

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 2000

Commission file number 0-1375

FARMER BROS. CO.

California
State of Incorporation

95-0725980
Federal ID Number

20333 S. Normandie Avenue, Torrance, California
Registrant's Address

90502
Zip

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days. YES [X] NO []

Number of shares of Common Stock outstanding: 1,845,904 as of March 31, 2000.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Dollars in thousands, except per share data)

FARMER BROS. CO.
CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

	For the three months ended March 31,		For the nine months ended March 31,	
	2000	1999	2000	1999
Net sales	\$ 56,354	\$ 55,207	\$165,725	\$167,650
Cost of goods sold	18,124	20,054	61,822	69,287
	38,230	35,153	103,903	98,363
Selling expense	21,053	20,187	61,213	60,567
General and administrative expenses	3,264	2,192	7,469	5,986
	24,317	23,009	68,682	66,553
Income from operations	13,913	12,144	35,221	31,810
Other income:				
Dividend income	719	605	1,988	1,792
Interest income	2,604	2,153	7,258	6,682
Other, net	253	363	362	721
	3,576	3,121	9,608	9,195
Income before taxes	17,489	15,265	44,829	41,005
Income taxes	7,125	6,106	18,061	16,402
Net income	\$ 10,364	\$ 9,159	\$ 26,768	\$ 24,603
Earnings per common share	\$5.60	\$4.83	\$14.37	\$12.84
Weighted average shares outstanding	1,848,350	1,897,444	1,863,035	1,916,757

Dividends declared per common share	\$0.75	\$0.70	\$2.25	\$2.10
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The accompanying notes are an integral part of these financial statements.

FARMER BROS. CO.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2000	June 30, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 18,966	\$ 4,403
Short term investments	67,827	122,203
Accounts and notes receivable, net	18,491	18,199
Inventories	35,180	33,675
Income tax receivable	-	249
Deferred income taxes	2,391	2,391
Prepaid expenses	502	429
Total current assets	143,357	181,549
Property, plant and equipment, net	37,120	31,543
Notes receivable	3,884	3,884
Long term investments, net	133,263	81,760
Other assets	23,046	21,382
Deferred income taxes	5,907	4,718
Total assets	\$346,577	\$324,836
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 6,655	\$ 4,786
Accrued payroll expenses	4,465	5,388
Other	8,634	5,744
Total current liabilities	19,754	15,918
Accrued postretirement benefits	18,839	17,707
Other long term liabilities	3,500	3,500
	22,339	21,207
Commitments and contingencies	-	-
Shareholders' equity:		
Common stock, \$1.00 par value, authorized 3,000,000 shares; issued 1,926,414 and outstanding 1,845,904 shares at March 31, 2000 and 1,870,754 shares at June 30, 1999	1,846	1,871
Additional paid-in capital	3,121	3,164
Unearned ESOP shares	(13,146)	-
Retained earnings	315,015	283,191
Accumulated other comprehensive loss	(2,352)	(515)
Total shareholders' equity	304,484	287,711
Total liabilities and shareholders' equity	\$346,577	\$324,836

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

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

	For the nine months ended March 31,	
	2000	1999
Cash flows from operating activities:		
Net income	\$ 26,768	\$ 24,603
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,240	3,988
Other	678	(89)
Net loss (gain) on investments	450	(398)
Changes in assets and liabilities:		
Accounts and notes receivable	(393)	(2,142)
Inventories	(1,505)	4,221
Income tax receivable	249	453
Prepaid expenses and other assets	(1,794)	(2,564)
Accounts payable	1,869	1,144
Accrued payroll expenses and other liabilities	1,967	898
Accrued postretirement benefits	1,132	1,322
Total adjustments	6,893	6,833
Net cash provided by operating activities	\$ 33,661	\$ 31,436

