

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended June 30, 1996

Commission file number: 0-1375

FARMER BROS. CO.

California
State of Incorporation

95-0725980
Federal ID Number

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

90502
Zip

(310) 787-5200
Registrant's telephone number

Securities registered pursuant to Section 12(b) of the Act: None

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

Title of each class	Name on each exchange on which registered
Common stock, \$1.00 par value	OTC

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, \$1.00 par value, outstanding as of August 31, 1996: 1,926,414 and the aggregate market value of the common shares held by non-affiliates of the Registrant was approximately \$131 million.

Documents Incorporated by Reference

Certain portions of the Registrant's definitive Proxy Statement to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, in connection with the Annual Meeting of Shareholders of the Registrant to be held on December 2, 1996 are incorporated by reference into Part III of this report.

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PART I

Item 1. Business

General: Farmer Bros. Co. (the "Company" or "Registrant") was incorporated in California in 1923, and is in the business of roasting, packaging and distributing coffee and allied products to restaurants, hotels, hospitals, convenience stores and fast food outlets.

Raw Materials and Supplies: Registrant's primary raw material is green coffee. Roast coffee sales account for approximately 61% of revenues. Coffee purchasing, roasting and packaging takes place at Registrant's Torrance, California plant, which is also the distribution hub for its branches. Green coffee is purchased through domestic commodity brokers. Coffee is an agricultural commodity, and is subject to fluctuations of both price and supply. Registrant has not been confronted by shortages in the supply of green coffee. Green coffee is grown outside the United States and can be subject to volatile price fluctuations resulting from concerns about crop availability and related conditions, such as weather, political events and social instability, in coffee producing nations. Government actions and trade restrictions between our own and foreign governments can also influence prices.

Trademarks & Patents: Registrant owns approximately 23 registered U.S.

trademarks which are integral to customer identification of its products. It is not possible to assess the impact of the loss of such identification.

Seasonality: Registrant experiences some seasonal influences. The winter months are the best sales months. Registrant's product line and geographic diversity provides some sales stability during the summertime decline in coffee consumption during the warmer months.

Distribution: Registrant's products are distributed by its selling divisions from 97 branches located in most large cities throughout the western states. The diversity of the product line (over 300 products) and size of the geographic area served requires each branch to maintain a sizable inventory. Registrant operates its own trucking fleet to more effectively control the supply of these warehouses.

Customers: No customer represents a significant concentration of sales. The loss of any one or more of the larger customer accounts would have no material adverse effect on the Company. Customer contact and service quality, which is integral to Registrant's sales effort, is often secondary to product pricing for customers with their own distribution systems.

Competition: Registrant faces competition from many sources, including multi-national companies like Procter and Gamble, Nestle and Philip Morris, grocery distributors like Sysco and Rykoff-Sexton and regional roasters like Boyd Coffee Co., Lingle Bros. and Royal Cup. Registrant has some competitive advantages due to its longevity, strong regional roots and sales and service force. Registrant's customer base is price sensitive and the Company is often faced with price competition.

Item 1. Business, Continued

Working Capital: Registrant finances its operations internally. Management believes that working capital from internal sources will be adequate for the coming year. Registrant maintains a \$50,000,000 line of credit with Wells Fargo Bank. There is no commitment fee or compensating balance requirement and the line was not used in fiscal year 1996.

Foreign Operations: Registrant has no material revenues that result from foreign operations. Coffee brewing equipment is sold through distributors in Canada and Japan and manufactured in Europe under license.

Other: On June 30, 1996, Registrant employed 1,192 employees; 471 are subject to collective bargaining agreements. The effects of compliance with government provisions regulating discharge of materials into the environment have not had a material effect on the Company's financial condition or results of operations. The nature of Registrant's business does not provide for maintenance of or reliance upon a sales backlog.

Item 2. Properties

Registrant's largest facility is the 474,000 sq. ft. roasting plant, warehouses and administrative offices in Torrance, California. Registrant believes the existing plant will continue to provide adequate production capacity for the foreseeable future.

Item 3. Legal Proceedings

Registrant is a defendant in various legal proceedings incidental to its business which are ordinary and routine. It is management's opinion that the resolution of these lawsuits will not have a material impact on the Company's financial condition or results of operations.

Item 4. Submission of Matters to A Vote of Security Holders

None.

PART II

Item 5. Market for Registrant's Common Equity and Related Shareholder Matters

Registrant has one class of common stock which is traded in the over the counter market. The bid prices indicated below are as reported by NASDAQ and represent prices between dealers, without including retail mark up, mark down or commission, and do not necessarily represent actual trades.

