Term Loan is either (a) LIBOR + 6.5% per annum, with LIBOR Floor 1.0%, or (b) base rate + 5.50% per annum, with a 3% floor on base rate; and
5. financial covenants include;
   (i) commencing on the fiscal quarter ending on March 31, 2022, quarterly minimum EBITDA and fixed charge coverage ratio requirements specified therein.

The Term Credit Facility Agreement and the Term Security Agreement contain customary affirmative and negative covenants and restrictions typical for a financing of this type that, among other things, require the Company to satisfy certain financial covenants and restrict the Company's and its subsidiaries' ability to incur additional debt, pay dividends and make distributions, make certain investments and acquisitions, repurchase its stock and prepay certain indebtedness, create liens, enter into agreements with affiliates, modify the nature of its business, transfer and sell material assets and merge or consolidate. Non-compliance with one or more of the covenants and restrictions could result in the full or partial principal balance of the Term Credit Facility Agreement becoming immediately due and payable and termination of the commitments.

During the quarter ended March 31, 2022, the Company commenced quarterly principal payments due on the Term Loan debt obligation in the amount of $950 thousand. At March 31, 2022, the Company had outstanding borrowings on the Revolver Credit Facility of $54.5 million and had utilized $4.1 million of the letters of credit sublimit. At March 31, 2022, we had $22.3 million available on our Revolver Credit Facility.

As of March 31, 2022, the Company was in compliance with all of the financial covenants under the Revolver Credit Facility Agreement and the Term Credit Facility Agreement (collectively, the "Credit Facilities"). Furthermore, the Company believes it will be in compliance with the related financial covenants under these agreements for the next twelve months.

In connection with the Credit Facilities, the Company executed the Amended Rate Swap. Under the terms of the Amended Rate Swap, the Company receives 1-month LIBOR, subject to a 0% floor, and makes payments based on a fixed rate of 2.4725%, an increase of 0.275% from its original interest rate swap fixed rate of 2.1975%. The Amended Rate Swap utilizes the same notional amount of $65.0 million and maturity date of October 11, 2023 as the original interest rate swap.

Note 12. Employee Stock Ownership Plan

The Company's Employee Stock Ownership Plan ("ESOP") was established in 2000. As of December 31, 2018, the Company froze the ESOP such that (i) no employees of the Company may commence participation in the ESOP on or after December 31, 2018; (ii) no Company contributions will be made to the ESOP with respect to services performed or compensation received after December 31, 2018; and (iii) the ESOP accounts of all individuals who are actively employed by the Company and participating in the ESOP on December 31, 2018 will be fully vested as of such date. Additionally, the Administrative Committee, with the consent of the Board of Directors, designated certain employees who were terminated in connection with certain reductions-in-force in 2018 to be fully vested in their ESOP accounts as of their severance dates.

Effective January 1, 2022, the Company merged the ESOP plan into the 401(k) Plan and transferred all of the assets and shares in the ESOP to the 401(k) Plan. As of March 31, 2022, there are no shares left in the ESOP plan.

Note 13. Share-based Compensation

Farmer Bros. Co. Amended and Restated 2017 Long-Term Incentive Plan (the "2017 Plan")

As of March 31, 2022, there were 1,616,697 shares available under the 2017 Plan including shares that were forfeited under the prior plans for future issuance.

On December 15, 2021, the Company's stockholders approved an amendment (the "Plan Amendment") to the 2017 Plan, which (i) increased the number of shares of Common Stock available for grant under the Plan by 1,500,000 additional shares of Common Stock and (ii) allows the Company to utilize awards to attract and incentivize non-employee consultants.

Farmer Bros. Co. 2020 Inducement Incentive Award Plan (the "2020 Inducement Plan")

As of March 31, 2022, there were 138,520 shares available under the 2020 Inducement Plan.

Non-qualified stock options with time-based vesting ("NQOs")

One-third of the total number of shares subject to each stock option vest ratably on each of the first three anniversaries of the grant date, contingent on continued employment, and subject to accelerated vesting in certain circumstances. There were no NQOs granted during the nine months ended March 31, 2022.

The following table summarizes NQO activity for nine months ended March 31, 2022:

Outstanding NQOs:	Number of NQOs	Weighted Average Exercise Price ($)	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value ($ in thousands)
Outstanding at June 30, 2021	513,325	13.06	5.17	$ 706
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited	(19,173)	16.24	—	—
Expired	(27,028)	20.67	—	—
Outstanding at March 31, 2022	467,124	12.52	4.50	$ 35
Exercisable at March 31, 2022	277,762	13.60	4.33	$ 12

The aggregate intrinsic values outstanding at the end of period in the table above represent the total pretax intrinsic values, based on the closing price of Common Stock of $7.12 at March 31, 2022 and $12.69 at June 30, 2021, representing the last trading day of the respective periods, which would have been received by NQO holders had all award holders exercised their NQOs that were in-the-money as of those dates. NQOs outstanding that are expected to vest are net of estimated forfeitures.

There were no options exercised during nine months ended March 31, 2022 and 2020.

At March 31, 2022 and June 30, 2021, respectively, there was $0.4 million and $0.9 million of unrecognized NQO compensation cost. The unrecognized NQO compensation cost at March 31, 2022 is expected to be recognized over the weighted average period of eight months. Total compensation expense for NQOs was $95.3 thousand and $167.7 thousand for the three months ended March 31, 2022 and 2021, respectively and $432.9 thousand and $586.8 thousand for the nine months ended March 31, 2022 and 2021, respectively.

Non-qualified stock options with performance-based and time-based vesting ("PNQs")

The following table summarizes PNQ activity for the nine months ended March 31, 2022:

Outstanding PNQs:	Number of PNQs	Weighted Average Exercise Price ($)	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value ($ in thousands)
Outstanding at June 30, 2021	11,750	29.76	0.71	$ —
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited	—	—	—	—
Expired	(9,538)	29.51	—	—
Outstanding at March 31, 2022	2,212	30.91	1.07	$ —
Exercisable at March 31, 2022	2,211	30.91	1.07	$ —

The aggregate intrinsic values outstanding at the end of each fiscal period in the table above represent the total pretax intrinsic values, based on the Company's closing stock price of $7.12 at March 31, 2022 and $12.69 at June 30, 2021, representing the last trading day of the respective fiscal periods, which would have been received by PNQ holders had all award holders exercised their PNQs that were in-the-money as of those dates.

There were no options exercised during nine months ended March 31, 2022 and 2021.

At March 31, 2022 and June 30, 2021, there was no unrecognized PNQ compensation cost. There was no compensation expense related to PNQs in the three and nine months ended March 31, 2022 and 2021.

Restricted Stock

The following table summarizes restricted stock activity for the nine months ended March 31, 2022:

Outstanding and Nonvested Restricted Stock Awards:	Shares Awarded	Weighted Average Grant Date Fair Value ($)
Outstanding and nonvested at June 30, 2021	681,570	$ 10.47
Granted	423,408	7.61
Vested/Released	(260,011)	5.02
Cancelled/Forfeited	(105,072)	7.00
Outstanding and nonvested at March 31, 2022	739,895	$ 6.78

The total grant-date fair value of restricted stock granted during the nine months ended March 31, 2022 was $3.5 million.

At March 31, 2022 and June 30, 2021, there was $4.0 million and $2.8 million, respectively, of unrecognized compensation cost related to restricted stock. The unrecognized compensation cost related to restricted stock at March 31, 2022 is expected to be recognized over the weighted average period of 1.4 years. Total compensation expense for restricted stock was $0.5 million and $0.4 million, respectively, in the three months ended March 31, 2022 and 2021. Total compensation expense for restricted stock was $1.5 million and $1.5 million, respectively, in the nine months ended March 31, 2022 and 2021.

Performance-Based Restricted Stock Units ("PBRSUs")

The following table summarizes PBRSU activity for the nine months ended March 31, 2022:

Outstanding and Nonvested PBRSUs:	PBRSUs Awarded(1)	Weighted Average Grant Date Fair Value ($)
Outstanding and nonvested at June 30, 2021	354,466	$ 6.06
Granted(1)	158,659	8.91
Vested/Released	(381)	25.04
Cancelled/Forfeited	(17,671)	3.11
Outstanding and nonvested at March 31, 2022	495,073	$ 5.14

(1) The target number of PBRSUs is presented in the table. Under the terms of the awards, the recipient may earn between 0% and 200% of the target number of PBRSUs depending on the extent to which the Company meets or exceeds the achievement of the applicable financial performance goals.

The total grant-date fair value of PBRSUs granted during the nine months ended March 31, 2022 was $1.4 million.

At March 31, 2022 and June 30, 2021, there was $1.9 million and $1.0 million, respectively, of unrecognized PBRSU compensation cost. The unrecognized PBRSU compensation cost at March 31, 2022 is expected to be recognized over the weighted average period of 2.2 years. Total compensation expense for PBRSUs was $173.3 thousand and $192.5 thousand, respectively, for the three months ended March 31, 2022 and 2021. Total compensation expense for PBRSUs was $0.5 million for the nine months ended March 31, 2022. For the nine months ended March 31, 2021, the Company reversed the previously recognized nonvested compensation expense of $295.8 thousand for awards granted prior to fiscal 2021 since it was deemed not probable that the Company will achieve the target performance conditions.