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

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

	For the nine months ended March 31,	
	2000	1999
Net cash provided by operating activities:	\$ 33,661	\$ 31,436
Cash flows from investing activities:		
Purchases of property, plant and equipment	(11,138)	(3,889)
Proceeds from sales of property, plant and equipment	700	118
Purchases of investments	(224,639)	(486,817)
Proceeds from sales of investments	224,037	487,556
Notes issued	-	(54)
Notes repaid	101	117
Net cash used in investing activities	(10,939)	(2,969)
Cash flows from financing activities:		
Dividends paid	(4,197)	(4,045)
Purchase of common stock	(3,962)	(11,817)
Net cash (used in) provided by financing activities	(8,159)	15,862
Net increase in cash and cash equivalents	14,563	12,605
Cash and cash equivalents at beginning of period	4,403	6,800
Cash and cash equivalents at end of period	\$ 18,966	\$ 19,405
Supplemental disclosure of cash flow information:		
Income tax payments	\$ 15,085	\$ 14,991

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

Notes to Consolidated Financial Statements (Unaudited)

Note 1. Unaudited Financial Statements

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. It is Management's opinion that all adjustments of a normal recurring nature necessary for a fair statement of the results of operations for the interim periods have been made.

Note 2. Investments

The Company hedges interest rate risk in its portfolio of preferred stock. Deferred gains and losses associated with the hedge are (\$1,088,000) and \$923,000 at March 31, 2000 and June 30, 1999, respectively.

(In thousands)	Cost	Gross Unrealized Loss	Gross Unrealized Gains	Fair Value
March 30, 2000				
Current Assets				
Commercial paper	\$ 11,271	(4)	-	\$ 11,267
U.S. Government obligations	57,182	(624)	2	56,560
	\$ 68,453	(628)	2	\$ 67,827
Non-Current Assets				
U.S. Government obligations	\$ 82,107	(1,466)	2	\$ 80,643
Municipal debt	1,695	(50)	-	1,669
Preferred stock	43,475	(1,736)	1,387	43,126
Corporate bonds	7,171	(241)	-	6,906
Other	2,121	(1,202)	-	919
	\$136,569	\$(4,695)	\$ 1,389	\$133,263

(In thousands)	Cost	Gross Unrealized Loss	Gross Unrealized Gains	Fair Value
June 30, 1999				
Current Assets				
Commercial paper	\$ 11,895	-	27	\$ 11,922
U.S. Government obligations	110,368	(126)	39	110,281
	\$122,263	(126)	66	\$122,203
Non-Current Assets				
U.S. Government obligations	\$ 35,015	(842)	-	\$ 34,173
Municipal debt	1,695	(8)	-	1,687
Preferred stock	37,538	(548)	2,049	39,039
Corporate bonds	5,075	(461)	-	4,614
Other	2,247	-	-	2,247
	\$ 81,570	(1,859)	2,049	\$ 81,760

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

Maturities (In thousands)	Fair Value	
	03/31/00	06/30/99
Within 1 year	\$ 67,827	\$122,203
After 1 year through 5 years	87,288	35,860
	\$155,115	\$158,063

Gross realized gains and losses from available for sale securities were \$609,000 and (\$1,059,000) at March 31, 2000, and \$1,881,000 and (\$1,483,000) at March 31, 1999, respectively.

Note 3. Inventories

(In thousands)	Processed	Unprocessed	Total
March 31, 2000			
Coffee	\$ 3,965	\$ 9,116	\$13,081
Allied products	11,722	3,644	15,366
Coffee equipment	1,856	4,877	6,733
	\$17,543	\$17,637	\$35,180
June 30, 1999			
Coffee	\$ 3,619	\$ 9,314	\$12,933
Allied products	11,078	3,424	14,502
Coffee brewing equipment	2,258	3,982	6,240
	\$16,955	\$16,720	\$33,675

Note 4. Employee Stock Ownership Plan

On January 1, 2000, the Company established the Farmer Bros. Co. Employee Stock Ownership Plan (ESOP) to provide benefits to all employees. The Board of Directors has authorized a loan of up to \$50,000,000 to the ESOP to purchase up to 300,000 shares, secured by the stock purchased. The loan will be repaid from the Company's discretionary plan contributions over a fifteen year term at a variable rate of interest, 7.65% at March 31, 2000.

On March 31, 2000 the ESOP had an outstanding loan balance of \$13,368,000 and had purchased 81,875 shares of the Company's common stock.

