

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2003

Commission file number: 0-1375

FARMER BROS. CO.

California
State of Incorporation95-0725980
IRS Employer Identification Number20333 S. Normandie Avenue, Torrance, California 90502
Registrant's address(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 [X] NO []

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). YES [X] NO []

Number of shares of Common Stock, \$1.00 par value, outstanding as of December 31, 2003: 1,482,569 and the aggregate market value of the common shares held by non-affiliates of the Registrant was approximately \$200 million.

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,	
	2003	2002	2003	2002
Net sales	\$51,511	\$54,118	\$97,176	\$104,507
Cost of goods sold	18,938	18,964	34,971	37,821
Gross profit	32,573	35,154	62,205	66,686
Selling expense	22,967	22,816	45,284	43,560
General and administrative expense	6,482	4,019	12,740	7,453
Operating expenses	29,449	26,835	58,024	51,013
Income from operations	3,124	8,319	4,181	15,673
Other income:				
Dividend income	881	772	1,683	1,629

Interest income	570	1,074	1,221	2,361
Other, net	-403	-573	1,169	-952
	1,048	1,273	4,073	3,038
Income before taxes	4,172	9,592	8,254	18,711
Income taxes	1,607	3,693	3,178	7,204
Net income	\$2,565	\$5,899	\$5,076	\$11,507
Weighted average shares outstanding	1,751,266	1,822,296	1,767,097	1,836,747
Earnings per common share	\$1.46	\$3.24	\$2.87	\$6.26
Dividends declared per share	\$0.95	\$0.90	\$1.90	\$1.80

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

FARMER BROS. CO.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	December 31, 2003	June 30, 2003
ASSETS		
Current assets:		
Cash and cash equivalents	\$23,046	\$18,986
Restricted cash	1,060	975
Short term investments	162,954	274,444
Accounts and notes receivable, net	13,815	13,756
Inventories	34,114	34,702
Income tax receivable	2,546	2,878
Prepaid expenses	2,121	876
Total current assets	239,656	346,617
Property, plant and equipment, net	41,998	41,753
Notes receivable	193	193
Other assets	25,181	26,390
Deferred income taxes	1,462	1,462
Total assets	\$308,490	\$416,415
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$3,932	\$3,321
Accrued payroll expenses	6,323	7,362
Deferred income taxes	976	976
Other	4,343	5,000
Total current liabilities	15,574	16,659
Accrued postretirement benefits	26,208	25,041
Other long term liabilities	5,570	5,570
Total Liabilities	47,352	47,270
Commitments and contingencies	-	-
Shareholders' equity:		
Common stock, \$1.00 par value, authorized 3,000,000 shares; issued and outstanding 1,482,569	1,482	1,926
Additional paid-in capital	14,935	18,798
Retained earnings	278,576	382,831
Unearned ESOP shares	-32,809	-33,364
Less accumulated comprehensive loss	-1,046	-1,046
Total shareholders' equity	261,138	369,145
Total liabilities and shareholders' equity	\$308,490	\$416,415

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

FARMER BROS. CO.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six months ended December 31,	
	2003	2002
Cash flows from operating activities:		
Net income	\$5,076	\$11,507
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation	3,508	2,802
(Gain) loss on sales of assets	-45	-383
ESOP compensation expense	2,343	1,923
Net (gain) loss on investments	1,323	-1,544
Change in assets and liabilities:		
Short term investments	-994	14,412
Accounts and notes receivable	-78	-4,559
Inventories	588	1,073
Income tax receivable	332	2,553
Prepaid expenses and other assets	-36	-2,107
Accounts payable	611	881
Accrued payroll and expenses and other liabilities	-1,696	471
Accrued postretirement benefits	1,167	979
Total adjustments	7,023	16,501
Net cash provided by operating activities	\$ 12,099	\$28,008
Cash flows from investing activities:		
Purchases of property, plant and equipment	-3,760	-2,940
Proceeds from sales of property, plant and equipment	52	497
Notes repaid	19	29
Net cash used in investing activities	-3,689	-2,414
Cash flows from financing activities:		
Dividends paid	-3,088	-3,289
ESOP contributions	-1,177	-15,351
Proceeds from sale of short term investments	111,161	-
Purchase of capital stock	-111,161	-
Net cash used in financing activities	-4,265	-18,640
Net increase in cash and cash equivalents	4,145	6,954
Cash and cash equivalents at beginning of year	19,961	7,047
Cash and cash equivalents at end of year	\$24,106	\$14,001
Supplemental disclosure of cash flow information:		
Income tax payments	2,250	4,502

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 generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended December 31, 2003 are not necessarily indicative of the results that may be expected for the year ended June 30, 2004.