Cash-Settled Restricted Stock Units ("CSRSUs")

CSRSUs vest in equal installments over a three-year period from the grant date, and are cash-settled upon vesting based on the closing share price of Common Stock on the vesting date.

The CSRSUs are accounted for as liability awards, and compensation expense is measured at fair value on the date of grant and recognized on a straight-line basis over the vesting period net of forfeitures. Compensation expense is remeasured at each reporting date with a cumulative adjustment to compensation cost during the period based on changes in the closing share price of Common Stock.

The following table summarizes CSRSU activity for the nine months ended March 31, 2022:

Outstanding and Nonvested CSRSUs:	CSRSUs Awarded	Weighted Average Grant Date Fair Value ($)
Outstanding and nonvested at June 30, 2021	185,602	$ 4.31
Granted	85,851	8.91
Vested/Released	(52,583)	4.31
Cancelled/Forfeited	(59,211)	5.52
Outstanding and nonvested at March 31, 2022	159,659	$ 6.34

The total grant-date fair value of CSRSUs granted during the nine months ended March 31, 2022 was $0.8 million.

At March 31, 2022 and June 30, 2021, there was $1.0 million and $2.0 million, respectively, of unrecognized compensation cost related to CSRSU. The unrecognized compensation cost related to CSRSU at March 31, 2022 is expected to be recognized over the weighted average period of 2.0 years. Total compensation expense for CSRSUs was $25.0 thousand and $142.0 thousand, respectively for the three and nine months ended March 31, 2022. Total compensation expense for CSRSUs was $192.5 thousand and $213.1 thousand in the three and nine months ended March 31, 2021.

Performance Cash Awards ("PCAs")

In November 2019, the Company granted PCAs under the 2017 Plan to certain employees. The PCAs cliff vest on the third anniversary of the date of grant based on the Company's achievement of certain financial performance goals for the performance period July 1, 2019 through June 30, 2022, subject to certain continued employment conditions and subject to acceleration provisions of the 2017 Plan. At the end of the three-year performance period, the amount of PCAs that actually vest will be 0% to 200% of the target amount, depending on the extent to which the Company meets or exceeds the achievement of those financial performance goals measured over the full three-year performance period.

The PCAs are measured initially based on a fixed amount of the awards at the date of grant and are required to be re-measured based on the probability of achieving the performance conditions at each reporting date until settlement. Compensation expense for PCAs is recognized over the applicable performance periods. The Company records a liability equal to the cost of PCAs for which achievement of the performance condition is deemed probable. As of March 31, 2022 and 2021, there was no liability and no unrecognized PCA compensation cost since it was deemed not probable that the Company will achieve the target performance conditions.

Note 14. Other Current Liabilities

Other current liabilities consist of the following:

(In thousands)	March 31, 2022	June 30, 2021
Cumulative preferred dividends, undeclared and unpaid	$ 2,496	$ 2,051
Accrued workers' compensation liabilities	989	1,016
Finance lease liabilities	193	192
Other (1)	4,156	3,166
Other current liabilities	$ 7,834	$ 6,425

(1) Includes accrued property taxes, sales and use taxes and insurance liabilities other than workers compensation.

Note 15. Other Long-Term Liabilities

Other long-term liabilities include the following:

(In thousands)	March 31, 2022	June 30, 2021
Derivative liabilities—noncurrent	$ —	$ 1,653
Deferred compensation (1)	215	1,716
Finance lease liabilities	447	563
Deferred income taxes and other liabilities	1,160	1,160
Other long-term liabilities	$ 1,822	$ 5,092

(1) Includes payroll taxes and cash-settled restricted stock units liabilities.

Note 16. Income Taxes

The income tax expense and the related effective tax rates are as follows (in thousands, except effective tax rate):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
Income tax expense (benefit)	$ 90	$ (60)	$ 278	$ 13,785
Effective tax rate	(2.3)%	0.4 %	(2.4)%	(57.7)%

The Company's interim tax provision is determined using an estimated annual effective tax rate and adjusted for discrete taxable events that may occur during the quarter. The Company recognizes the effects of tax legislation in the period in which the law is enacted. Deferred tax assets and liabilities are remeasured using enacted tax rates expected to apply to taxable income in the years the Company estimates the related temporary differences to reverse. The Company evaluates its deferred tax assets quarterly to determine if a valuation allowance is required. In making such assessment, significant weight is given to evidence that can be objectively verified, such as recent operating results, and less consideration is given to less objective indicators such as future income projections. The difference between the Company's effective tax rate and the federal statutory rate in each period presented primarily results from state tax expenses and changes in the Company's valuation allowance. The effective tax rates for the nine month periods ended March 31, 2021 were also affected by tax expense of $13.5 million related to previously deferred non-cash tax expense in accumulated other comprehensive income associated with gains on the postretirement medical plan in prior years.

Tax expense in the three months ended March 31, 2022 was $89.5 thousand compared to income tax benefit of $60.0 thousand in the three months ended March 31, 2021. Tax expense in the nine months ended March 31, 2022 was $278.0 thousand compared to $13.8 million in the nine months ended March 31, 2021, which primarily relates to $13.5 million of previously deferred non-cash tax expense in accumulated other comprehensive income associated with gains on the postretirement medical plan in prior years.

The Company files its tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by U.S. federal, state and local tax authorities. With limited exceptions, as of March 31, 2022, the Company is no longer subject to income tax audits by taxing authorities for any years prior to 2019. Although the outcome of tax audits is always uncertain, the Company does not believe the outcome of any future audit will have a material adverse effect on the Company's consolidated financial statements.

Note 17. Net Loss Per Common Share

Basic net (loss) per common share is calculated by dividing net loss attributable to the Company by the weighted average number of common shares outstanding during the periods presented. Diluted net (loss) per common share is calculated by dividing diluted net loss attributable to the Company by the weighted average number of common shares outstanding adjusted to include the effect, if dilutive, of the exercise of in-the-money stock options, unvested performance-based restricted stock units, and shares of the Company's Series A Convertible Participating Cumulative Perpetual Preferred Stock, par value $1.00 per share ("Series A Preferred Stock"), as converted, during the periods presented. The calculation of dilutive shares outstanding excludes out-of-the-money stock options (i.e., such option's exercise prices were greater than the average market price of our common shares for the period) and unvested performance-based restricted stock units because their inclusion would have been anti-dilutive.

The following table presents the computation of basic and diluted net earnings loss per common share:

(In thousands, except share and per share amounts)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Nine Months Ended March 31, 2022	Nine Months Ended March 31, 2021
Undistributed net loss available to common stockholders	$ (3,993)	$ (13,234)	$ (11,854)	$ (36,601)
Undistributed net loss available to nonvested restricted stockholders and holders of convertible preferred stock	(196)	(594)	(474)	(1,507)
Net loss available to common stockholders - basic	$ (4,189)	$ (13,828)	$ (12,328)	$ (38,108)
Weighted average common shares outstanding - basic	18,289,815	17,756,619	18,118,469	17,569,026
Effect of dilutive securities:				
Shares issuable under stock options	—	—	—	—
Shares issuable under PBSRUs	—	—	—	—
Shares issuable under convertible preferred stock	—	—	—	—
Weighted average common shares outstanding - diluted	18,289,815	17,756,619	18,118,469	17,569,026
Net loss available to common stockholders per common share—basic	$ (0.23)	$ (0.78)	$ (0.68)	$ (2.17)
Net loss available to common stockholders per common share—diluted	$ (0.23)	$ (0.78)	$ (0.68)	$ (2.17)

The following table summarizes anti-dilutive securities excluded from the computation of diluted net loss per common share for the periods indicated:

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Nine Months Ended March 31, 2022	Nine Months Ended March 31, 2021
Shares issuable under stock options	467,124	421,167	471,380	421,167
Shares issuable under convertible preferred stock	448,741	433,373	448,741	433,373
Shares issuable under PBRSUs	495,073	185,236	454,110	104,271

Note 18. Preferred Stock

The Company is authorized to issue 500,000 shares of preferred stock at a par value of $1.00, including 21,000 authorized shares of Series A Preferred Stock.

On October 2, 2017, the Company issued 14,700 shares of Series A Preferred Stock in connection with the acquisition of substantially all of the assets of the Boyd Coffee Company. At March 31, 2022, Series A Preferred Stock consisted of the following:

(In thousands, except share and per share amounts)

Shares Authorized	Shares Issued and Outstanding	Stated Value per Share	Carrying Value	Cumulative Preferred Dividends, Undeclared and Unpaid	Liquidation Preference
21,000	14,700	$ 1,170	$ 17,196	$ 2,496	$ 17,196

Note 19. Revenue Recognition

The Company's primary sources of revenue are sales of coffee, tea and culinary products. The Company recognizes revenue when control of the promised good or service is transferred to the customer and in amounts that the Company expects to collect. The timing of revenue recognition takes into consideration the various shipping terms applicable to the Company's sales.