	1996			1995		
	High	Low	Dividend	High	Low	Dividend
1st Quarter	\$130.00	\$116.00	\$ 0.50	\$134.00	\$123.00	\$ 0.50
2nd Quarter	147.00	125.00	0.55	132.00	120.00	0.50
3rd Quarter	144.00	131.75	0.55	130.00	117.00	0.50
4th Quarter	143.00	130.00	0.55	132.00	120.00	0.50

There were 628 holders of record on June 30, 1996.

Item 6. Selected Financial Data
(In thousands, except per share data)

	1996	1995	1994
Net sales	\$224,075	\$234,662	\$193,861
Income from operations	29,198	25,235	9,488
Net income	23,363	19,517	10,330
Net income per share	\$12.13	\$10.13	\$5.36
Total assets	\$260,890	\$244,340	\$219,903
Dividends declared per share	\$2.15	\$2.00	\$2.00

	1993	1992
Net sales	\$190,679	\$197,312
Income from operations	29,929	27,494
Net income	18,950*	20,226
Net income per share	\$9.84*	\$10.50
Total assets	\$216,266	\$190,714
Dividends declared per share	\$1.80	\$1.60

* Includes the cumulative impact of adopting Statement of Financial Accounting Standards Nos. 109 ("SFAS 109"), "Accounting for Income Taxes" and 106 ("SFAS 106"), "Employers' Accounting for Postretirement Benefits Other Than Pensions" as of July 1, 1992, which reduced net income for the year ended June 30, 1993 by approximately \$5,294,000 or \$2.75 per share.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

Registrant continues to maintain a strong working capital position, and management believes cash requirements for the coming year will be provided by internal sources. Registrant has no major commitments for capital expenditures at this time.

The Company maintains a \$50 million line of credit with Wells Fargo Bank. There was no bank debt incurred during fiscal year 1996.

(In thousands)	1996	1995	1994
Current assets	\$167,059	\$149,806	\$103,375
Current liabilities	14,330	18,724	12,488
Working capital	\$152,729	\$131,082	\$ 90,887
Quick ratio	8.51:1	5.73:1	4.76:1
Capital Expenditures	\$ 5,277	\$ 9,085	\$ 6,658

Item 7. Management's Discussion and Analysis of Financial Condition
and Results of Operations, Continued

Results of Operations

Net sales decreased 5% to \$224,075,000 in 1996 as compared to \$234,662,000 in 1995, and \$193,861,000 in 1994. During 1994, Brazil, the world's largest green coffee producer suffered a series of frosts that severely damaged its 1994-1995 crop of green coffee. The cost of green coffee soared by 40% as the market adjusted to a perceived coffee shortage. Higher green coffee costs were eventually reflected in selling prices of roast coffee during 1995. The higher selling prices resulted in lower sales volume in 1995 and 1996.

Gross profit increased to \$118,811,000 in 1996, or 53% of sales, compared to \$112,899,000, or 48% of sales, in 1995 and \$94,295,000, or 49% of sales in 1994. While profit margins improved in 1996, the volatility of the green coffee market through 1995 and 1996 has kept the cost of green coffee and selling prices of roast coffee at high levels. Registrant's customers are price sensitive, and the Company is generally forced to absorb some coffee cost fluctuations in order to provide stable and predictable pricing.

Operating expenses, composed of selling and general and administrative expenses increased 2% to \$89,613,000 in 1996 from \$87,664,000 in 1995, and \$84,807,000 in 1994.

Other income, net increased 60% to \$9,691,000 in 1996 as compared to \$6,049,000 in 1995, and \$7,201,000 in 1994 primarily due to increased interest rates during the 1996 fiscal year.

Income before taxes increased to \$38,889,000 or 17% of sales in 1996, as compared to \$31,284,000 or 13% of sales in 1995 and \$16,689,000 or 9% of sales in 1994. Fiscal year 1994 earnings were depressed by an increase in green coffee costs. Net income for fiscal year 1996 reached \$23,363,000, or \$12.13 per share, as compared to \$19,517,000, or \$10.13 per share, in 1995 and \$10,330,000, or \$5.36 per share, in 1994.