The balance sheet at June 30, 2003 has been derived from the audited financial statements at that date but does not include all of the information and

footnotes required by accounting principles generally accepted in the United States for complete financial statements.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Farmer Bros Co. annual report on Form 10-K for the year ended June 30, 2003.

Note 2. Investments

Short term investments are as follows (in thousands):

	December 31 2003	June 30 2003
U.S. Treasury Obligations	\$105,842	\$220,057
Preferred Stock and Other	56,118	53,898
Futures, options and other derivative investments	994	490
Total short term investments	\$162,954	\$274,445

Note 3. Inventories (In thousands)

December 31, 2003

	Processed	Unprocessed	Total
Coffee	\$3,976	\$9,285	\$13,261
Allied products	11,298	4,323	15,621
Coffee brewing equipment	2,123	3,109	5,232
	\$17,397	\$16,717	\$34,114

June 30, 2003

	Processed	Unprocessed	Total
Coffee	\$3,853	\$9,155	\$13,008
Allied products	11,776	4,213	15,989
Coffee brewing equipment	2,372	3,333	5,705
	\$18,001	\$16,701	\$34,702

Interim LIFO Calculations

An actual valuation of inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations must necessarily be based on management's estimates of expected year-end inventory levels and costs. Because these are subject to many forces beyond management's control, interim results are subject to the final year-end LIFO inventory valuation.

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

Liquidity and Financial Condition

On December 24, 2003, the Company purchased the 443,845 shares of its common stock held by the Crowe Family and related trusts for approximately \$111 million or approximately \$250 per share. The purchase is part of a settlement of all outstanding issues between the Crowe and Farmer families and was approved by California's Superior Court for Los Angeles County.

Concurrently with the purchase, the Company's Employee Stock Ownership Plan (ESOP) agreed to purchase 124,939 shares at the same price, \$250/share, fulfilling its previously announced authorization for the ESOP to purchase 300,000 shares or 18.7% of outstanding shares. This portion of the transaction was completed on January 11, 2004.

Estimated future costs to complete the information systems project exceed \$7,000,000, and the project is expected to continue until December 2004.

(in thousands)	December 30, 2003	June 30, 2003
Current assets	\$239,656	\$348,617
Current liabilities	15,574	\$ 16,659
Working capital	\$224,082	\$331,958
Total assets	\$308,490	\$416,415

All present and future liquidity needs are expected to be met by internal

sources. The Company tries not to rely on banks or other third parties for its working capital and other liquidity needs. There have been no changes in the needs or commitments described in the Company's Annual Report on Form 10-K/A.

Results of Operations

All operating trends discussed in the Form 10-K/A for fiscal 2003 have continued into the first half of fiscal 2004. These trends resulted in a 5% decrease of net sales for the second quarter of fiscal 2004 to \$51,511,000 as compared to \$54,118,000 in the fiscal quarter ended December 31, 2002. Year to date sales decreased 7% to \$97,176,000 as compared to \$104,507,000 in the first half of fiscal 2003. In addition to the previously mentioned trends, the Company had decreased coffee brewing equipment sales of \$3,812,000 in the current fiscal year as compared to the same period of fiscal 2003.

Gross profit for the quarter ended December 31, 2003 decreased to \$32,572,000 as compared to \$35,153,000 in the same quarter of fiscal 2003. The average cost of green coffee during the first half of fiscal 2004 has decreased 2% since the June 30, 2003 year end, and is 6% lower than the average cost of green coffee for the same fiscal period of the prior fiscal year. Gross profit for the first half of fiscal 2004 decreased 7% to \$62,205,000 as compared to \$66,686,000 in the same period of the prior fiscal year primarily the result of decreased sales.