The Company delivers products to customers through Direct-store-delivery ("DSD") to the Company's customers at their place of business and Direct ship from the Company's warehouse to the customer's warehouse, facility or address. Each delivery or shipment made to a third party customer is to satisfy a performance obligation. Performance obligations generally occur at a point in time and are satisfied when control of the goods passes to the customer. The Company is entitled to collection of the sales price under normal credit terms in the regions in which it operates.

The Company disaggregates net sales from contracts with customers based on the characteristics of the products sold:

	Three Months Ended March 31,				Nine Months Ended March 31,			
	2022		2021		2022		2021	
(In thousands)	**$**	**% of total**	**$**	**% of total**	**$**	**% of total**	**$**	**% of total**
Net Sales by Product Category:								
Coffee (Roasted)	$ 77,503	64.9 %	$ 60,771	65.2 %	$ 223,607	64.6 %	$ 196,352	66.6 %
Tea & Other Beverages (1)	21,033	17.6 %	17,146	18.4 %	62,961	18.2 %	51,790	17.5 %
Culinary	13,855	11.6 %	10,551	11.3 %	40,843	11.8 %	32,471	11.0 %
Spices	5,747	4.8 %	4,414	4.8 %	16,005	4.6 %	13,424	4.6 %
Net sales by product category	118,138	98.9 %	92,882	99.7 %	343,416	99.2 %	294,037	99.7 %
Delivery Surcharge	1,260	1.1 %	270	0.3 %	2,789	0.8 %	956	0.3 %
Net sales	**$ 119,398**	**100.0 %**	**$ 93,152**	**100.0 %**	**$ 346,205**	**100.0 %**	**$ 294,993**	**100.0 %**

(1) Includes all beverages other than roasted coffee, including frozen liquid coffee, and iced and hot tea, including cappuccino, cocoa, granitas, and concentrated and ready-to drink cold brew and iced coffee.

The Company does not have any material contract assets and liabilities as of March 31, 2022. Receivables from contracts with customers are included in "Accounts receivable, net" on the Company's consolidated balance sheets. At March 31, 2022 and June 30, 2021, "Accounts receivable, net" included, $45.9 million and $37.2 million, respectively, in receivables from contracts with customers.

Note 20. Commitments and Contingencies

For a detailed discussion about the Company's commitments and contingencies, see Note 20, "Commitments and Contingencies" in the Notes to Consolidated Financial Statements in the 2021 Form 10-K. During the nine months ended March 31, 2022, other than the following, or as otherwise disclosed herein, there were no material changes in the Company's commitments and contingencies.

Purchase Commitments

As of March 31, 2022, the Company had committed to purchase green coffee inventory totaling $87.0 million under fixed-price contracts, and $19.4 million in inventory and other purchases under non-cancelable purchase orders.

Legal Proceedings

Council for Education and Research on Toxics ("CERT") v. Brad Berry Company Ltd., et al., Superior Court of the State of California, County of Los Angeles

On August 31, 2012, CERT filed an amendment to a private enforcement action adding a number of companies as defendants, including the Company's subsidiary, Coffee Bean International, Inc., which sells coffee in California under the State of California's Safe Drinking Water and Toxic Enforcement Act of 1986 ("Prop 65"). The suit alleges that the defendants have failed to issue clear and reasonable warnings in accordance with Prop 65 that the coffee they produce, distribute, and sell contains acrylamide. This lawsuit was filed in Los Angeles Superior Court (the "Court"). CERT alleges that the Company and the other defendants failed to provide warnings for their coffee products of exposure to the chemical acrylamide as required *under* Prop 65. Plaintiff seeks equitable relief, including providing warnings to consumers of coffee products, as well as civil penalties in the amount of the statutory maximum of $2,500 per day per violation of Prop 65. The Plaintiff asserts that every consumed cup of coffee, absent a compliant warning, is equivalent to a violation under Prop 65.

The Company, as part of a joint defense group ("JDG") organized to defend against the lawsuit, disputes the claims of CERT. Acrylamide is not added to coffee but is present in all coffee in small amounts (parts per billion) as a byproduct of the coffee bean roasting process. Acrylamide is produced naturally in connection with the heating of many foods, especially starchy foods, and is believed to be caused by the Maillard reaction, though it has also been found in unheated foods such as olives. With respect to coffee, acrylamide is produced when coffee beans are heated during the roasting process-it is the roasting itself that produces the acrylamide. While there has been a significant amount of research concerning proposals for treatments and other processes aimed at reducing acrylamide content of different types of foods, to our knowledge there is currently no known strategy for reducing acrylamide in coffee without negatively impacting the sensorial properties of the product.

The Company has asserted multiple affirmative defenses. Trial of the first phase of the case commenced on September 8, 2014, and was limited to three affirmative defenses shared by all defendants. On September 1, 2015, the trial court issued a final ruling adverse to defendants on all Phase 1 defenses. Trial of the second phase of the case commenced in the fall of 2017. On May 7, 2018, the trial court issued a ruling adverse to defendants on the Phase 2 defense, the Company's last remaining defense to liability. On June 22, 2018, the California Office of Environmental Health Hazard Assessment (OEHHA) proposed a new regulation clarifying that cancer warnings are not required for coffee under Proposition 65. The case was set to proceed to a third phase trial on damages, remedies and attorneys' fees on October 15, 2018. However, on October 12, 2018, the California Court of Appeal granted the “defendants” request for a stay of the Phase 3 trial.

On June 3, 2019, the Office of Administrative Law (OAL) approved the coffee exemption regulation. The regulation became effective on October 1, 2019. On June 24, 2019, the Court of Appeal lifted the stay of the litigation. A status conference was held on July 11, 2019. The Court granted the JDG’s motion for leave to amend its answers to add the coffee exemption regulation as a defense. Concurrently, the Court denied CERT’s motion to add OEHHA as a party but granted CERT’s motions to complete the administrative record with respect to the exemption and to undertake certain third party discovery. A status conference was held November 12, 2019 to discuss discovery issues and dispositive motions. Plaintiff’s motion to compel OEHHA to add documents to the rulemaking file for the new coffee exemption regulation was denied. CERT continued to pursue third-party discovery with plans to file motions to compel appearances of proposed deponents. These motions, along with CERT’s eight summary judgment motions, were heard at a January 21, 2020 hearing where the Court denied several of CERT’s discovery requests. The JDG’s reply in support of its motion for summary judgment was due to the Court on the March 16, 2020 however, on March 17, 2020, notice was given that the Court was rescheduling the hearings set for March 23, 2020. Due to COVID 19 restrictions, the Court continued the hearing on the nine motions until July 16, 2020. At the hearing, the Court denied three of CERT’s motions for summary adjudication that challenged the OEHHA rulemaking, and rescheduled the balance of the pending motions for August 10, 2020. Subsequent to the hearing on January 21, 2020, Plaintiff made broad discovery requests against each of the defendants in hopes of opening up a third round of discovery. The discovery focuses on “additives to” and “flavorings” in coffee. The JDG has responded to the discovery requests but Plaintiff has filed a motion to compel further answers to discovery and production of documents.

At the August 10, 2020 hearing, the Court denied multiple motions by the Plaintiffs for summary adjudication. The hearing on the remaining motions was scheduled for August 25, 2020 and at that hearing, the Court denied CERT’s motion for summary judgment and granted the JDG’s motion for summary judgment, noting that the discovery and claims regarding additives were outside the scope of this case. Notice of Judgment in favor of defendants was entered on October 6, 2020.

On November 20, 2020, CERT filed an appeal with the Superior Court of California. On January 29, 2021, CERT filed another appeal with the Superior Court of California. On April 9, 2021, CERT filed it’s opening brief on the first appeal. The Company filed its responsive brief on August 27, 2021. CERT’s response was filed on November 15, 2021. With respect to CERT’s second appeal, the Company’s Respondent Brief was filed on November 18, 2021. CERT’s reply in the second appeal was filed February 4, 2022. The Company believes that the likelihood that the Company will ultimately incur a material loss in connection with this litigation is less than reasonably possible.

The Company is a party to various other 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.

Note 21. Sales of Assets

Sale of Branch Property

During the nine months ended March 31, 2022, the Company completed the sale of the following branch properties, none of which were leased back:

(In thousands)				
Name of Branch Property	**Date Sold**	**Sales Price**	**Net Proceeds**	**Gain on Sale**
Santa Ana, California	7/2/2021	$ 4,299	$ 4,072	$ 3,571
Santa Fe Springs, California	7/7/2021	2,650	2,507	1,509
San Antonio, Texas	11/2/2021	898	820	729

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

This Quarterly Report on Form 10-Q and other documents we file with the Securities and Exchange Commission (“SEC”) contain forward-looking statements that are based on current expectations, estimates, forecasts and projections about us, our future performance, our financial condition, our products, our business strategy, our beliefs and our management’s assumptions. In addition, we, or others on our behalf, may make forward-looking statements in press releases or written statements, or in our communications and discussions with investors and analysts in the normal course of business through meetings, webcasts, phone calls and conference calls. These forward-looking statements can be identified by the use of words like “anticipates,” “estimates,” “projects,” “expects,” “plans,” “believes,” “intends,” “will,” “could,” “may,” “assumes” and other words of similar meaning. These statements are based on management’s beliefs, assumptions, estimates and observations of future events based on information available to our management at the time the statements are made and include any statements that do not relate to any historical or current fact. These statements are not guarantees of future performance and they involve certain risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from what is expressed, implied or forecast by our forward-looking statements due in part to the risks, uncertainties and assumptions set forth in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended June 30, 2021 filed with the SEC on September 10, 2021 (the “2021 Form 10-K”) and Part II, Item 1A of this Quarterly Report on Form 10-Q, as well as those discussed elsewhere in this report and other factors described from time to time in our filings with the SEC.