	1996	1995	1994
Net income per share	\$12.13	\$10.13	\$ 5.36

Percentage change:

	1996 to 1995	1995 to 1994
Net sales	(4.5)%	21.1%
Cost of goods sold	(13.6)%	22.3%
Gross profit	5.2%	19.7%
Operating expenses	2.2%	3.4%
Income from operations	15.7%	166.0%
Provision for income taxes	31.9%	85.0%
Net income	19.7%	88.9%

Item 7. Management's Discussion and Analysis of Financial Condition
and Results of Operations, Continued

Change in Earnings Per Share

A summary of the change in earnings per share, which highlights factors discussed earlier, is as follows:

	Per Share Earnings 1996 vs. 1995	Per Share Earnings 1995 vs. 1994
Coffee: Prices	\$(2.02)	\$24.11
Volume	(3.47)	(4.08)
Cost	7.32	(10.27)
Gross Profit	1.83	9.76
Allied products: Gross Profit	1.24	(0.10)
Operating expenses	(1.01)	(1.48)
Other income	1.89	(0.60)
Provision for income taxes	(1.95)	(2.81)
Net income	\$2.00	\$4.77

Price Risk

The Company's operations are significantly impacted by the world market for green coffee, its largest product. Coffee is an agricultural product and fundamental shifts in supply or demand produce dramatic price effects. Coffee is traded domestically on the New York Coffee Tea and Cocoa Exchange, and is one of the largest and most volatile commodity markets. Although the Company attempts to manage its exposure to price risk by managing its inventory level, there is no assurance that future green coffee price fluctuations can be passed on to Registrant's customers. Registrant is unable to predict either the direction or duration of coffee price swings, and cautions against using past results to predict future results.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders
of Farmer Bros. Co. and Subsidiary

We have audited the consolidated financial statements of Farmer Bros. Co. and Subsidiary (the "Company") as listed in Item 14(a) of this Form 10-K. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of June 30, 1996 and 1995, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 1996 in conformity with generally accepted accounting principles.

As discussed in Note A to the consolidated financial statements, the Company changed its method of accounting for certain investments in debt and equity securities in 1995.

Coopers & Lybrand L.L.P.

Los Angeles, California
September 25, 1996

FARMER BROS. CO.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share data)

	June 30, 1996	June 30, 1995
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 28,165	\$ 8,321
Short term investments	74,937	80,530
Accounts and notes receivable, net	18,822	18,481
Inventories	40,818	36,761
Income tax receivable	1,000	1,265
Deferred income taxes	2,616	3,577
Prepaid expenses	701	871
Total current assets	167,059	149,806
Property, plant and equipment, net	33,343	33,213
Notes receivable	1,841	1,880
Long term investments	40,058	43,337
Other assets	17,320	15,887
Deferred income taxes	1,269	217
Total assets	\$260,890	\$244,340
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 4,635	\$ 9,408
Accrued payroll expenses	4,153	4,711
Other	5,542	4,605
Total current liabilities	14,330	18,724
Accrued postretirement benefits	12,892	11,505
Commitments and contingencies (Note J)		
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	230,840	211,619
Investment valuation allowance	334	(2)
Total shareholders' equity	233,668	214,111
Total liabilities and shareholders' equity	\$260,890	\$244,340

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

FARMER BROS. CO.
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands, except per share data)

For the Years Ended June 30,

	1996	1995	1994
Net sales	\$224,075	\$234,662	\$193,861
Cost of goods sold	105,264	121,763	99,566
	118,811	112,899	94,295
Selling expense	81,515	76,313	74,534
General and administrative expense	8,098	11,351	10,273
	89,613	87,664	84,807
Income from operations	29,198	25,235	9,488
Other income (expense):			
Dividend income	2,549	2,459	1,352
Interest income	6,128	4,403	3,630
Other, net	1,014	(813)	2,219
	9,691	6,049	7,201
Income before taxes	38,889	31,284	16,689
Income taxes (Note G)	15,526	11,767	6,359
Net income	\$ 23,363	\$ 19,517	\$ 10,330
Net income per share	\$12.13	\$10.13	\$ 5.36

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

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

For the years ended June 30,

	1996	1995	1994
Cash flows from operating activities:			
Net income	\$23,363	\$19,517	\$10,330
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	5,698	4,677	5,219
Deferred income taxes	145	(170)	698
Other	(645)	(47)	(63)
Net (gain) loss on investments	(510)	1,384	(1,758)
Change in assets and liabilities:			
Short term investments	-	-	5,207
Accounts and notes receivable	(383)	(2,460)	(2,571)
Inventories	(4,057)	(1,851)	(2,577)
Income tax receivable	265	4,092	(5,357)
Prepaid expenses and other assets	(1,931)	(2,401)	(2,320)
Accounts payable	(4,773)	6,036	(3,188)
Accrued payroll expenses and other liabilities	379	200	407
Accrued postretirement benefits	1,387	1,495	985
Total adjustments	(4,425)	10,955	(5,318)
Net cash provided by operating activities	\$18,938	\$30,472	\$ 5,012