Operating expenses in the second quarter of fiscal 2004, consisting of selling and general and administrative expenses, increased 10% to \$29,449,000 as compared to \$26,834,000 in the same quarter of fiscal 2003. Operating expenses for the first half of fiscal 2004 increased 14% to \$58,024,000 as compared to \$51,013,000 in the same period of fiscal year 2003. This increase is primarily attributed to costs associated with our multi year program to update our information systems, increased employee benefits and legal expenses.

	2004	2003
Information systems	\$ 3,494,000	\$ 373,000
Employee benefits	9,566,000	7,121,000
Legal services	1,266,000	415,000
Total	\$14,326,000	\$7,909,000

Not included in the costs summarized above are Sarbannes-Oxley compliance costs that are expected to exceed \$500,000 over the balance of fiscal 2004. Also not included are the additional costs associated with the recent purchase of a sizable block of stock by the ESOP. The additional non-cash charge associated with this purchase is expected to exceed \$2,000,000 per year.

Other income in the second quarter of fiscal 2004 decreased 30% to \$1,048,000 from \$1,273,000 in the second quarter of fiscal 2003. Interest earned decreased 47% to \$570,000 as compared to \$1,074,000 in the quarter ended December 31, 2002. Other income for the first half of fiscal 2004 increased 34% to \$4,073,000 from \$3,038,000 in the same period of the prior fiscal year. Short term investments decreased 41%, or \$111,490,000, to \$162,954,000 at December 31, 2003 as compared to \$274,444,000 at June 30, 2003. This decrease is the primarily the result of the share purchase described in the Liquidity and Capital Resources section above.

As the result of the above mentioned factors, net income for the second quarter of fiscal 2004 decreased 57% to \$2,565,000 or \$1.46 per share, as compared to \$5,899,000, or \$3.24 per share, in the second quarter of fiscal 2003. Net income for the first half of fiscal 2004 decreased 56% to \$5,076,000 or \$2.87 per share, as compared to \$11,507,000 or \$6.26 in the same period of the prior fiscal year.

Quarterly Summary of Results (in thousands of dollars):

	12/31/02	03/31/03	06/30/03	09/30/03	12/31/03
Net sales	\$54,118	\$49,267	\$47,784	\$45,665	\$51,511
Gross profit	\$35,154	\$32,038	\$32,172	\$29,632	\$32,573
Income from operations	\$8,319	\$4,985	\$3,230	\$1,057	\$3,124
Net income	\$5,899	\$6,339	\$5,783	\$2,511	\$2,565
Net income per share	\$3.24	\$3.52	\$3.23	\$1.41	\$1.46

Forward Looking Statements

Certain statements contained in this Quarterly Report on Form 10-Q regarding The risks, circumstances and financial trends that may affect our future operating results, financial position and cash flows may be forward-looking statements within the meaning of federal securities laws. These statements are based on management's current expectations, assumptions, estimates and observations about our business and are subject to risks and uncertainties. As a result, actual results could materially differ from the forward looking statements contained herein. These forward looking statements can be identified by the use of words like "expects," "plans," "believes," "intends," "will," "assumes" and other words of similar meanings. These and other similar words can be identified by the fact that they do not relate solely to historical or current facts. While we believe our assumptions are reasonable, we caution that it is impossible to predict the impact of such factors which could cause actual results to differ materially from predicted results. We intend these forward-looking statements to speak only at the time of this report and do not undertake to update or revise these projections as more information becomes available. For these statements, we claim the protection of the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995.

Item 3. Quantitative and Qualitative Disclosure About Market Risk.

Financial Markets

We are exposed to market value risk arising from changes in interest rates on our securities portfolio. Our portfolio of investment grade money market instruments includes discount commercial paper, medium term notes, federal agency issues and treasury securities. As of December 31, 2003 over 50% of these funds were invested in instruments with maturities shorter than 92 days. This portfolio's interest rate risk is not hedged and its average maturity is approximately 44 days. A 100 basis point increase in the general level of interest rates would result in a change in the market value of the portfolio of approximately \$1,071,000.