Factors that could cause actual results to differ materially from those in forward-looking statements include, but are not limited to, the duration and magnitude of the disruption to our business and customers from the COVID-19 pandemic (including the effects of emerging and novel variants of the virus and any virus containment measures such as stay-at-home orders or government mandates) and severe winter weather, levels of consumer confidence in national and local economic business conditions, the duration and magnitude of the pandemic’s impact on labor conditions, the success of our strategy to recover from the effects of the pandemic, the success of our turnaround strategy, the execution of our five strategic initiatives, the impact of capital improvement projects, the adequacy and availability of capital resources to fund our existing and planned business operations and our capital expenditure requirements, the relative effectiveness of compensation-based employee incentives in causing improvements in our performance, the capacity to meet the demands of our large national account customers, the extent of execution of plans for the growth of our business and achievement of financial metrics related to those plans, our success in retaining and/or attracting qualified employees, our success in adapting to technology and new commerce channels, the effect of the capital markets as well as other external factors on stockholder value, fluctuations in availability and cost of green coffee, competition, organizational changes, the effectiveness of our hedging strategies in reducing price and interest rate risk, changes in consumer preferences, our ability to provide sustainability in ways that do not materially impair profitability, changes in the strength of the economy, including any effects from inflation, business conditions in the coffee industry and food industry in general, our continued success in attracting new customers, variances from budgeted sales mix and growth rates, weather and special or unusual events, as well as other risks described in this Quarterly Report on Form 10-Q and other factors described from time to time in our filings with the SEC.

Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results. Any or all of the forward-looking statements contained in this Quarterly Report on Form 10-Q and any other public statement made by us, including by our management, may turn out to be incorrect. We are including this cautionary note to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for forward-looking statements. We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events, changes in assumptions or otherwise, except as required under federal securities laws and the rules and regulations of the SEC.

Our Business

We are a leading coffee roaster, wholesaler and distributor of coffee, tea and other allied products manufactured under our owned brands, as well as under private labels on behalf of certain customers. We were founded in 1912, incorporated in California in 1923, and reincorporated in Delaware in 2004. Our principal office is located in Northlake, Texas. We operate in one business segment.

We serve a wide variety of customers, from small independent restaurants and foodservice operators to large institutional buyers like restaurants, department and convenience store retailers, hotels, casinos, healthcare facilities, and gourmet coffee houses, as well as grocery chains with private brand and consumer-branded coffee and tea products, and foodservice distributors. Through our sustainability, stewardship, environmental efforts, and leadership we are not only committed to serving the finest products available, considering the cost needs of the customer, but also insist on their sustainable cultivation, manufacture and distribution whenever possible.

Our product categories consist of a robust line of roast and ground coffee, including organic, Direct Trade, Project D.I.R.E.C.T., Fair Trade Certified™ ® and other sustainably-produced offerings; frozen liquid coffee; flavored and unflavored iced and hot teas, including organic and Rainforest Alliance Certified™; culinary products including premium spices, pancake and biscuit mixes, gravy and sauce mixes, soup bases, dressings, syrups and sauces, and coffee-related products such as coffee filters, cups, sugar and creamers; and other beverages including cappuccino, cocoa, granitas, and other blender-based beverages and concentrated and ready-to-drink cold brew and iced coffee. We offer a comprehensive approach to our customers by providing not only a breadth of high-quality products, but also value added services such as market insight, beverage planning, and equipment placement and service.

We operate production facilities in Northlake, Texas; Portland, Oregon; and Hillsboro, Oregon. We distribute our products from our Northlake, Texas, Portland, Oregon and Hillsboro, Oregon production facilities, as well as separate distribution centers in Portland, Oregon; Northlake, Illinois; Moonachie, New Jersey; and Rialto, California. Our products reach our customers primarily through our nationwide DSD network of 238 delivery routes and 90 branch warehouses as of March 31, 2022, or direct-shipped via common carriers or third-party distributors. DSD sales are primarily made “off-truck” to our customers at their places of business. We operate a large fleet of trucks and other vehicles to distribute and deliver our products through our DSD network, and we rely on 3PL service providers for our long-haul distribution.

Impact of the COVID-19 Pandemic on Our Business

The COVID-19 pandemic has significantly impacted our financial position, results of operations, cash flows and liquidity as the effects of the pandemic and resulting governmental actions have decreased the demand for our products, most notably throughout our DSD network, which consist of small independent restaurants, foodservice operators, large institutional buyers, convenience store chains, hotels, casinos, healthcare facilities, and foodservice distributors. The COVID-19 pandemic continues to have a material impact on our revenues during the three and nine months ended March 31, 2022.

As local and state governments across the country have eased COVID-19 restrictions, and vaccines have become generally available, we have continued to see improved average weekly sales trends. During the three months ended March 31, 2022, our average weekly sales were down 16% compared to pre-COVID levels, which represents continued improvement from the three months ended December 31, 2021 and March 31, 2021 when sales were down 17% and 36%, respectively. Although we experienced improvement in several markets this quarter as COVID further recedes, the recovery is slower in certain regions caused by general COVID-19 restrictions across the country.

Although our Direct Ship sales channel was also affected by the COVID-19 pandemic, the impact was significantly less due to the types of customers we serve through this channel. These customers include our retail business and products sold by key grocery stores under their private labels, as well as third party e-commerce platforms, which have been impacted less by the pandemic. For the three months ended March 31, 2022, our Direct Ship revenues have improved which is mainly driven by recently optimized customer base and recovery of several larger accounts.

Due to the impact of the COVID-19 pandemic on our revenues, we instituted several initiatives during fiscal 2020 and 2021 to reduce operating expenses and capital expenditures to help mitigate the significant negative impact of our revenue decline. In addition to the costs saving initiatives, in fiscal 2021 we repaid our existing senior secured revolving credit facility, and entered into a new senior secured facility composed of a Revolver Credit Facility Agreement and a Term Credit Facility Agreement (the “Credit Facilities”). We believe that the Credit Facilities provide us with increased flexibility to proactively manage our working capital and execute our long term strategy, maintain compliance with our financial covenants, lower our cost of borrowing, and preserve financial liquidity to mitigate the impact of the uncertain business environment resulting from the COVID-19 pandemic, while continuing to execute on our strategic initiatives.

The duration and magnitude of the COVID-19 pandemic, including the extent of the weaker demand for our products, our financial position, results of operations and liquidity, which could be material, remains uncertain. The ultimate impacts of the COVID-19 pandemic on our business will depend on future developments, including the availability and cost of labor, global supply chain disruptions, variants of the virus, and the availability and use of vaccines, which are highly uncertain and cannot be predicted. While we anticipate that our revenue will continue to recover slowly as local, state and national governments ease COVID-19 related restrictions, and vaccines become more widely accepted, there can be no assurance that we will be successful in returning to the pre-COVID-19 pandemic levels of revenue or profitability for our fiscal year ending June 30, 2022 (“fiscal 2022”).

For other impacts of the COVID-19 pandemic, please see “Item 1A. Risk Factors” in our 2021 Form 10-K, which is accessible on the SEC’s website at www.sec.gov.

Summary Overview of Three Months Ended March 31, 2022 Results of Operations

During the three months ended March 31, 2022, revenues from both our DSD and Direct ship sales channels continued to be impacted by the COVID-19 pandemic.

As a result of the COVID-19 pandemic, our largest DSD revenue declines were in our restaurant, healthcare, hotel and casino channels, while the C-store channel was impacted less. However, due to the significant recovery in these channels throughout fiscal 2021 and fiscal 2022, our average weekly DSD sales compared to pre COVID levels improved from down 36% during the three months ended March 31, 2021 to down 16% during the three months ended March 31, 2022.

Our Direct ship channel sales improved 23.7% during the three months ended March 31, 2022 compared to the prior year period. This was due to the recently optimized customer base and recovery from the impact of the COVID-19 pandemic by some of our larger Direct ship customers.