Shares purchased with the loan proceeds are held by the plan trustee for allocation among the participants as the loan is repaid. The unencumbered shares are allocated to participants using a compensation-based formula. Subject to vesting requirements, allocated shares are owned by participants, and shares are held by the plan trustee until the participant retires.

The Company reports compensation expense equal to the average market price of shares allocated to participants or to be released from collateral during the plan year. The cost of shares purchased by the ESOP which have not been committed to be released or allocated to participants are shown as

a contra-equity account "Unearned ESOP shares" and are excluded from earnings per share calculations. During the fiscal quarter ending March 31, 2000, the Company recorded \$223,000 of compensation expense related to the ESOP for the plan year ending December 31, 2000.

The ESOP shares as of March 31 are as follows:

Allocated shares	-
Committed to be released shares	1,365
Unallocated shares	80,510
Total ESOP shares	81,875
Fair value of unearned ESOP shares	\$13,368,000

Note 5. Comprehensive Income

The following table presents the Company's comprehensive income for the three and nine month periods ended March 31.

(In thousands)	For the three months ended March 31		For the nine months ended March 31	
	2000	1999	2000	1999
Net income	\$10,364	\$ 9,159	\$26,768	\$24,603
Unrealized investment gains (losses), net	(445)	340	(1,837)	(1,301)
Total comprehensive income	\$ 9,919	\$ 9,499	\$24,931	\$23,302

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

Net sales for the third quarter of fiscal 2000 increased 2% to \$56,354,000 as compared to \$55,207,000 in the same quarter of the prior fiscal year, as a result of increased allied product sales. Fiscal 2000 year to date net sales decreased 1% to \$165,725,000 from \$167,650,000 in the same period of fiscal 1999. This decrease is primarily the result of lower roast coffee sales volume partially offset by increased allied product sales. Lower green coffee costs during the most recent fiscal quarter resulted in an 9% increase in gross profit to \$38,230,000 from \$35,153,000 in the prior fiscal year, and fiscal year to date gross profit increased 6% to \$103,903,000 as compared to \$98,363,000 in the first nine months of fiscal 1999.

Operating expenses increased 6% to \$24,317,000 in the third quarter of fiscal 2000 from \$23,009,000 in the same quarter of the prior fiscal year and operating expenses for the first three quarters of fiscal 2000 increased 3% to \$68,682,000 from \$66,553,000 in the same period of the prior fiscal year. This increase is primarily from increases in employee benefit expenses (payroll, medical costs, ESOP and retirement benefits), offset by lower costs of coffee brewing equipment.

Net income for the third quarter of fiscal 2000 reached \$10,364,000, or \$5.60 per share, as compared to \$9,159,000, or \$4.83 per share, in the same quarter of fiscal 1999. Net income for the first three quarters of fiscal 2000 reached \$26,768,000, or \$14.37 per share, as compared to \$24,603,000, or \$12.84 per share, in the same period of fiscal 1999.

QUARTERLY SUMMARY OF RESULTS
(In thousands of dollars)

	03/31/99	06/30/99	09/30/99	12/30/99	03/31/00
Net sales	55,207	53,921	53,068	56,303	56,354
Gross profit	35,153	33,374	32,770	32,903	38,230
Operating income	12,144	4,960	10,849	10,459	13,913
Net income	9,159	4,262	8,088	8,316	10,364

(As a percentage of sales)

	03/31/99	06/30/99	09/30/99	12/30/99	03/31/00
Net sales	100.00	100.00	100.00	100.00	100.00
Gross profit	63.67	61.89	61.75	58.44	67.84
Operating income	22.00	9.20	20.44	18.58	24.69
Net income	16.59	7.90	15.24	14.77	18.39

(In dollars)

	03/31/99	06/30/99	09/30/99	12/30/99	03/31/00
EPS	4.83	2.29	4.32	4.45	5.60

Item 3. Quantitative and Qualitative Disclosures about Market Risk
Financial Markets

Securities are recorded at fair value and unrealized gains or losses have been recorded as other comprehensive income. The Company maintains two distinct portfolios of securities, both portfolios are classified as available for sale.