Our portfolio of preferred securities includes investments in derivatives that provide a natural economic hedge of interest rate risk. We review the interest rate sensitivity of these securities and (a) enter into "short positions" in futures contracts on U.S. Treasury securities or (b) hold put options on such futures contracts in order to reduce the impact of certain interest rate changes on such preferred stocks. Specifically, we attempt to manage the risk arising from changes in the general level of interest rates. We do not transact in futures contracts 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 as of December 31, 2003. 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 Preferred Stock	December 31, 2003 Futures & Options	Total Portfolio	Change in Market Value of Total Portfolio
- -150 basis points ("b.p.")	\$62,245	\$2	\$62,247	\$5,309
- -100 b.p.	60,592	36	60,627	3,419
Unchanged	56,104	1,104	57,208	0
+100 b.p.	50,936	5,552	56,488	(720)
+150 b.p.	48,424	8,058	56,482	(726)

The number and type of future and option contracts entered into depends on, among other items, the specific maturity and issuer redemption provisions for each preferred stock held, the slope of the Treasury yield curve, the expected volatility of Treasury yields, and the costs of using futures and/or options.

Commodity Price Changes

We are exposed to commodity price risk arising from changes in the market price of green coffee. We price our inventory on the LIFO basis. In the normal course of business, we enter into commodity purchase agreements with suppliers and we purchase green coffee contracts.

The following table demonstrates the impact of changes in the price of green

coffee on inventory and green coffee contracts at December 31, 2003. It assumes an immediate change in the price of green coffee, and the valuations of coffee index futures and put options and relevant commodity purchase agreements at December 31, 2003.

Commodity Risk Disclosure

(In thousands)

Coffee Cost Change	Market Value of Coffee Inventory	Futures & Options	Totals	Change in Market Value Derivatives Inventory	
-20%	\$12,000	\$ 2,907	\$14,907	\$2,907	(\$1,261)
unchanged	13,261	110	13,371	-	-
20%	15,000	(\$2,797)	12,203	(373)	\$1,739

At December 31, 2003 the derivatives consisted mainly of commodity futures with maturities shorter than four months.

Item 4 Controls & Procedures

As of December 31, 2003, with the participation of the Chief Executive Officer and Chief Financial officer, we evaluated the effectiveness of our disclosure controls and procedures and concluded that they were effective as of that date. No changes occurred during the quarter ended December 31, 2003 that materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting, except that during that quarter we implemented part of our multi-year program to update our information systems which program includes enhancements to such internal controls.

PART II OTHER INFORMATION

Item 1. Legal proceedings.

On December 4, 2003, Leonard Rosenthal brought suit in United States District Court for the Central District of California (Case No. CV03845) against the Company, the present directors and a former director ("Directors"), on behalf of himself and a purported class of persons (the "Rosenthal Litigation"). The Plaintiff alleged that the Company was operating as an unregistered investment company in violation of the Investment Company Act of 1940 (the "ICA"). The Plaintiff also alleged that the Company's loans of corporate funds to the ESOP to purchase stock of the Company violate federal law and that such purchases by the ESOP were intended to preserve the voting control of the Farmer family and entrench management. In addition, the Plaintiff alleged that the Company was pursuing an estate planning strategy designed to depress the stock price in order to lessen the estate taxes anticipated on the death of Roy F. Farmer. Plaintiff sought recovery against the Directors in an amount not less than the amount of the loans to the ESOP. Plaintiff also filed a motion for a preliminary injunction to prevent the Company and the Directors from voting the Company stock beneficially owned by the ESOP at the Annual Meeting. On December 23, 2003, the U.S. District Court denied plaintiff's motion, ruling, inter alia, that plaintiff lacked standing to bring an action for violation of the ICA and that plaintiff had failed to show a likelihood of prevailing at trial on his claims that the Company was in violation of the ICA or that the Directors had violated their duties with respect to the ESOP.

On February 4, 2004, Leonard Rosenthal filed a Notice of Dismissal Without Prejudice with the United States District Court for the Central District of California.

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.

The following exhibits are attached herewith:

[under evaluation by counsel]

Settlement Agreement 12/24/2003 among the Company, the Farmer Family and the Crowe Family

Mutual General Release 12/24/03 among the Company, the Farmer Family and the Crowe Family

Stock Purchase Agreement 12/24/03 among the Company, Catherine Crowe and Roy F. Farmer as Trustee of various trusts

Stock Purchase Agreement between Wells Fargo Bank, Trustee of the Farmer Bros. Co. ESOP and the Company

(b) Reports on Form 8-K.

Reports on Form 8-K were filed as follows:

A form 8-K dated July 23, 2003 and filed with the Commission on July 24, 2003 announced approval by the Board of Directors of a loan by the Company to the ESOP to purchase up to 129,575 shares of Farmer Bros. Co. common stock.