Gross margin improved 4.2% from 25.6% during the prior year period to 29.8% during the three months ended March 31, 2022. This improvement was mostly due to the effect of the continued recovery from the COVID-19 pandemic on our DSD channel sales since our DSD channel has higher margins. The increase was also attributable to a decline in our unfavorable production variances and inventory scrap write-downs due to the closure of our aged Houston, Texas plant during fiscal 2021. These improvements were partially offset by higher freight costs due to global supply chain challenges. The price increases and delivery surcharges implemented across our DSD network beginning in the second quarter of fiscal 2022 helped mitigate the impact of higher supply chain and product costs.

Operating expenses increased $5.2 million during the three months ended March 31, 2022 compared to the prior year period due to a $4.7 million increase in selling expenses and a $0.6 million increase in general and administrative expenses. The increase in selling expenses was primarily due to variable costs, including payroll, associated with the higher sales volumes, as well as operating costs associated with our new distribution center in Rialto, California.

Our capital expenditures for the three months ended March 31, 2022 were $3.0 million, a decrease of $0.1 million compared to the prior year period. This was due to lower investment spending of $1.1 million for several strategic initiatives completed during fiscal 2021, partially offset by higher maintenance capital spend of $0.9 million compared to the prior year period. Our capital expenditures for the nine months ended March 31, 2022 were $8.9 million, a decline of $3.9 million compared to the prior year period. This was due to lower investment capital of $6.0 million for several strategic initiatives completed during fiscal 2021, partially offset by higher maintenance capital spend of $2.1 million compared to the prior year period. The higher maintenance capital was mainly due to the purchase of coffee brewing equipment for our DSD customers as volumes have improved, as well as small Northlake, Texas plant and IT projects. Several key initiatives in fiscal 2021, including a focus on refurbished coffee brewing equipment to drive cost savings, helped reduce our purchases as DSD sales volumes return.

As of March 31, 2022, the outstanding principal on our Revolver and Term Loan Credit Facilities was $101.1 million, an increase of $10.1 million from December 31, 2021. Our cash balance increased by $6.8 million, from $3.6 million as of December 31, 2021, to $10.4 million as of March 31, 2022.

As of March 31, 2022, the outstanding principal on our Credit Facilities was $101.1 million, an increase of $10.1 million from June 30, 2021. Our cash balance increased by $0.1 million, from $10.3 million as of June 30, 2021, to $10.4 million as of March 31, 2022. These changes were primarily due to higher inventory costs, and payment of our fiscal 2021 employee incentive program. These uses of cash were partially offset by cash proceeds from the sale of three branch properties during the nine months ended March 31, 2022 and realized hedging gains.

Financial Data Highlights (in thousands, except per share data and percentages)

	Three Months Ended March 31,		Favorable (Unfavorable)		Nine Months Ended March 31,		Favorable (Unfavorable)	
	2022	**2021**	**Change**	**% Change**	**2022**	**2021**	**Change**	**% Change**
Income Statement Data:								
Net sales	$ 119,398	$ 93,152	$26,246	28.2%	$ 346,205	$ 294,993	$51,212	17.4%
Gross margin	29.8 %	25.6 %	4.2%	NM	29.5 %	24.6 %	4.9%	NM
Operating expenses as a % of sales	33.1 %	36.8 %	3.7%	NM	32.4 %	35.4 %	3.0%	NM
Loss from operations	$ (3,938)	$ (10,395)	$6,457	62.1%	$ (10,290)	$ (32,004)	$21,714	67.8%
Net loss	$ (4,040)	$ (13,684)	$9,644	70.5%	$ (11,884)	$ (37,680)	$25,796	68.5%
Operating Data:								
Coffee pounds	18,797	18,026	771	4.3%	58,466	60,366	(1,900)	(3.1)%
EBITDA(1)	$ 2,577	$ (4,800)	$7,377	153.7%	$ 11,055	$ 3,391	$7,664	226.0%
EBITDA Margin(1)	2.2 %	(5.2)%	7.4%	NM	3.2 %	1.1 %	2.1%	NM
Adjusted EBITDA(1)	$ 5,021	$ (759)	$5,780	761.5%	$ 13,009	$ 13,207	$(198)	(1.5)%
Adjusted EBITDA Margin(1)	4.2 %	(0.8)%	5.0%	NM	3.8 %	4.5 %	(0.7)%	NM
Percentage of Total Net Sales By Product Category								
Coffee (Roasted)	64.9 %	65.2 %	(0.3)%	(0.5)%	64.6 %	66.6 %	(2.0)%	(3.0)%
Tea & Other Beverages (2)	17.6 %	18.4 %	(0.8)%	(4.3)%	18.2 %	17.5 %	0.7%	4.0%
Culinary	11.6 %	11.3 %	0.3%	2.7%	11.8 %	11.0 %	0.8%	7.3%
Spices	4.8 %	4.8 %	—%	—%	4.6 %	4.6 %	—%	—%
Net sales by product category	98.9 %	99.7 %	(0.8)%	NM	99.2 %	99.7 %	(0.5)%	NM
Delivery Surcharge	1.1 %	0.3 %	0.8%	NM	0.8 %	0.3 %	0.5%	NM
Net sales	100.0 %	100.0 %	—%	—%	100.0 %	100.0 %	—%	—%
Other data:								
Capital expenditures related to maintenance	$ 2,985	$ 2,042	$ (943)	(46.2)%	$ 7,893	$ 5,783	$ (2,110)	(36.5)%
Total capital expenditures	3,009	3,133	124	4.0 %	8,896	12,769	3,873	30.3 %
Depreciation and amortization expense	5,791	6,883	1,092	15.9 %	18,119	21,231	3,112	14.7 %

NM - Not Meaningful

(1) EBITDA, EBITDA Margin, Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP financial measures. See “Non-GAAP Financial Measures” below for a reconciliation of these non-GAAP measures to their corresponding GAAP measures.

(2) Includes all beverages other than roasted coffee, frozen liquid coffee, and iced and hot tea, including cappuccino, cocoa, granitas, and concentrated and ready-to-drink cold brew and iced coffee.

Results of Operations

The following table sets forth information regarding our consolidated results of operations for the three and nine months ended March 31, 2022 and 2021 (in thousands, except percentages):

	Three Months Ended March 31,		Favorable (Unfavorable)		Nine Months Ended March 31,		Favorable (Unfavorable)	
	2022	2021	Change	% Change	2022	2021	Change	% Change
Net sales	$ 119,398	$ 93,152	$26,246	28.2%	$ 346,205	$ 294,993	$51,212	17.4%
Cost of goods sold	83,838	69,274	(14,564)	(21.0)%	244,197	222,447	(21,750)	(9.8)%
Gross profit	35,560	23,878	11,682	48.9%	102,008	72,546	29,462	40.6%
Selling expenses	27,477	22,767	(4,710)	(20.7)%	81,505	71,035	(10,470)	(14.7)%
General and administrative expenses	11,595	11,018	(577)	(5.2)%	34,796	32,334	(2,462)	(7.6)%
Net losses (gains) from sales of assets	426	488	62	NM	(4,003)	(62)	3,941	NM
Impairment of fixed assets	—	—	—	—%	—	1,243	1,243	100.0%
Operating expenses	39,498	34,273	(5,225)	(15.2)%	112,298	104,550	(7,748)	(7.4)%
Loss from operations	(3,938)	(10,395)	6,457	62.1%	(10,290)	(32,004)	21,714	67.8%
Other (expense) income:								
Interest expense	(1,591)	(2,993)	1,402	46.8%	(7,106)	(9,174)	2,068	22.5%
Other, net	1,579	(356)	1,935	NM	5,790	17,283	(11,493)	NM
Total other (expense) income	(12)	(3,349)	3,337	NM	(1,316)	8,109	(9,425)	NM
Loss before taxes	(3,950)	(13,744)	9,794	71.3%	(11,606)	(23,895)	12,289	51.4%
Income tax expense (benefit)	90	(60)	(150)	NM	278	13,785	13,507	NM
Net loss	$ (4,040)	$ (13,684)	9,644	70.5%	$ (11,884)	$ (37,680)	25,796	68.5%
Less: Cumulative preferred dividends, undeclared and unpaid	149	144	(5)	(3.5)%	444	428	(16)	(3.7)%
Net loss available to common stockholders	$ (4,189)	$ (13,828)	9,639	69.7%	$ (12,328)	$ (38,108)	25,780	67.6%

NM - Not Meaningful

Three and Nine Months Ended March 31, 2022 Compared to Three and Nine Months Ended March 31, 2021

Net Sales

Net sales in the three months ended March 31, 2022 increased $26.2 million, or 28.2%, to $119.4 million from $93.2 million in the three months ended March 31, 2021. Net sales in the nine months ended March 31, 2022 increased $51.2 million, or 17.4%, to $346.2 million from $295.0 million in the nine months ended March 31, 2021. The increase in net sales for the three and nine months ended March 31, 2022 was due to the continued recovery from the impact of the COVID-19 pandemic on both our DSD and Direct Ship network, along with price increases and delivery surcharges.

On our DSD network, the increase was driven by improved volume of green coffee processed and sold, along with improved volume of other beverages, culinary, spice and tea products sold as we continue to experience higher weekly sales volumes compared to prior periods.