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

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

For the Years Ended June 30,

	1996	1995	1994
Net cash provided by operating activities:	\$ 18,938	\$ 30,472	\$ 5,012
Cash flows from investing activities:			
Purchases of property, plant and equipment	(5,277)	(9,085)	(6,658)
Proceeds from sales of property, plant and equipment	284	266	259
Purchases of investments	(259,995)	(164,754)	(88,069)
Proceeds from sales of investments	269,955	147,263	37,045
Notes issued	-	(760)	(832)
Notes repaid	81	91	1,035
Net cash provided by (used in) investing activities	5,048	(26,979)	(57,220)
Cash flows from financing activities:			
Dividends paid	(4,142)	(3,853)	(3,853)
Net cash used in financing activities	(4,142)	(3,853)	(3,853)
Net increase (decrease) in cash and cash equivalents	19,844	(360)	(56,061)
Cash and cash equivalents at beginning of year	8,321	8,681	64,742
Cash and cash equivalents at end of year	\$ 28,165	\$ 8,321	\$ 8,681

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

FARMER BROS. CO.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Dollars in thousands, except per share data)

For the Years Ended June 30,

	1996	1995	1994
Common stock	\$ 1,926	\$ 1,926	\$ 1,926
Additional paid-in capital	568	568	568
Retained earnings:			
Beginning balance	211,619	195,955	189,478
Net income for the year	23,363	19,517	10,330
Dividends	(4,142)	(3,853)	(3,853)
Ending balance	230,840	211,619	195,955
Investment valuation allowance:			
Beginning balance	(2)	(1,044)	-
Adjustment	336	1,042	(1,044)
Ending balance	334	(2)	(1,044)
Total shareholders' equity	\$233,668	\$214,111	\$197,405
Dividends declared per share	\$2.15	\$2.00	\$2.00

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

Notes to Consolidated Financial Statements

A. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary FBC Finance Company. All significant intercompany balances and transactions have been eliminated.

Financial Statement Preparation

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Company considers all highly liquid investments with a maturity of 30 days or less when purchased to be cash equivalents, which approximate fair value.

Investments

The Company adopted Statement of Financial Accounting Standards No. 115 (SFAS 115), "Accounting for Certain Investments in Debt and Equity Securities", as of July 1, 1994. SFAS 115 specifies the accounting treatment of the Company's investments based on investment classifications defined in the statement. The Company's investments have been recorded at fair value and have been classified as "available for sale". Any unrealized gains or losses on such investments at June 30, 1996 and 1995 have been recorded as a separate component of shareholders' equity.

The cost of investments sold is determined on the specific identification method. Dividend and interest income is accrued as earned.

Inventories

Inventories are valued at the lower of cost or market. Costs of coffee and allied products are determined on the Last In, First Out (LIFO) basis. Costs of coffee brewing equipment manufactured are accounted for on the First In, First Out (FIFO) basis.

In the normal course of business, the Company enters into commodity purchase agreements with suppliers and futures contracts to minimize exposure to inventory price fluctuations. Decreases in the market value of the commodity purchase agreements, if any, are recognized in earnings currently. In the event of non-performance by the counterparties, the Company could be exposed to credit and supply risk. The Company monitors the financial viability of the counterparties. Futures contracts not designated as hedges are marked to market and changes are recognized in earnings currently.

A. Summary of Significant Accounting Policies, continued

Property, Plant and Equipment

Property, plant and equipment is carried at cost, less accumulated depreciation. Depreciation of buildings and facilities is computed using the straight-line method. Other assets are depreciated using the sum-of-the-years' digits and straight line methods. The following useful lives are used:

Buildings and facilities	10 to 30 years
Machinery and equipment	3 to 5 years
Office furniture and equipment	5 years

When assets are sold or retired the asset and related depreciation allowance are eliminated from the records and any gain or loss on disposal is included in operations. Maintenance and repairs are charged to expense, betterments are capitalized.

Income Taxes

Deferred income taxes are determined based on the temporary differences between the financial reporting and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which differences are expected to reverse.

Revenue Recognition

Sales and the cost of products sold are recorded at the time of delivery

to the customer.