A form 8-K dated December 24, 2003 and filed with the Commission on December 24, 2003 announced the purchase of all Crowe family shares at a cost of approximately \$110.96 million, and the rejection of a request for injunction on behalf of a shareholder by U.S. District Judge Margaret M. Morrow.

A form 8-K dated January 12, 2004 and filed with the Commission on January 12, 2004 announced finalization of the purchase of the ESOP's purchase of 129,575 shares of Farmer Bros. Co. common stock bringing the ESOP's holdings to 300,000 shares or 18.7% of the Company's shares outstanding.

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.

FARMER BROS. CO.

/s/ Roy E. Farmer

Roy E. Farmer, President and Chief Executive Officer and Director
(principal executive officer)

Date: February 13, 2004

/s/ John E. Simmons

John E. Simmons, Treasurer and Chief Financial Officer
(principal financial and accounting officer)

Date: February 13, 2004

Exhibit 31.1

Certification Pursuant
to Section 302 of the Sarbanes-Oxley Act of 2002

I, Roy E. Farmer, President and Chief Executive Officer of Farmer Bros. Co.
("Registrant"), certifies that:

1. I have reviewed this Quarterly Report on Form 10-Q of Registrant;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material

respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the Registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: February 13, 2004

/s/ Roy E. Farmer

Roy E. Farmer
President and Chief Executive Officer
(principal executive officer)

Exhibit 31.2

Certification Pursuant
to Section 302 of the Sarbanes-Oxley Act of 2002

I, John E. Simmons, Treasurer and Chief Financial Officer of Farmer Bros. Co. ("Registrant"), certifies that:

1. I have reviewed this Quarterly Report on Form 10-Q of Registrant;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the Registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management

or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: February 13, 2004

/s/ John E. Simmons

John E. Simmons
Treasurer and Chief Financial Officer
(principal financial and accounting officer)

Exhibit 32.1

CERTIFICATION of Chief Executive Officer
Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002

In connection with the annual report of Farmer Bros. Co. (the "Company") on Form 10-K for the fiscal quarter ended December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Roy E. Farmer, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly represents, in all material respects, the financial condition and results of operation of the Company.

Dated: February 13, 2004

/s/ Roy E. Farmer
Roy E. Farmer
President & Chief Executive Officer
(principal executive officer)

Exhibit 32.2

CERTIFICATION of Chief Financial Officer
Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002

In connection with the annual report of Farmer Bros. Co. (the "Company") on Form 10-K for the fiscal quarter ended December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John E. Simmons, Treasurer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly represents, in all material respects, the financial condition and results of operation of the Company.

Dated: February 13, 2004

/s/ John E. Simmons
John E. Simmons
Treasurer and Chief Financial Officer
(principal financial and accounting officer)

SETTLEMENT AGREEMENT

This Settlement Agreement (the "Agreement") is entered into as of December 23, 2003, by and among (i) Farmer Bros. Co., a California corporation ("Farmer Bros."), (ii) Roy F. Farmer ("Roy II"), Roy E. Farmer ("Roy III"), Carol Lynn Farmer-Waite ("Carol"), Jeanne Ann Farmer-Grossman ("Jeanne"), Richard F. Farmer ("Richard") (Roy II, Roy III, Carol, Jeanne, and Richard are sometimes referred to collectively as the "Farmers"), and (iii) Catherine Crowe ("Catherine"), Janis Crowe ("Janis") and Steven D. Crowe ("Steve") (Catherine, Janis and Steve are sometimes referred to collectively as the "Crowes") (Farmer Bros., the Farmers and the Crowes are sometimes referred to collectively as the "Parties" or individually as a "Party").