On the Direct ship network, increase was due to higher volumes on Direct ship customers and price changes to customers utilizing commodity-based pricing arrangements where the changes in the green coffee commodity costs are passed on to the customer. This was also due to the recently optimized customer base and recovery from the impact of the COVID-19 pandemic by some of our larger Direct ship customers.

Our Direct ship net sales in the three months ended March 31, 2022 included $8.7 million in price increases to customers utilizing commodity-based pricing arrangements. Our direct ship net sales in the three months ended March 31, 2021 included no material price increases to customers utilizing commodity-based pricing arrangements.

Our Direct ship net sales in the nine months ended March 31, 2022 included $15.1 million in price increases to customers utilizing commodity-based pricing arrangements, as compared to $1.6 million in price decreases to customers utilizing such arrangements in the nine months ended March 31, 2021.

The following table presents the effect of changes in unit sales, and unit pricing and product mix in the three and nine months ended March 31, 2022 compared to the same period in the prior fiscal year (in millions):

	Three Months Ended March 31, 2022 vs. 2021	% of Total Mix Change	Nine Months Ended March 31, 2022 vs. 2021	% of Total Mix Change
Effect of change in unit sales	$ 5.8	22.1 %	$ (5.6)	(10.9)%
Effect of pricing and product mix changes	20.4	77.9 %	56.8	110.9 %
Total increase in net sales	$ 26.2	100.0 %	$ 51.2	100.0 %

Unit sales increased 5.1% and average unit price increased by 21.9% in the three months ended March 31, 2022 as compared to the same period in the prior fiscal year, resulting in an increase in our net sales of 28.2%. Unit sales decreased 1.6% and average unit price increased by 19.3% in the nine months ended March 31, 2022 as compared to the same period in the prior fiscal year, resulting in an increase in our net sales of 17.4%. Average unit price increased during three and nine months ended March 31, 2022 due to a higher mix of product sold via our DSD network versus Direct ship, as Direct ship has a lower average unit price. There were no new product category introductions which had a material impact on our net sales in the three and nine months ended March 31, 2022 or 2021.

Gross Profit

Gross profit in the three months ended March 31, 2022 increased $11.7 million, or 48.9%, to $35.6 million from $23.9 million in the three months ended March 31, 2021. Gross margin increased to 29.8% in the three months ended March 31, 2022 from 25.6% in the three months ended March 31, 2021.

Gross profit in the nine months ended March 31, 2022 increased $29.5 million, or 40.6%, to $102.0 million from $72.5 million in the nine months ended March 31, 2021. Gross margin increased to 29.5% in the nine months ended March 31, 2022 from 24.6% in the nine months ended March 31, 2021.

The increase in gross profit in the current year was primarily driven by higher net sales on both the DSD and Direct ship network, partially offset by higher freight costs due to global supply chain challenges. Gross margin improved due to the effect of the continued recovery from COVID-19 on our DSD channel sales since our DSD channel has higher margins. The increase was also attributable to a decline in our unfavorable production variances and inventory scrap write-downs due to the closure of our aged Houston, Texas plant during fiscal 2021. The price increases and delivery surcharges implemented across our DSD network during the second quarter of fiscal 2022 helped mitigate the impact of higher supply chain and product costs.

Operating Expenses

In the three months ended March 31, 2022, operating expenses increased $5.2 million to $39.5 million, or 33.1% of net sales, from $34.3 million, or 36.8% of net sales in the prior year period. This increase was due to a $4.7 million increase in selling expenses and $0.6 million increase in general and administrative expenses.

In the nine months ended March 31, 2022, operating expenses increased $7.7 million to $112.3 million, or 32.4% of net sales, from $104.6 million, or 35.4% of net sales in the prior year period. This increase was due to a $10.5 million increase in selling expenses and a $2.5 million increase in general and administrative expenses, partially offset by a $1.2 million lower fixed assets impairment and $3.9 million increase in net gains from the sales of assets due to the sale of three branch properties during the nine months ended March 31, 2022. The increase in selling expenses during the nine months ended March 31, 2022 was primarily due to variable costs, including payroll, associated with the higher sales volumes, as well as operating costs associated with our new distribution center in Rialto, California. The increase in general and administrative expenses during the nine months ended March 31, 2022 was primarily due to payroll and third party costs related to several supply chain optimization initiatives, partially offset by the absence of one-time severance costs in the prior year period. The increase in payroll in both and selling and general and administrative expenses are predominately due to the expiration of the temporary 15% reduction in base salaries and the expiration of the 401(k) cash match suspension under the Farmer Bros. Co. 401(k) Plan, which were both cost saving actions implemented in fiscal 2020 due to the COVID-19 pandemic.

Total Other (Expense) Income

Total other (expense) income in the three months ended March 31, 2022 decreased $3.3 million or 99.6% to $12.0 thousand of expense compared to $3.3 million of expense in the three months ended March 31, 2021. This change was primarily a result of lower interest expense and higher gains on coffee-related derivative instruments in the current year period.

Total other (expense) income in the nine months ended March 31, 2022 increased $9.4 million or 116.2% to $1.3 million of expense compared to $8.1 million of income in the nine months ended March 31, 2021. This change was primarily a result of the absence of the gains due to the postretirement benefit curtailment in the prior year, partially offset by lower interest expense and higher gains on coffee-related derivative instruments in the current year.

Interest expense in the three months ended March 31, 2022 decreased $1.4 million to $1.6 million from $3.0 million in the prior year period. The decrease in interest expense was primarily due to the lower interest rate on our Credit Facilities, and favorable interest rate swap activity.

Interest expense in the nine months ended March 31, 2022 decreased $2.1 million to $7.1 million from $9.2 million in the prior year period. The decrease in interest expense was principally due to the lower interest rate on our Credit Facilities, and lower losses on our interest rate swap.

Other, net in the three months ended March 31, 2022 increased by $1.9 million to income of $1.6 million compared to expense of $0.3 million in the prior year period. Other, net in the nine months ended March 31, 2022 decreased by $11.5 million to income of $5.8 million compared to income of $17.3 million in the prior year period. The decrease was primarily a result of lower amortized gains on our terminated postretirement medical benefit plan, partially offset by higher mark-to-market net gains on coffee-related derivative instruments not designated as accounting hedges.

Income Taxes

In the three months ended March 31, 2022 and March 31, 2021 , we recorded income tax expense of $0.1 million and income tax benefit of $0.1 million, respectively. In the nine months ended March 31, 2022 and March 31, 2021, we recorded income tax expense of $0.3 million and $13.8 million, respectively. See Note 16, *Income Taxes*, of the Notes to Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Non-GAAP Financial Measures

In addition to net loss determined in accordance with U.S. generally accepted accounting principles ("GAAP"), we use the following non-GAAP financial measures in assessing our operating performance:

"EBITDA" is defined as net loss excluding the impact of:

- income tax expense;
- interest expense; and
- depreciation and amortization expense.

"EBITDA Margin" is defined as EBITDA expressed as a percentage of net sales.

"Adjusted EBITDA" is defined as net (loss) income excluding the impact of:

- income tax expense;
- interest expense;
- depreciation and amortization expense;
- ESOP and share-based compensation expense;
- restructuring and other transition expenses;
- strategic initiatives;
- impairment of fixed assets;
- non-recurring costs associated with the COVID-19 pandemic and 2021 severe winter weather;
- net gains and losses from sales of assets; and
- severance costs.

"Adjusted EBITDA Margin" is defined as Adjusted EBITDA expressed as a percentage of net sales.

For purposes of calculating EBITDA and EBITDA Margin and Adjusted EBITDA and Adjusted EBITDA Margin, we have not adjusted for the impact of interest expense on our pension and postretirement benefit plans.

We believe these non-GAAP financial measures provide a useful measure of the Company's operating results, a meaningful comparison with historical results and with the results of other companies, and insight into the Company's ongoing operating performance. Further, management utilizes these measures, in addition to GAAP measures, when evaluating and comparing the Company's operating performance against internal financial forecasts and budgets.

We believe that EBITDA facilitates operating performance comparisons from period to period by isolating the effects of certain items that vary from period to period without any correlation to core operating performance or that vary widely among similar companies. These potential differences may be caused by variations in capital structures (affecting interest expense), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age and book depreciation of facilities and equipment (affecting relative depreciation expense). We also present EBITDA and EBITDA Margin because (i) we believe that these measures are frequently used by securities analysts, investors and other interested parties to evaluate companies in our industry, (ii) we believe that investors will find these measures useful in assessing our ability to service or incur indebtedness, and (iii) we use these measures internally as benchmarks to compare our performance to that of our competitors.

EBITDA, EBITDA Margin, Adjusted EBITDA and Adjusted EBITDA Margin, as defined by us, may not be comparable to similarly titled measures reported by other companies. We do not intend for non-GAAP financial measures to be considered in isolation or as a substitute for other measures prepared in accordance with GAAP.

