

FORM 10-Q

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

For Quarter Ended December 31, 1994

Commission file number 0-1375

FARMER BROS. CO.

California
State of Incorporation

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

(310) 787-5200
Registrant's telephone number

95-0725980
Federal ID Number

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 requirements for the past 90 days. YES [X] NO []

Number of shares of Common Stock outstanding: 1,926,414 as of December 31, 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 December 31,		For the six months ended December 31,	
	1994	1993	1994	1993
Net sales	\$62,598	\$49,564	\$116,780	\$96,562
Cost of goods sold	32,514	21,943	60,788	42,930
	30,084	27,621	55,992	53,632
Selling expense	19,199	18,979	37,621	37,220
General and administrative expenses	2,864	2,753	5,836	5,278
	22,063	21,732	43,457	42,498
Income from operations	8,021	5,889	12,535	11,134
Other income (expense):				
Dividend income	646	306	1,198	616
Interest income	990	947	1,948	1,822
Other	(907)	203	(1,276)	728
	729	1,456	1,870	3,166
Income before taxes and cumulative effect of accounting change	8,750	7,345	14,405	14,300
Provision for income taxes	3,376	3,149	5,646	5,739
Income before cumulative effect of accounting change	5,374	4,196	8,759	8,561
Cumulative effect of				

accounting change, net of income taxes	-	-	(593)	-
Net income	\$ 5,374	\$ 4,196	\$ 8,166	\$ 8,561
Income per share:				
Before accounting change	\$2.79	\$2.18	\$4.55	\$4.44
Cumulative effect of accounting change	-	-	(.31)	-
Net income per share	\$2.79	\$2.18	\$4.24	\$4.44

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

FARMER BROS. CO.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	December 31, 1994	June 30, 1994
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,899	\$ 8,681
Short term investments	83,693	34,839
Accounts and notes receivable, net	20,416	15,975
Tax refund receivable		5,357
Inventories	36,333	34,910
Deferred income taxes	3,561	2,905
Prepaid expenses and other	692	708
Total current assets	152,594	103,375
Property, plant and equipment, net	30,462	28,943
Notes receivable	1,193	1,257
Investments	28,729	71,960
Other assets	14,823	13,649
Deferred taxes and other assets	1,099	719
Total assets	\$228,900	\$219,903
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 4,710	\$ 3,372
Accrued payroll expenses	4,174	4,573
Other	5,537	4,543
Total current liabilities	14,421	12,488
Other long term liabilities	10,790	10,010
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$1.00 par value, authorized 3,000,000 shares; issued and outstanding 1,926,414 shares	1,926	1,926
Additional paid-in capital	569	568
Retained earnings	202,196	195,955
Net unrealized change in investment securities	(1,002)	(1,044)
Total shareholders' equity	203,689	197,405
Total liabilities and shareholders' equity	\$228,900	\$219,903

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

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

	For the six months ended December 31,	
	1994	1993
Cash flows from operating activities:		
Net Income	\$ 8,166	\$ 8,561
Adjustments to reconcile net income to net cash provided by operating activities:		
Cumulative effect of accounting change	593	
Depreciation	2,631	2,444
Deferred income taxes	(256)	
Other	(141)	13
Net (gain) loss on investments	1,603	(485)
Change in assets and liabilities:		
Short term investments	(8,677)	(26,855)
Accounts and notes receivable	(4,429)	(2,302)
Inventories	(1,423)	(2,849)
Tax refund receivable	5,357	
Prepaid expenses and other assets	(1,144)	(1,245)
Accounts payable	1,339	(2,468)
Accrued payroll expenses and other liabilities	595	(500)
Other long term liabilities	780	492
Total adjustments	(3,172)	(33,755)
Net cash provided by operating activities	\$ 4,994	(\$ 25,194)

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

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

	For the six months ended December 31,	
	1994	1993
Net cash provided by operating activities:	\$ 4,994	(\$ 25,194)
Cash flows from investing activities		
Purchases of property, plant and equipment	(4,199)	(2,940)
Proceeds from sales of property, plant and equipment	173	147
Purchases of investments		(37,921)
Proceeds from sales of investments	124	12,938
Notes issued	(20)	(833)
Notes repaid	72	461
Net cash (used in) investing activities	(3,850)	(28,148)
Cash flows from financing activities:		
Dividends paid	(1,926)	(1,926)
Net cash used in financing activities	(1,926)	(1,926)
Net (decrease) in cash and cash equivalents	(782)	(55,268)
Cash and cash equivalents at beginning of year	8,681	64,742
Cash and cash equivalents at end of quarter	\$ 7,899	\$ 9,474
Supplemental disclosure of cash flow information:		
Income tax payments	\$ 2,627	\$ 5,502

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

A. Unaudited Financial Statements

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

B. Inventories

	Processed	Unprocessed	Total
	(In thousands)		
December 31, 1994			
Coffee	\$ 3,344	\$10,750	\$14,094
Allied products	9,853	4,166	14,019
Coffee brewing equipment	1,859	6,361	8,220
	\$15,056	\$21,277	\$36,333
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	7,483
	\$15,289	\$19,621	\$34,911

C. Accounting Policy Change

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

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

C. Accounting Policy Change (CONTINUED)

1995 as a reduction in shareholders' equity of \$546,000, net of taxes. During the quarter ended December 31, 1994, the fair value of the Company's available for sale securities declined resulting in an additional reduction in shareholders' equity of \$441,000.