B. Investments

(In thousands)	1996		1995	
	Cost	Fair Value	Cost	Fair Value
Current Assets				
Commercial Paper	\$34,609	\$34,775	-	-
U.S. Government Obligations	40,129	40,162	\$80,608	\$80,530
	\$74,738	\$74,937	\$80,608	\$80,530
Non-Current Assets				
U.S. Government Obligations	\$ 2,096	\$ 2,043	\$ 8,617	\$ 8,610
Corporate debt	1,400	1,350	1,599	1,569
Preferred stocks	34,475	35,114	30,456	31,896
Liquid asset fund and other	1,551	1,551	1,262	1,262
	\$39,522	\$40,058	\$41,934	\$43,337

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

Maturities (In thousands)	Fair Value	
	6/30/96	6/30/95
Within one year	\$74,937	\$80,530
After 1 year through 5 years	2,043	8,610
After 5 years through 10 years	1,350	1,569
	\$78,330	\$90,709

B. Investments, Continued

The gross unrealized gains and (losses) on securities classified as available for sale were \$1,263,000 and (\$528,000), respectively, at June 30, 1996 and \$1,732,000 and (\$407,000), respectively, at June 30, 1995. Gross realized gains and losses from available for sale securities were \$1,907,000 and (\$1,397,000) respectively in 1996 and gross realized gains from available for sale securities were \$1,857,000 in 1995.

The Company hedges interest rate risk in its portfolio of preferred stocks. A substantial portion of the preferred stock portfolio was hedged with put options on U.S. Treasury futures traded on a national exchange. Deferred losses at June 30, 1996 and 1995, associated with the hedge were \$162,000 and \$1,329,000, respectively. Such deferred losses are recognized in other income as the related unrealized gains in the preferred stock portfolio are realized.

C. Allowance for Doubtful Accounts and Notes Receivable

(In thousands)	1996	1995	1994
Balance at beginning of year	\$545	\$445	\$530
Additions	683	527	184
Deductions	(673)	(427)	(269)
Balance at end of year	\$555	\$545	\$445

D. Inventories

June 30, 1996 (In thousands)	Processed	Unprocessed	Total
Coffee	\$ 5,302	\$12,259	\$17,561
Allied products	10,846	4,847	15,693
Coffee brewing equipment	2,475	5,089	7,564
	\$18,623	\$22,195	\$40,818

June 30, 1995 (In thousands)	Processed	Unprocessed	Total
Coffee	\$ 3,093	\$10,809	\$13,902
Allied products	11,308	4,096	15,404
Coffee brewing equipment	2,120	5,335	7,455
	\$16,521	\$20,240	\$36,761

Current cost of coffee and allied products inventories exceeds the LIFO cost by approximately \$20,475,000, and \$30,246,000 as of June 30, 1996 and 1995, respectively.

For the year ended June 30, 1995, a decrease in the Company's green coffee inventories resulted in a LIFO decrement which increased fiscal 1995 pre-tax income by approximately \$1,008,000.

E. Property, Plant and Equipment

(In thousands)	1996	1995
Buildings and facilities	\$28,759	\$26,902
Machinery and equipment	44,439	43,099
Office furniture and equipment	6,236	8,362
	79,434	78,363
Accumulated depreciation	(51,225)	(49,980)
Land	5,134	4,830
	\$33,343	\$33,213

Maintenance and repairs charged to expense for the years ended June 30, 1996, 1995 and 1994 were \$11,608,000, \$10,545,000 and \$9,137,000, respectively.

F. Retirement Plans

The Company has a contributory defined benefit pension plan for all employees not covered under a collective bargaining agreement (Farmer Bros. Co.) and a non-contributory defined benefit pension plan for certain hourly employees covered under a collective bargaining agreement (Brewmatic Co.). The Company's funding policy is to contribute annually at a rate that is intended to fund benefits as a level percentage of salary (Farmer Bros. Co.) and as a level dollar cost per participant (Brewmatic Co.) over the working lifetime of the plan participants. Benefit payments are determined under a final pay formula (Farmer Bros. Co.) and flat benefit formula (Brewmatic Co.).