Set forth below is a reconciliation of reported net loss to EBITDA (unaudited):

	Three Months Ended March 31,		Nine Months Ended March 31,	
(In thousands)	2022	2021	2022	2021
Net loss, as reported	$ (4,040)	$ (13,684)	$ (11,884)	$ (37,680)
Income tax expense (benefit)	90	(60)	278	13,785
Interest expense (1)	736	2,061	4,542	6,055
Depreciation and amortization expense	5,791	6,883	18,119	21,231
EBITDA	$ 2,577	$ (4,800)	$ 11,055	$ 3,391
EBITDA Margin	2.2 %	(5.2)%	3.2 %	1.1 %

(1) Excludes interest expense related to pension plans and postretirement benefit plans.

Set forth below is a reconciliation of reported net loss to Adjusted EBITDA (unaudited):

	Three Months Ended March 31,		Nine Months Ended March 31,	
(In thousands)	2022	2021	2022	2021
Net loss, as reported	$ (4,040)	$ (13,684)	$ (11,884)	$ (37,680)
Income tax expense (benefit)	90	(60)	278	13,785
Interest expense (1)	736	2,061	4,542	6,055
Depreciation and amortization expense	5,791	6,883	18,119	21,231
ESOP and share-based compensation expense	2,018	1,611	5,015	3,561
Strategic initiatives (2)	—	1,593	—	3,268
Net losses (gains) from sale of assets	426	488	(4,003)	(62)
Severance	—	200	942	1,397
Weather-related event - 2021 severe winter weather	—	109	—	109
Non-recurring costs associated with the COVID-19 pandemic	—	40	—	300
Impairment of fixed assets	—	—	—	1,243
Adjusted EBITDA (3)	$ 5,021	$ (759)	$ 13,009	$ 13,207
Adjusted EBITDA Margin	4.2 %	(0.8)%	3.8 %	4.5 %

(1) Excludes interest expense related to pension plans and postretirement benefit plans.
(2) Includes initiatives related to the Houston facility exit and opening of the Rialto distribution center.
(3) Adjusted EBITDA for the nine months ended March 31, 2021 includes $14.4 million of higher amortized gains resulting from the curtailment of the postretirement medical plan in March 2020, which is further described in our consolidated financial statements in the 2021 Form 10-K.

Liquidity, Capital Resources and Financial Condition

The following table summarizes our debt obligations:

				March 31, 2022		June 30, 2021	
(In thousands)	Debt Origination Date	Maturity	Principal Borrowing Amount	Carrying Value	Weighted Average Interest Rate (1)	Carrying Value	Weighted Average Interest Rate
Revolver	Various	4/25/2025	N/A	$ 54,500	2.75 %	$ 43,500	6.21 %
Term Loan	4/26/2021	4/25/2025	$47,500	44,694	7.50 %	45,278	7.50 %
Total				$ 99,194		$ 88,778	

(1) The weighted average interest rate excludes the fixed rate on the de-designated Amended Rate Swap

On April 26, 2021, the Company entered into the Credit Facilities as described in more detail in Note 11, *Debt*

Obligations, of the Notes to Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

The revolver under the Credit Facilities has a commitment of up to \$80.0 million and a maturity date of April 25, 2025. Availability under the revolver is calculated as the lesser of (a) \$80.0 million and (b) the amount derived from pursuant to a borrowing base composed of the sum of (i) 85% of eligible accounts receivable (less a dilution reserve), plus (ii) the lesser of: (a) 80% of eligible raw material inventory, eligible in-transit inventory and eligible finished goods inventory (collectively, "Eligible Inventory"), and (b) 85% of the net orderly liquidation value of Eligible Inventory, minus (c) applicable reserve. The term loan under the Credit Facilities has a principal amount of \$47.5 million and a maturity date of April 25, 2025.

The Credit Facilities contain customary affirmative and negative covenants and restrictions typical for a financing of this type. Non-compliance with one or more of the covenants and restrictions could result in the full or partial principal balance of the Credit Facilities becoming immediately due and payable and termination of the commitments. As of and through March 31, 2022, we were in compliance with all of the covenants under the Credit Facilities. Furthermore, the Company believes it will be in compliance with the related financial covenants under these agreements for the next twelve months.

The Credit Facilities provide us with increased flexibility to proactively manage our liquidity and working capital, while maintaining compliance with our debt financial covenants, and preserving financial liquidity to mitigate the impact of the uncertain business environment resulting from the COVID-19 pandemic and continue to execute on key strategic initiatives.

At March 31, 2022, the Company had outstanding borrowings on the Revolver Credit Facility of \$54.5 million and had utilized \$4.1 million of the letters of credit sublimit.

Liquidity

We generally finance our operations through cash flows from operations and borrowings under our Credit Facilities described above. In light of our financial position, operating performance and current economic conditions, including the state of the global capital markets, there can be no assurance as to whether or when we will be able to raise capital by issuing securities. We believe that the Credit Facilities, to the extent available, in addition to our cash flows from operations, collectively, will be sufficient to fund our working capital and capital expenditure requirements for the next 12 months. We expect to fund our long-term liquidity needs, including contractual obligations, anticipated capital expenditures, principal payments on our Term Loan Credit Facility, as well as working capital requirements, from our operating cash flows and our Credit facilities to the extent available.

At March 31, 2022, we had \$10.4 million of unrestricted cash and cash equivalents and \$22.3 million available on our Revolver Credit Facility.

Impact of the COVID-19 Pandemic on our Liquidity

The COVID-19 pandemic has significantly impacted our financial position, results of operations, cash flows and liquidity as the effects of the pandemic and resulting governmental actions have decreased the demand for our products, most notably throughout our DSD network, which consists of small independent restaurants, foodservice operators, large institutional buyers, and convenience store chains, hotels, casinos, healthcare facilities, and foodservice distributors. The COVID-19 pandemic continues to have material impact on our revenues during the three and nine months ended March 31, 2022.

In response to the pandemic's impact on our business, we instituted several initiatives during fiscal 2020 and 2021 to reduce operating expenses and capital expenditures to help mitigate the significant negative impact of our revenue decline. In addition to the costs saving initiatives, in fiscal 2021 we repaid our existing senior secured revolving credit facility, and entered into our new Credit Facilities. We believe that the Credit Facilities provide us with increased flexibility to proactively manage our working capital and execute our long term strategy, maintain compliance with our debt financial covenants, lower our cost of borrowing, and preserve financial liquidity to mitigate the impact of the uncertain business environment resulting from the COVID-19 pandemic, while continuing to execute on our strategic initiatives.

The duration and magnitude of the COVID-19 pandemic, including the extent of the weaker demand for our products, our financial position, results of operations and liquidity, which could be material, remains uncertain. The ultimate impacts of the COVID-19 pandemic on our business will depend on future developments, including the availability and cost of labor, global supply chain disruptions, variants of the virus, and the availability and use of vaccines, which is highly uncertain and cannot be predicted. While we anticipate that our revenue will continue to recover as local, state and national governments continue to ease COVID-19 related restrictions, and vaccines become more widely accepted, there can be no assurance that we will be successful in returning to the pre-COVID-19 pandemic levels of revenue or profitability for fiscal 2022.

Cash Flows

The significant captions and amounts from our consolidated statements of cash flows are summarized below:

	Nine Months Ended March 31,	
	2022	2021
Consolidated Statements of cash flows data (in thousands)		
Net cash used in operating activities	$ (9,627)	$ (3,488)
Net cash provided by (used in) investing activities	166	(10,787)
Net cash provided by (used in) financing activities	9,576	(37,264)
Net increase (decrease) in cash and cash equivalents and restricted cash	$ 115	$ (51,539)

Operating Activities

Net cash used in operating activities during the nine months ended March 31, 2022 was $9.6 million as compared to net cash used of $3.5 million in the nine months ended March 31, 2021. The $6.1 million change in net cash used in operating activities was primarily attributable to changes in working capital primarily related to inventory and accounts receivables, as well as bonus payments for our fiscal 2021 employee incentive program. We did not pay bonuses as part of the employee incentive program in fiscal 2020 due to the impact COVID-19 had on our business. These outflows were partially offset by realized gains from our coffee-related derivative instruments for the nine months ended March 31, 2022.

Investing Activities

Net cash provided by investing activities during the nine months ended March 31, 2022 was $0.2 million as compared to net cash used of $10.8 million in the nine months ended March 31, 2021. The increase in cash provided was primarily due to net cash proceeds of $9.1 million from the sale of three branch assets during the nine months ended March 31, 2022. Also, less cash was used for expansion capital expenditures compared to prior year period when we increased the capacity of our Northlake, Texas plant.

Financing Activities

Net cash provided by financing activities during the nine months ended March 31, 2022 was $9.6 million as compared to net cash used of $37.3 million in the nine months ended March 31, 2021. The change of $46.8 million was primarily due to net repayments of $34.0 million under the Amended and Restated Credit Agreement dated as of July 23, 2020 (the "Amended Revolving Facility"), which was fully repaid in prior year period. The Company also had net proceeds from revolver draw down of $11.0 million during the nine months ended March 31, 2022.