The Company's portfolio of investment grade money market instruments includes bankers acceptances, discount commercial paper, federal agency issues and treasury securities. As of March 31, 2000, over 20% of these funds were invested in instruments with maturities shorter than three months, which are included in cash equivalents. The remaining balance matures during fiscal 2001 and 2002. This portfolio's interest rate risk is unhedged. Its average maturity is approximately 287 days and a 100 basis point move in the Fed Funds Rate is illustrated in the following table.

Interest Rate Changes
(In thousands)

	Market Value of March 31, 2000 Fixed Income Investments	Change in Market Value of Fixed Income Investments
- -100 b.p.	\$165,005	\$ 1,634
unchanged	\$163,371	\$ 0
+100 b.p.	\$161,737	\$ (1,634)

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

The following table demonstrates the impact of varying interest rate changes based on the preferred stock holdings, futures and options positions, and market yield and price relationships at March 31, 2000. This table is predicated on an "instantaneous" change in the general level of interest rates and assumes predictable relationships between the prices of preferred securities holdings, the yields on U.S. Treasury securities, and related futures and options.

Interest Rate Changes
(In thousands)

	Market Value at March 31, 2000			Change in Market
	Preferred Securities	Futures and Options	Total Portfolio	Value of Total Portfolio
- -200 basis points ("b.p.")	\$52,098.5	-	\$52,098.5	\$6,662.6
- -100 b.p.	48,842.6	1.2	48,843.9	3,407.9
Unchanged	45,142.2	293.7	45,435.9	-
+100 b.p.	41,434.3	2,855.8	44,290.1	(1,145.8)
+200 b.p.	37,977.3	6,114.4	44,091.7	(1,344.2)

The number and type of futures and options contracts entered into depends on the specific maturity and issuer redemption provisions for each preferred security held, the slope of the Treasury yield curve, the expected volatility of Treasury yields, and the costs of using futures and/or options. At March 31, 2000 the hedge consisted entirely of put options on the U.S. Treasury Bond futures contract.

Commodity Price Changes

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

The following table demonstrates the impact of changes in the price of green coffee inventory and hedge instruments at March 31, 2000. It assumes an immediate change in the price of green coffee, and the demonstrable relationship between the price of green coffee and the valuations of coffee index futures and put options and relevant commodity purchase agreements at March 31, 2000, and does not take into account fluctuations of inventory levels and futures and options activity.

Commodity Risk Disclosure (In thousands)

Coffee Cost Change	Coffee Inventory	Market Value of March 31, 2000 Futures & Options	Totals	Change in Market Value
- -10%	\$13,081	\$ 363	\$13,444	\$ 546
unchanged	13,081	(183)	12,898	0
+10%	13,081	(729)	12,352	(546)

At March 31, 2000 the hedge consisted of commodity futures with maturities shorter than three months.

PART II OTHER INFORMATION

- Item 1. Legal proceedings. not applicable.
- Item 2. Change in securities. none.
- Item 3. Defaults upon senior securities. none.
- Item 4. Submission of matters to a vote of security holders. none.
- Item 5. Other information. none.
- Item 6. Exhibits and reports on Form 8-K.
(a) Exhibits.
- (2) Plan of acquisition, reorganization,

arrangement, liquidation or succession.	not applicable.
(4) Instruments defining the rights of security holders, including indentures.	not applicable.
(11) Statement re computations of per share earnings.	not applicable.
(15) Letter re unaudited interim financial information.	not applicable.
(18) Letter re change in accounting principles.	not applicable.
(19) Report furnished to security holders.	not applicable.
(22) Published report regarding matters submitted to vote of security holders.	not applicable.
(23) Consents of experts and counsel.	not applicable.
(24) Power of attorney.	not applicable.
(27) Financial Data Schedule.	See attached Form Ex-27.
(99) Additional exhibits.	not applicable.
(b) Reports on Form 8-K.	December 21, 1999.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 12, 2000

FARMER BROS. CO.

John E. Simmons

John E. Simmons
Treasurer and
Chief Financial Officer

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