The net periodic pension benefit for 1996, 1995 and 1994 is comprised of the following:

(In thousands)	Farmer Bros. Co.	Brewmatic Co.
	1996	
Service cost	\$ 1,200	\$ 19
Interest cost	2,310	131
Actual return on assets	(7,621)	(499)
Net amortization and deferral	3,773	284
Net periodic pension benefit	\$ (338)	\$ (65)
	1995	
Service cost	\$ 875	\$ 16
Interest cost	2,083	119
Actual return on assets	(5,358)	304
Net amortization and deferral	1,738	(507)
Net periodic pension benefit	\$ (662)	\$ (68)
	1994	
Service cost	\$ 594	\$ 14
Interest cost	1,869	116
Actual return on assets	(94)	6
Net amortization and deferral	(3,651)	(216)
Net periodic pension benefit	\$(1,282)	\$ (80)

F. Retirement Plans, Continued

The funded status of the plans at June 30, 1996 was as follows:

(In thousands)	Farmer Bros. Co.	Brewmatic Co.
Actuarial present value of benefit obligations:		
Vested	\$29,278	\$1,741
Non-vested	172	-
Accumulated benefit obligations	29,450	1,741
Effect of projected salary increases	3,183	43
Projected benefit obligations	32,633	1,784
Plan assets at fair value	(49,203)	(2,861)
Plan assets at fair value in excess of projected benefit obligations	(16,570)	(1,077)
Unrecognized net asset at June 30, 1996	4,344	256
Unrecognized prior service cost	(1,580)	(145)
Unrecognized net loss	4,475	149
Prepaid pension cost	\$(9,331)	\$ (817)
Assumptions for 1996:		
Discount rate for plan obligations	7.75%	7.75%
Assumed long term return on assets	8.00%	8.00%
Projected compensation increases for pay related plans	3.10%	-

The funded status of the plans at June 30, 1995 was as follows:

(In thousands)	Farmer Bros. Co.	Brewmatic Co.
Actuarial present value of benefit obligations:		
Vested	\$27,133	\$1,621
Non-vested	154	-
Accumulated benefit obligations	27,287	1,621
Effect of projected salary increases	3,075	-
Projected benefit obligations	30,362	1,621
Plan assets at fair value	(43,121)	(2,509)
Plan assets at fair value in excess of projected benefit obligations	(12,759)	(888)
Unrecognized net asset at June 30, 1995	4,965	292
Unrecognized prior service cost	(1,763)	(104)
Unrecognized net gain (loss)	565	(40)
Prepaid pension cost	\$(8,992)	\$ (740)
Assumptions for 1995:		
Discount rate for plan obligations	7.75%	7.75%
Assumed long term return on assets	8.00%	8.00%
Projected compensation increases for pay related plans	3.10%	-

The assets of each plan are primarily invested in publicly traded stocks and bonds, U.S. government securities and money market funds. The Farmer Bros. Co. Retirement Plan owned 27,765 and 21,765 shares of the Company's common stock at June 30, 1996 and 1995, respectively, with a fair value of approximately \$3,832,000 and \$2,666,000, respectively.

F. Retirement Plans, Continued

The Company contributes to two multi-employer defined benefit plans for certain union employees. The contributions to these multi-employer pension plans were approximately \$1,699,000, \$1,635,000 and \$1,615,000 for 1996, 1995 and 1994, respectively. The Company also has a defined contribution plan for eligible non-union employees. No Company contributions have been made nor are required to be made to this plan.

The Company sponsors defined benefit postretirement medical and dental plans that cover non-union employees and retirees, and certain union locals. The plan is contributory and retirees contributions are fixed at a current level. The plan is unfunded.

The Plan's accumulated postretirement benefit obligation (APBO) is as follows:

(In thousands)	June 30, 1996	June 30, 1995
Retirees and dependents	\$5,191	\$5,387
Fully eligible active participants	4,430	5,869
Other active plan participants	5,089	7,575
Total APBO	\$14,710	\$18,831
Unrecognized net (loss) gain	2,394	(2,828)
Unrecognized prior service cost	(4,212)	(4,498)
Accrued postretirement benefit cost	\$12,892	\$11,505

Net periodic postretirement benefit costs included the following components:

(In thousands)	For the years ended June 30,		
	1996	1995	1994
Service cost	\$485	\$587	\$496
Interest cost	1,026	1,042	756
Amortization of unrecognized net (gain) loss	(70)	58	-
Unrecognized prior service cost	286	71	-
Net periodic postretirement benefit cost	\$1,727	\$1,758	\$1,252

The assumptions used to determine the APBO and net periodic postretirement benefit costs are as follows:

	For the years ended June 30,		
	1996	1995	1994
Discount rate, net periodic postretirement benefit cost	7.75%	8.00%	8.50%
Discount rate, APBO	7.75%	7.75%	8.00%
Medical care cost trend rate*	9.00%	9.50%	10.00%

*Assumed to decline gradually to 5.5% in 2003 and thereafter.
Dental care cost trend rate for 1996, 1995 and 1994 was 6.00%.