Capital Expenditures

For the three and nine months ended March 31, 2022 and 2021, our capital expenditures paid were as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
(In thousands)	2022	2021	2022	2021
Maintenance:				
Coffee brewing equipment	$ 2,002	$ 1,578	$ 5,625	$ 4,430
Building and facilities	60	—	92	45
Vehicles, machinery and equipment	180	150	679	378
IT, software, office furniture and equipment	743	314	1,497	930
Capital expenditures related to maintenance	2,985	2,042	7,893	5,783
Expansion Project:				
Machinery and equipment	24	481	992	5,251
IT equipment	—	50	—	755
Capital expenditures, Expansion Project	24	531	992	6,006
New Facility Costs				
Building and facilities	—	560	11	980
Capital expenditures, New Facility	—	560	11	980
Total capital expenditures	$ 3,009	$ 3,133	$ 8,896	$ 12,769

In fiscal 2022, we anticipate paying between $11.0 million to $14.0 million in maintenance capital expenditures. We expect to finance these expenditures through cash flows from operations and borrowings under our Credit Facilities.

Depreciation and amortization expenses were $5.8 million and $6.9 million in the three months ended March 31, 2022 and 2021, respectively. Depreciation and amortization expenses were $18.1 million and $21.2 million in the nine months ended March 31, 2022 and 2021, respectively. We anticipate our depreciation and amortization expense will be approximately $5.5 million to $7.0 million per quarter in the remainder of fiscal 2022 based on our existing fixed asset commitments and the useful lives of our intangible assets.

Purchase Commitments

As of March 31, 2022, the Company had committed to purchase green coffee inventory totaling $87.0 million under fixed-price contracts, and $19.4 million in inventory and other purchases under non-cancelable purchase orders.

Contractual Obligations

As of March 31, 2022, the Company had operating and finance lease payment commitments totaling $29.1 million. Under our Term Loan Credit Agreement, the Company is required to make quarterly principal repayments of $950 thousand, beginning in fiscal quarter ending March 31, 2022 and has commenced these payments as of March 31, 2022.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in accordance with GAAP. In applying many of these accounting principles, we need to make assumptions, estimates or judgments that affect the reported amounts of assets, liabilities, revenues and expenses in our consolidated financial statements. We base our estimates and judgments on historical experience and other assumptions that we believe are reasonable under the circumstances. These assumptions, estimates or judgments, however, are both subjective and subject to change, and actual results may differ from our assumptions and estimates. If actual amounts are ultimately different from our estimates, the revisions are included in our results of operations for the period in which the actual amounts become known. For a summary of our significant accounting policies, see *Note 2, Summary of Significant Accounting Policies,* of the Notes to Consolidated Financial Statements included in Part I, Item 1 of our 2021 Form 10-K. For a summary of our critical accounting estimates, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" in our 2021 Form 10-K.

Recent Accounting Pronouncements

See Note 2, *Summary of Significant Accounting Policies*, of the Notes to Consolidated Financial Statements included in Part I, Item 1 of our 2021 Form 10-K.

Off-Balance Sheet Arrangements

As of March 31, 2022, the Company had utilized $4.1 million of the letters of credit sublimit.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

At March 31, 2022, we had outstanding borrowings on our Revolver Credit Facility of $54.5 million and had utilized $4.1 million of the letters of credit sublimit, as well as $46.6 million of debt outstanding under our Term Loan Credit Facility. The weighted average interest rate on our Revolver Credit Facility was 2.75% with a LIBOR Floor of 0.50%. The weighted average interest rate on our Term Loan Credit Facility was 7.50% with a LIBOR Floor of 1.0%.

The following table demonstrates the impact of interest rate changes on our annual interest expense on outstanding borrowings subject to interest rate variability under these Credit Facilities based on the weighted average interest rate on the outstanding borrowings as of March 31, 2022:

(In thousands)	Principal	Interest Rate	Annual Interest Expense
–150 basis points	$101,050	4.94 %	$4,992
–100 basis points	$101,050	4.94 %	$4,992
Unchanged	$101,050	4.94 %	$4,992
+100 basis points	$101,050	5.66 %	$5,719
+150 basis points	$101,050	6.16 %	$6,225

In addition to the Credit Facilities above, the Company executed an ISDA agreement with Wells Fargo (“Amended Rate Swap”). Under the terms of the Amended Rate Swap, the Company receives 1-month LIBOR, subject to a 0% floor, and makes payments based on a fixed rate of 2.4725%, The Amended Rate Swap utilizes the same notional amount of $65.0 million and maturity date of October 11, 2023 as the original interest rate swap. See Note 4, *Derivative Instruments,* of the Notes to Consolidated Financial Statements included in the fiscal 2021 Annual Report on Form 10-K for further discussions of our derivative instruments.

Commodity Price Risk

We are exposed to commodity price risk arising from changes in the market price of green coffee. We value green coffee inventory on the FIFO basis. In the normal course of business we hold a large green coffee inventory and enter into forward commodity purchase agreements with suppliers. We are subject to price risk resulting from the volatility of green coffee prices. Due to competition and market conditions, volatile price increases cannot always be passed on to our customers. See Note 4, Derivative Instruments, of the Notes to the Unaudited Consolidated Financial Statements for further discussions of our derivative instruments.

The following table summarizes the potential impact as of March 31, 2022 to net loss and AOCI from a hypothetical 10% change in coffee commodity prices. The information provided below relates only to the coffee-related derivative instruments and does not include, when applicable, the corresponding changes in the underlying hedged items:

	Increase (Decrease) to Net Loss		Increase (Decrease) to AOCI	
(In thousands)	10% Increase in Underlying Rate	10% Decrease in Underlying Rate	10% Increase in Underlying Rate	10% Decrease in Underlying Rate
Coffee-related derivative instruments(1)	$ 568	$ (568)	$ 1,883	$ (1,883)

(1) The Company’s purchase contracts that qualify as normal purchases include green coffee purchase commitments for which the price has been locked in as of March 31, 2022. These contracts are not included in the sensitivity analysis above as the underlying price has been fixed.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information we are required to disclose in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosures.

As of March 31, 2022, our management, with the participation of our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), carried out an evaluation of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(e) promulgated under the Exchange Act. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

Management has determined that there has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act) during our fiscal quarter ended March 31, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The information set forth in Note 20, *Commitments and Contingencies*, of the Notes to Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q is incorporated herein by reference.

Item 1A. Risk Factors

For a discussion of our other potential risks and uncertainties, see the information under "Item 1A. Risk Factors" in our 2021 Form 10-K. During the nine months ended March 31, 2022, there have been no material changes to the risk factors disclosed in our 2021 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

None

Item 6. Exhibits

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of Farmer Bros. Co. (filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K filed with the SEC on September 11, 2019 and incorporated herein by reference).
3.2	Certificate of Amendment of Amended and Restated Certificate of Incorporation of Farmer Bros. Co. (filed as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 filed with the SEC on May 8, 2020 and incorporated herein by reference).
3.3	Certificate of Amendment of Amended and Restated Certificate of Incorporation of Farmer Bros. Co. (filed as Exhibit 4.4 to the Company's Registration Statement on Form S-8 filed with the SEC on December 28, 2021 and incorporated herein by reference).
3.4	Certificate of Designations of Series A Convertible Participating Cumulative Perpetual Preferred Stock of Farmer Bros. Co. (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the SEC on October 3, 2017 and incorporated herein by reference).
3.5	Amended and Restated Bylaws (filed as Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2019 filed with the SEC on February 11, 2019 and incorporated herein by reference).
3.6	Amendment No. 1 to Amended and Restated Bylaws of Farmer Bros. Co. (filed as Exhibit 3.4 to the Company's Annual Report on Form 10-K filed with the SEC on September 11, 2020 and incorporated herein by reference).
31.1*	Principal Executive Officer Certification Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Principal Financial Officer Certification Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Principal Executive Officer Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Principal Financial Officer Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, formatted in Inline XBRL (included in Exhibit 101).

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* Filed herewith

** Furnished, not filed, herewith

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.

By: /s/ Deverl Maserang

Deverl Maserang
President and Chief Executive Officer
(principal executive officer)
May 5, 2022

By: /s/ Scott R. Drake

Scott R. Drake
Chief Financial Officer
(principal financial officer)
May 5, 2022

EXHIBIT 31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Deverl Maserang certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Farmer Bros. Co.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 5, 2022

/S/ DEVERL MASERANG

Deverl Maserang
President and Chief Executive Officer
(principal executive officer)

EXHIBIT 31.2

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Scott R. Drake, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Farmer Bros. Co.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2022

/s/ SCOTT R. DRAKE

Scott R. Drake
Chief Financial Officer
(principal financial officer)

EXHIBIT 32.1

Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Farmer Bros. Co. (the “Company”) on Form 10-Q for the quarterly period ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Deverl Maserang, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 5, 2022

/s/ DEVERL MASERANG

Deverl Maserang
President and Chief Executive Officer
(principal executive officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

Certification of Principal Financial and Accounting Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Farmer Bros. Co. (the “Company”) on Form 10-Q for the quarterly period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Scott R. Drake, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Dated: May 5, 2022

/S/ SCOTT R. DRAKE

Scott R. Drake
Chief Financial Officer
(principal financial officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.