

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, 1996

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 March 31, 1996.

PAGE 1 OF 9

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 March 31,		For the nine months ended March 31,	
	1996	1995	1996	1995
Net sales	\$56,774	\$59,514	\$170,383	\$176,294
Cost of goods sold	25,889	32,696	81,106	93,483
	30,885	26,818	89,277	82,811
Selling expense	20,972	18,958	60,990	56,578
General and administrative expenses	1,974	3,412	5,927	9,248
	22,946	22,370	66,917	65,826
Income from operations	7,939	4,448	22,360	16,985
Other income (expense):				
Dividend income	619	638	1,892	1,836
Interest income	1,656	1,154	4,586	3,102
Other	463	(857)	807	(991)
	2,738	935	7,285	3,947
Income before taxes	10,677	5,383	29,645	20,932
Provision for				

income taxes	4,286	2,163	11,889	8,249
Net income per share	\$ 6,391	\$ 3,220	\$ 17,756	\$ 12,683
Income per share:				
Net income per share	\$3.32	\$1.67	\$9.22	\$6.58

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

FARMER BROS. CO.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 1996	June 30, 1995
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,035	\$ 8,321
Short term investments	94,139	80,530
Accounts and notes receivable, net	19,734	18,481
Inventories	34,283	36,761
Income tax receivable	-	1,265
Deferred income taxes	3,577	3,577
Prepaid expenses and other	1,313	871
Total current assets	165,081	149,806
Property, plant and equipment, net	34,125	33,213
Notes receivable	1,880	1,880
Long term investments, net	44,118	43,337
Other assets	16,472	15,887
Deferred taxes	217	217
Total assets	\$261,893	\$244,340
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 8,535	\$ 9,408
Accrued payroll expenses	5,861	4,711
Other	5,980	4,605
Total current liabilities	20,376	18,724
Accrued postretirement benefits	12,506	11,505
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	226,293	211,619
Investment valuation allowance	224	(2)
Total shareholders' equity	229,011	214,111
Total liabilities and shareholders' equity	\$261,893	\$244,340

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,	
	1996	1995
Cash flows from operating activities:		
Net Income	\$ 17,756	\$ 12,683
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,518	3,922
Deferred income taxes	(472)	-
Other	(164)	(143)
Net (gain) loss on investments	(351)	1,430
Change in assets and liabilities:		
Accounts and notes receivable	(1,331)	(2,667)
Inventories	2,478	(1,568)
Income tax receivable	1,265	5,357
Prepaid expenses and other assets	(1,041)	(1,951)
Accounts payable	(873)	3,121
Accrued payroll expenses and other liabilities	2,525	(750)
Other long term liabilities	1,323	1,292
Total adjustments	6,877	8,043
Net cash provided by operating activities	\$ 24,633	\$ 20,726

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,	
	1996	1995
Net cash provided by operating activities:	\$ 24,633	\$ 20,726
Cash flows from investing activities:		
Purchases of property, plant and equipment	(4,499)	(6,348)
Proceeds from sales of property, plant and equipment	246	255
Purchases of investments	(165,351)	(103,227)
Proceeds from sales of investments	151,689	92,730
Notes issued		(761)
Notes repaid	78	83
Net cash (used in)provided by investing activities	(17,837)	(17,268)
Cash flows from financing activities:		
Dividends paid	(3,082)	(2,890)
Net cash used in financing activities	(3,082)	(2,890)
Net increase in cash and cash equivalents	3,714	568
Cash and cash equivalents at beginning of period	8,321	8,681
Cash and cash equivalents at end of quarter	\$ 12,035	\$ 9,249
Supplemental disclosure of cash flow information:		
Income tax payments	\$ 10,013	\$ 6,921

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. Investments

	March 31 1996		June 30, 1995	
	Cost	Fair Value	Cost	Fair Value
	(In thousands)			
Current Assets				
U.S. Government				
Obligations	\$88,168	\$88,146	\$80,608	\$80,530
Corp. Debt Securities	6,029	5,993	-	-
	\$94,197	\$94,139	\$80,608	\$80,530
Non-Current Assets				
U.S. Government				
Obligations	\$ 3,696	\$ 3,695	\$ 8,616	\$ 8,610
Corp. Debt Securities	4,958	4,935	1,599	1,569
Preferred stocks	32,737	33,339	30,456	31,896
Liquid asset fund				
and other	1,999	2,149	1,263	1,262
	\$43,390	\$44,118	\$41,934	\$43,337

The Company hedges interest rate risk in its portfolio of preferred stock. Deferred losses associated with the hedge are \$148,000 and \$1,329,000 at March 31 and June 30, 1995, respectively.