F. Retirement Plans, Continued

Increasing the assumed health care costs trend rates by one percentage point each year would increase the APBO as of June 30, 1996 and 1995 by \$759,000 and \$1,318,000, respectively, and increase the aggregate of the service cost and interest cost components of net periodic postretirement benefit cost for the fiscal years ended June 30, 1996 and 1995 by \$124,000 and \$134,000, respectively

During fiscal year 1995, the Company added prescription drug coverage for retirees covered under the medical and dental plan. The additional retiree health benefits increased the unrecognized prior service cost by approximately \$4,498,000 as of June 30, 1995.

G. Income Taxes

The current and deferred components of the provision for income taxes consist of the following:

(In thousands)	1996	1995	1994
Current: Federal	\$12,621	\$ 9,529	\$ 4,385
State	2,760	2,406	1,276
	15,381	11,935	5,661
Deferred: Federal	(48)	(145)	642
State	193	(23)	56
	145	(168)	698
	\$15,526	\$11,767	\$ 6,359

A reconciliation of the provision for income taxes to the statutory federal income tax expense is as follows:

	1996	1995	1994
Statutory tax rate	35.0%	35.0%	35.0%
(In thousands)			
Income tax expense at statutory rate	\$13,611	\$10,949	\$ 5,841
State income tax (net of federal tax benefit)	1,919	1,549	865
Dividend income exclusion	(622)	(581)	(324)
Other (net)	618	(150)	(23)
	\$15,526	\$11,767	\$ 6,359
Income taxes paid	\$14,820	\$10,908	\$10,993

G. Income Taxes, Continued

The primary components of temporary differences which give rise to the Company's net deferred tax assets at June 30, 1996 and 1995 are as follows:

(In thousands)	June 30, 1996	June 30, 1995
Deferred tax assets:		
Postretirement benefits	\$5,185	\$4,700
Accrued liabilities	1,164	1,307
State taxes	688	543
Other	954	1,242
	7,991	7,792
Deferred tax liabilities:		
Pension assets	(4,082)	(3,976)
Other	(24)	(22)
	(4,106)	(3,998)
Net deferred tax assets	\$3,885	\$3,794

Deferred tax assets are expected to be realized against future taxable income and have not been reduced by a valuation allowance.

H. Other Current Liabilities

Other current liabilities consist of the following:

(In thousands)	1996	1995
Accrued workers' compensation liabilities	\$3,292	\$3,178
Dividends payable	1,060	963
Other	1,190	464
	\$5,542	\$4,605

I. Line of Credit

The Company has a credit line of \$50,000,000. The line has no fee or compensating balance requirement.

J. Commitments and Contingencies

The Company incurred rent expense of approximately \$682,000, \$678,000, and \$666,000, for the fiscal years ended June 30, 1996, 1995 and 1994, respectively, and is obligated under leases for branch warehouses with terms not exceeding five years. Certain leases contain renewal options.

Future minimum lease payments are as follows:

June 30, (In thousands)	
1997	\$566
1998	421
1999	158
2000	53
2001	17

J. Commitments and Contingencies, Continued

The Company is a party to various 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 or results of operations.

Concentration of Credit Risk: At June 30, 1996, financial instruments which potentially expose the Company to concentrations of credit risk consist of cash in financial institutions (which exceeds federally insured limits), cash equivalents (principally commercial paper), short term investments, investments in the preferred stocks of other companies and accounts receivable. Commercial paper investments are not concentrated by issuer, industry or geographic area. Maturities are generally shorter than 90 days. Other investments are in U.S. government securities. Investment in the preferred stocks of other companies are limited to high quality issuers and are not concentrated by geographic area or issuer.

Concentration of credit risk with respect to trade receivables for the Company is limited due to the large number of customers comprising the Company's customer base, and their dispersion across many different geographic areas. The trade receivables are short-term, and all probable bad debt losses have been appropriately considered in establishing the allowance for doubtful accounts.