Unrealized gains and losses on available for sale investment securities included in shareholders' equity at December 31, 1994 were fixed income government securities maturing after one through five years with a cost of \$26,721,000, a fair value of \$25,576,000, resulting in a net unrealized loss of (\$1,145,000) and fixed income government backed securities with a maturity after five through ten years with a cost of \$3,303,000, a fair value of \$3,072,000, resulting in a net unrealized loss of (\$231,000).

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

The volatile the green coffee market continues to effect Registrant's operations. Green coffee costs have decreased from the 20 year highs reached this past summer. The members of the Association of Coffee Producing Countries (ACPC) are again trying to establish a voluntary coffee retention program to provide a mechanism to support green coffee prices at or above current levels. Green coffee costs for the first half of fiscal 1995 have exceeded those during the same period of fiscal 1994 by nearly 100%. Increases in the sales prices of roast coffee during this period brought operating margins in line with historic averages by the end of the quarter ending in December. Registrant cautions against predicting whether these margins can be sustained given the uncertain cost of its primary raw material and the competitive pressures of its market.

Net sales for the second quarter of fiscal 1995 increased 26%, as the result of higher sales prices of roast coffee, to \$62,598,000 as compared to \$49,564,000 in the same quarter of the prior year. Net sales for the first half of fiscal 1995 increased 21% to \$116,780,000 from \$96,562,000 in the same period of fiscal 1994. Gross profit in the second quarter was \$30,084,000, or 48% of sales, as compared to \$25,908,000, or 48% of sales, in the first quarter of fiscal 1995 and \$27,621,000, or 56% of sales, in the same quarter of fiscal 1994. Operating expenses reached \$22,063,000 in the second quarter of fiscal 1995, as compared to \$21,394,000 in the first quarter of fiscal 1995 and \$21,372,000 in the second quarter of fiscal 1994.

Income after taxes and before effect of accounting change for the three months ended December 31, 1994, reached \$5,374,000, or \$2.79 per share, as compared to \$4,514,000, or \$2.34 per share, in the first quarter of fiscal 1995, and \$4,196,000 or \$2.18 per share in the second quarter of fiscal 1994.

Net income for the first half of fiscal 1995 has been reduced as a result of adopting the provisions of SFAS 115 in the first quarter of fiscal 1995. The cumulative effect of its adoption, net of tax, was \$(593,000) or \$(0.31) per share. Income after taxes and before the effect of accounting

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

change for the six months ended December 31, 1994, reached \$8,759,000, or \$4.55 per share, as compared to \$8,561,000, or \$4.44 per share, in the first six months of fiscal 1994.

Quarterly Summary of Results
(in thousands of dollars)

	12/31/93	03/31/94	06/30/94	09/30/94	12/31/94
Net sales	49,564	48,628	48,671	54,182	62,598
Gross profit	27,621	26,811	13,853	25,908	30,084
Operating income	5,889	4,679	-6,324	4,514	8,021
Net income	4,196	3,932	-2,163	2,795	5,374

(as a percentage of sales)

	12/31/93	03/31/94	06/30/94	09/30/94	12/31/94
Net sales	100.00	100.00	100.00	100.00	100.00
Gross profit	55.73	55.13	28.46	47.82	48.06
Operating income	11.88	9.62	-12.99	8.33	12.81
Net income	8.47	8.09	-4.44	5.16	8.58

(in dollars)

	12/31/93	03/31/94	06/30/94	09/30/94	12/31/94
EPS	2.18	2.04	-1.13	1.45	2.79

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.

The Annual Meeting of Shareholders of Farmer Bros. Co. was held on November 28, 1994. Holders of the Company's common stock were entitled to one vote per share of common stock held.

The proposal to amend the Company's Bylaws to eliminate cumulative voting was adopted, with 1,259,385 shares in favor, 45,240 shares against and 3,524 shares abstaining.

PART II OTHER INFORMATION, (CONTINUED)

Six directors were elected at the meeting, each to serve for the coming year and until any successors are elected and qualify. The following persons were elected as directors: Roy F. Farmer, Roy E. Farmer, Catherine E. Crowe, Lewis A. Coffman, Guenter W. Berger and John M. Anglin. There were 1,341,853 shares for the election of directors, 2,582 shares against and 3,696 shares abstaining.

The proposal to appoint Coopers & Lybrand as the independent accountants for the Company for the year ended June 30, 1995 was approved with 1,347,539 shares in favor of the resolution, 10 shares against and 583 shares abstaining.

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.
- (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: February 14, 1995

FARMER BROS. CO.
(Registrant)

John E. Simmons

John E. Simmons
Treasurer and
Chief Financial Officer

3-MOS		6-MOS	
JUN-30-1995	DEC-31-1994	JUN-30-1995	DEC-31-1994
		7899	7899
	83693		83693
	20416		20416
	445		445
	36333		36333
	152594		152594
		30462	30462
	49308		49308
	228900		228900
14421		14421	
		0	0
		1926	1926
0		0	0
		0	0
		0	0
228900		228900	
	62598		116780
		116780	
	62598		60788
		32514	
	22063		43457
	0		0
	0		0
	0		0
	8750		14405
	3376		5646
0		0	
	0		0
	0		0
		0	(593)
	5374		8166
	2.79		4.24
	2.79		4.24