

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 September 30, 1994

Commission file number 0-1375

FARMER BROS. CO.

California	95-0725980
State of Incorporation	Federal ID Number
20333 S. Normandie Avenue, Torrance, California	90502
Registrant's Address	Zip
(310) 787-5200	
Registrant's telephone number	

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

Number of shares of Common Stock outstanding: 1,926,414 as of September 30, 1994.

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PART I. FINANCIAL INFORMATION

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

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

	For the three months ended September 30,	
	1994	1993
Net sales	\$ 54,182	\$ 46,998
Cost of goods sold	28,274	20,988
	25,908	26,010
Selling expense	18,422	18,241
General and administrative expenses	2,972	2,525
	21,394	20,766
Income from operations	4,514	5,244
Other income (expense):		
Dividend income	553	311
Interest income	958	875
Other	(369)	524
	1,142	1,710
Income before taxes and cumulative effect of accounting change	5,657	6,954
Provision for income taxes	2,269	2,589
Income before cumulative effect of accounting change	3,388	4,365
Cumulative effect of		

accounting change, net of income taxes	(593)	-
Net income	\$ 2,795	\$ 4,365
Income per share:		
Before accounting change	\$ 1.76	\$ 2.27
Cumulative effect of accounting change	(.31)	-
Net income per share	\$ 1.45	\$ 2.27
The accompanying notes are an integral part of these financial statements.		

FARMER BROS. CO.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 1994	June 30, 1994
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,244	\$ 8,681
Short term investments	84,005	34,839
Accounts and notes receivable, net	18,231	15,975
Tax refund receivable	-	5,357
Inventories	35,717	34,910
Deferred income taxes	3,567	2,905
Prepaid expenses and other	1,001	708
Total current assets	149,765	103,375
Property, plant and equipment, net	30,004	28,943
Notes receivable	1,216	1,257
Investments	28,980	71,960
Other assets	14,430	13,649
Deferred taxes and other assets	1,092	719
Total assets	\$225,487	\$219,903
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 6,220	\$ 3,372
Accrued payroll expenses	4,243	4,573
Other	4,905	4,543
Total current liabilities	15,368	12,488
Other long term liabilities	10,400	10,010
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$1.00 par value, authorized 3,000,000 shares; issued and outstanding 1,926,414 shares	1,926	1,926
Additional paid-in capital	568	568
Retained earnings	197,786	195,955
Net unrealized change in investment securities	(561)	(1,044)
Total shareholders' equity	199,719	197,405
Total liabilities and shareholders' equity	\$225,487	\$219,903

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

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

For the three months
ended September 30,
1994 1993

Cash flows from operating activities:		
Net Income	\$ 2,795	\$ 4,365
Adjustments to reconcile net income to net cash provided by operating activities:		
Cumulative effect of accounting change	593	-
Depreciation	1,323	1,228
Deferred income taxes	(256)	-
Other	9	(44)
Net (gain) loss on investments	502	(385)
Change in assets and liabilities:		
Short term investments	(7,888)	(14,658)
Accounts and notes receivable	(2,277)	(609)
Inventories	(807)	561
Tax refund receivable	5,357	-
Prepaid expenses and other assets	(1,107)	(741)
Accounts payable	2,848	(1,648)
Accrued payroll expenses and other liabilities	32	2,109
Other long term liabilities	390	246
Total adjustments	(1,281)	(13,941)
Net cash provided by operating activities	\$ 1,514	(\$ 9,576)

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

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

	For the three months ended September 30,	
	1994	1993
Net cash provided by operating activities:	\$ 1,514	(\$ 9,576)
Cash flows from investing activities		
Purchases of property, plant and equipment	(2,380)	(905)
Proceeds from sales of property, plant and equipment	20	72
Purchases of investments		(9,790)
Proceeds from sales of investments	311	7,114
Notes issued		(833)
Notes repaid	61	443
Net cash provided by (used in) investing activities	(1,988)	(3,899)
Cash flows from financing activities:		
Dividends paid	(963)	(963)
Net cash used in financing activities	(963)	(963)
Net (decrease) in cash and cash equivalents	(1,437)	(14,439)
Cash and cash equivalents at beginning of year	8,681	64,742
Cash and cash equivalents at end of quarter	\$ 7,244	\$ 50,303
Supplemental disclosure of cash flow information:		
Income tax payments	\$ 2	\$ 187

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

A. Unaudited Financial Statements

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

B. Inventories

	Processed	Unprocessed	Total
	(In thousands)		
September 30, 1994			
Coffee	\$ 2,721	\$11,198	\$13,919
Allied products	10,094	3,893	13,985
Coffee brewing equipment	1,807	6,006	7,813
	\$14,622	\$21,097	\$35,717
June 30, 1994			
Coffee	\$ 3,182	\$10,829	\$14,011
Allied products	10,395	3,022	13,417
Coffee brewing equipment	1,712	5,770	7,482
	\$15,289	\$19,621	\$34,910

C. Accounting Policy Change

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

Registrant has reported the cumulative effect of the change in accounting principle relating to trading securities as an expense of \$593,000, net of taxes. During the quarter ended September 30, 1994, the market value of the Company's trading securities declined \$615,000 and is included in Other income (expense). The Company has reported the cumulative effect of the change in accounting principle relating to available for sale securities as a reduction in shareholders' equity of \$546,000, net of taxes. During the quarter ended September 30, 1994, the fair value of the Company's available for sale securities declined resulting in an additional reduction in shareholders' equity of \$15,000.