K. Quarterly Financial Data (Unaudited)

	Quarter Ended			
	09/30/95	12/31/95	03/31/96	06/30/96
(In thousands)				
Net sales	\$55,038	\$58,571	\$56,774	\$53,692
Gross profit	27,527	30,865	30,885	29,534
Income from operations	6,413	8,007	7,939	6,839
Net income	4,791	6,573	6,391	5,608

(Per share)

Net income	\$2.49	\$3.41	\$3.32	\$2.91
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	Quarter Ended			
	09/30/94	12/31/94	03/31/95	06/30/95
(In thousands)				
Net sales	\$54,182	\$62,598	\$59,514	\$58,368
Gross profit	25,908	30,085	26,818	30,088
Income from operations	4,514	8,023	4,448	8,250
Net income	3,757	5,706	3,220	6,834

(Per share)

Net income	\$1.95	\$2.96	\$1.67	\$3.55
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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

Reference is made to the information to be set forth in the section entitled "Election of Directors" in the definitive proxy statement involving the election of directors in connection with the Annual Meeting of Shareholders to be held on December 2, 1996 (the "Proxy Statement") which section is incorporated herein by reference. The Proxy statement will be filed with the Securities and Exchange Commission no later than 120 days after June 30, 1996, pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended.

Name	Age	Position
Roy F. Farmer	80	Chairman of Board of Directors since 1951.
Roy E. Farmer	44	President since 1993; various positions since 1976, son of Chairman of the Board, R.F. Farmer.
Guenter W. Berger	59	Vice President of Production, Director since 1980; various positions since 1960.
Kenneth R. Carson	56	Vice President of Sales since 1990; Sales Management since 1968.
David W. Uhley	55	Secretary since 1985; various positions since 1968.
John E. Simmons	45	Treasurer since 1985; various positions since 1980.

All officers are elected annually by the Board of Directors and serve at the pleasure of the Board.

Item 11. Executive Compensation

Reference is made to the information to be set forth in the section entitled "Management Remuneration" in the Proxy Statement, which is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Reference is made to the information to be set forth in the sections entitled "Principal Shareholders" and "Election of Directors" in the Proxy Statement, which is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

Reference is made to the information to be set forth in the sections entitled "Principal Shareholders" and "Election of Directors" in the Proxy Statement, which is incorporated herein by reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) List of Financial Statements and Financial Statement Schedules

1. Financial Statements included in Item 8:
Consolidated Balance Sheets as of June 30, 1996 and 1995.
Consolidated Statements of Income For the Years
Ended June 30, 1996, 1995 and 1994.
Consolidated Statements of Cash Flows
For the Years Ended June 30, 1996, 1995 and 1994.
Consolidated Statements of Shareholders' Equity
For the Years Ended June 30, 1996, 1995 and 1994.
Notes to Consolidated Financial Statements
2. Financial Statement Schedules:
Financial Statement Schedules are omitted as they are not applicable, or the required information is given in the consolidated financial statements or notes thereto.
3. Exhibits required by Item 601 of Regulation S-K.
See item (c) below.

(b) Reports on Form 8-K. Registrant did not file any reports on Form 8-K during the quarter ended June 30, 1996.

(c) Exhibits required by Item 601 of Regulation S-K.

Exhibits

3. Articles of incorporation and by-laws.
Filed with the Form 10-K for the fiscal year ended June 30, 1986.
4. Instruments defining the rights of security holders, including indentures.
Not applicable.
9. Voting trust agreement.
Not applicable.
10. Material contracts
Not applicable.
11. Statement re computation of per share earnings.
Not applicable.
12. Statements re computation of ratios.
Not applicable.
13. Annual report to security holders, Form 10-Q or quarterly report to security holders.
Not applicable.

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K., Continued

- 18. Letter re change in accounting principles.
Not applicable.
- 19. Previously unfiled documents.
Not applicable.
- 22. Subsidiaries of the Registrant.
Not applicable.
- 23. Published report regarding matters submitted to vote of security holders.
Not applicable.
- 24. Consents of experts and counsel.
Not applicable.
- 25. Power of attorney.
Not applicable.
- 28. Additional exhibits.
Not applicable.
- 29. Information from reports furnished to state insurance regulatory authorities.
Not applicable.

- (d) Financial statements required by Regulation S-X but excluded from the annual report to shareholders by Rule 14a - 3(b).
None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: Roy F. Farmer
(Roy F. Farmer, Chief Executive Officer and
Chairman of the Board of Directors)
Date: September 25, 1996

By: John E. Simmons
(John E. Simmons, Treasurer and
Chief Financial and Accounting Officer)
Date: September 25, 1996

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Roy E. Farmer
Roy E. Farmer, President and Director
Date: September 25, 1996

Guenter W. Berger
Guenter W. Berger, Vice President and Director
Date: September 25, 1996

Lewis A. Coffman
Lewis A. Coffman, Director
Date: September 25, 1996

John M. Anglin
John M. Anglin, Director
Date: September 25, 1996

Catherine E. Crowe
Catherine E. Crowe, Director
Date: September 25, 1996

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