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

	Fair Value	
	03/31/96	06/30/95
	(In thousands)	
Within 1 year	\$ 94,139	\$ 80,530
After 1 year through 5 years	7,253	8,610
After 5 years through 10 years	1,377	1,569
After 10 years	-	-
	\$102,769	\$ 90,709

C. Inventories

	Processed	Unprocessed	Total
	(In thousands)		
March 31, 1996			
Coffee	\$ 3,272	\$10,728	\$14,000
Allied products	8,752	4,668	13,420
Coffee brewing equipment	2,185	4,678	6,863
	\$14,209	\$20,074	\$34,283
June 30, 1995			
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

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

The green coffee market always has an effect on Registrant's operations. During the most recent quarter, the price of the March coffee contract traded on the CSCE ranged from \$0.9040 to \$1.3150 per pound, as compared to a range from \$1.5075 to \$1.8725 per pound during the same period of the prior fiscal year. The lower price of green coffee during fiscal 1996 has contributed to Registrant's improved gross profit, but high selling prices over the past two years have dampened demand. The restaurant and lodging industries continue to be sluggish with no signs of strong growth.

Registrant cautions that the green coffee market can become more volatile during the traditional Brazilian frost season (June-July), and is unable to predict either the direction of green coffee costs or whether current profit margins can be maintained.

Net sales for the second quarter of fiscal 1995 increased 5% to \$56,774,000 as compared to \$59,514,000 in the same quarter of the prior year. Net sales for the first nine months of fiscal 1996 decreased 3% to \$170,383,000 from \$176,294,000 in the same period of fiscal 1995. Gross profit in the third quarter was \$30,885,000 or 54% of sales, as compared to \$30,885,000, or 53% of sales, in the second quarter of fiscal 1996 and \$26,818,000, or 45% of sales, in the third same quarter of fiscal 1995. Gross profit for the first nine months of fiscal 1996 increased 8% to \$89,277,000, from \$82,811,000, in the same period of the prior fiscal year. Operating expenses for the first three fiscal quarters increased 2% to \$66,917,000 in 1996 as compared to \$65,826,000 in the same period of the prior fiscal year.

Income after taxes for the three months ended March 31, 1996, reached \$6,391,000, or \$3.32 per share, as compared to \$6,573,000, or \$3.41 per share, in the second quarter of fiscal 1996, and \$3,220,000 or \$1.67 per share in the third quarter of fiscal 1995.

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

Quarterly Summary of Results
(in thousands of dollars)

	03/31/95	06/30/95	09/30/95	12/31/95	03/31/96
Net sales	59,514	58,368	55,038	58,571	56,774
Gross profit	26,818	30,088	27,527	30,865	30,885
Operating income	4,448	8,250	6,413	8,007	7,939
Net income	3,220	6,834	4,791	6,573	6,391

(as a percentage of sales)

	03/31/95	06/30/95	09/30/95	12/31/95	03/31/96
Net sales	100.00	100.00	100.00	100.00	100.00
Gross profit	45.06	51.55	50.01	53.00	54.40
Operating income	7.47	14.13	11.65	13.67	13.98
Net income	5.41	11.71	8.70	11.22	11.26

(in dollars)

	03/31/95	06/30/95	09/30/95	12/31/95	03/31/96
EPS	1.67	3.55	2.49	3.41	3.32

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.

PART II OTHER INFORMATION, (CONTINUED)

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|--|--------------------------|
| (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: May 14, 1996

FARMER BROS. CO.
(Registrant)

John E. Simmons

John E. Simmons
Treasurer and
Chief Financial Officer

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