C. Accounting Changes (CONTINUED)

Unrealized gains and losses on available for sale investment securities included in shareholders' equity at September 30, 1994 were fixed income government securities maturing after 1 through 5 years with a cost of \$28,215,000, a fair value of \$27,419,000, resulting in a net unrealized loss of \$(796,000) and fixed income government backed securities with a maturity after 5 through 10 years with a cost of \$1,699,000, a fair value of \$1,560,000, resulting in a net unrealized loss of \$(139,000). Deferred income taxes on the unrealized loss is \$374,000.

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

The volatile green coffee market continues to affect Registrant's results of operations. The Company continues its efforts to pass on higher green coffee costs that more than doubled this past summer. Net sales for the quarter ended September 30, 1994 increased to \$54,182,000 as compared to \$48,671,000 in the quarter ended June 30, 1994 and \$46,998,000 in the quarter ended September 30, 1993. Gross profit for the quarter was \$25,908,000 as compared to \$13,853,000 in the quarter ended June 30, 1994 and \$26,010,000 in the quarter ended September 30, 1993. Operating expenses, composed of selling and general & administrative expenses reached \$21,394,000 in the current quarter as compared to \$20,178,000 and \$20,766,000 in the fiscal quarters ended June 30, 1994 and September 30, 1993, respectively.

Operating income for the three months ended September 30, 1994, reached \$4,514,000, or \$2.34 per share, as compared to an operating loss of \$(6,324,000) or \$(3.28) per share and operating income of \$5,244,000 or \$2.72 per share in the fiscal quarters ended June 30, 1994 and September 30, 1993, respectively. Registrant adopted the provisions of SFAS 115 in the first quarter of fiscal 1995. The cumulative effect of its adoption, net of tax, was \$(593,000) or \$(0.31) per share. Net income for the quarter ended September 30, 1994 was \$2,795,000 or \$1.45 per share as compared to a net loss of \$(2,163,000) or \$(1.12) per share and net income of \$4,365,000 or \$2.27 per share in the fiscal quarters ended June 30, 1994 and September 30, 1993, respectively.

	Net Sales	Gross Profit	Operating Income	Net Income
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(In thousands, except per share data)

09/30/93	\$46,998 100.00%	\$26,010 55.34%	\$ 5,244 11.16%	\$ 4,365 9.29%
12/31/93	\$49,564 100.00%	\$27,621 55.73%	\$ 5,889 11.88%	\$ 4,196 8.47%
03/31/94	\$48,628 100.00%	\$26,811 55.13%	\$ 4,679 9.62%	\$ 3,932 8.09%
06/30/94	\$48,671 100.00%	\$13,853 28.46%	(\$ 6,324) (12.99)%	\$ (2,163) (4.44)%
09/30/94	\$54,182 100.00%	\$25,908 47.82%	\$ 4,514 8.33%	\$ 2,795 5.16%

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

Income Per Share

09/30/93	\$2.27
12/31/93	\$2.18
03/31/94	\$2.04
06/30/94	(\$1.13)
09/30/94	\$1.45

Part II Other Information

Item 1. Legal proceedings. not applicable.

Item 2. Changes in securities. none.

Item 3. Defaults upon senior securities. none.

Item 4. Submission of matters to a vote of security holders. none.

Item 5. Other information. none.

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

(a) Exhibits.

(2) Plan of acquisition, reorganization, arrangement, liquidation or succession. not applicable.

(4) Instruments defining the rights of security holders, including indentures. not applicable.

(11) Statement re computation of per share earnings. not applicable.

(15) Letter re unaudited interim financial information. not applicable.

(18) Letter re change in accounting principles. not applicable.

(19) Report furnished to security holders. not applicable.

(22) Published report regarding matters submitted to vote of security holders. not applicable.

Part II Other Information (CONTINUED)

(23) Consents of experts and counsel.	not applicable.
(24) Power of attorney.	not applicable.
(27) Financial Data Schedule	see attached Form EX-27.
(99) Additional exhibits.	not applicable.
(b) Reports on Form 8-K	none.

SIGNATURES

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

Date: November 13, 1994

FARMER BROS. CO.
(Registrant)

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

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