On or about April 22, 2003, Steve filed a Petition to Remove and Surcharge Roy F. Farmer, as trustee of Trust B of the Children's Trust, under Probate Code Sections 17200 and 15642, in the matter of the Roy E. Farmer I Children's Trust, created pursuant to court decree under the terms of the Children's Trust Agreement, dated October 24, 1957 (the "Children's Trust"), L.A.S.C. Case No. BP 079060 ("Children's Trust Removal Petition");

On or about April 22, 2003, Steve filed a Petition to Remove and Surcharge Roy F. Farmer, under Probate Code Sections 17200 and 15642, in the matter of the Elizabeth H. Farmer Trust f/b/o Steven D. Crowe, under declaration of trust dated December 21, 1964 (the "Steve 1964 Trust"), L.A.S.C. Case No. BP 079061 (the "1964 Removal Petition");

On or about April 22, 2003, Steve filed a Petition to Remove and Surcharge Roy F. Farmer, under Probate Code Sections 17200 and 15642, in the matter of the Elizabeth H. Farmer Trust f/b/o Steven D. Crowe, under declaration of trust dated August 4, 1969 (the "Steve 1969 Trust"), L.A.S.C. Case No. BP 079058 (the "1969 Removal Petition");

On or about April 22, 2003, Steve filed a Petition to Remove and Surcharge Roy F. Farmer, under Probate Code Sections 17200 and 15642, in the matter of the Elizabeth H. Farmer Trust f/b/o Steven D. Crowe, under declaration of trust dated May 3, 1972 (the "Steve 1972 Trust"), L.A.S.C. Case No. BP 079059 (the "1972 Removal Petition") (the Children's Trust Removal Petition, the 1964 Removal Petition, the 1969 Removal Petition, and the 1972 Removal Petition are sometimes referred to collectively as the "Removal Petitions");

On or about June 26, 2003, Roy II filed Response and Objections to Petition to Remove and Surcharge Roy F. Farmer as to each of the Removal Petitions (sometimes referred to collectively as the "Removal Objections");

On or about October 6, 2003, Catherine filed a Joinder as to each of the Removal Petitions;

On or about November 14, 2003, Janis filed a Joinder as to each of the Removal Petitions;

On or about November 14, 2003, Steve filed a Petition for Appointment of Trustee Ad Litem under Probate Code Sections 17200, 17206, in the matter of the Children's Trust, in L.A.S.C. Case No. BP 079060 ("Steve/Children's TAL Petition");

On or about November 14, 2003, Steve filed a Petition for Appointment of Trustee Ad Litem under Probate Code Sections 17200, 17206, in the matter of the Steve 1964 Trust, in L.A.S.C. Case No. BP 079061 (the "Steve/1964 TAL Petition");

On or about November 14, 2003, Steve filed a Petition for Appointment of Trustee Ad Litem under Probate Code Sections 17200, 17206, in the matter of the Steve 1969 Trust, in L.A.S.C. Case No. BP 079058 (the "Steve/1969 TAL Petition");

On or about November 14, 2003, Steve filed a Petition for Appointment of Trustee Ad Litem under Probate Code Sections 17200, 17206, in the matter of the Steve 1972 Trust, in L.A.S.C. Case No. BP 079059 (the "Steve/1972 TAL Petition");

On or about November 14, 2003, Steve filed a Petition for Appointment of Trustee Ad Litem under Probate Code Sections 17200, 17206, in the matter of the Elizabeth H. Farmer Trust f/b/o Steven D. Crowe, under declaration of trust dated March 22, 1995, in L.A.S.C. Case No. BP 082583 (the "Steve/1995 TAL Petition");

On or about November 14, 2003, Janis filed a Petition for Appointment of Trustee Ad Litem under Probate Code Sections 17200, 17206, in the matter of the Children's Trust, in L.A.S.C. Case No. BP 082590 (the "Janis/Children's TAL Petition");

On or about November 14, 2003, Janis filed a Petition for Appointment of Trustee Ad Litem under Probate Code Sections 17200, 17206, in the matter of the Elizabeth H. Farmer Trust f/b/o Janis Crowe, under declaration of trust dated December 21, 1964 (the "Janis 1964 Trust"), L.A.S.C. Case No. BP 082589 (the "Janis/1964 TAL Petition");

On or about November 14, 2003, Janis filed a Petition for Appointment of Trustee Ad Litem under Probate Code Sections 17200, 17206, in the matter of the Elizabeth H. Farmer Trust f/b/o Janis Crowe, under declaration of trust dated August 14, 1969 (the "Janis 1969 Trust"), L.A.S.C. Case No. BP 082591 (the "Janis/1969 TAL Petition");

On or about November 14, 2003, Janis filed a Petition for Appointment of Trustee Ad Litem under Probate Code Sections 17200, 17206, in

the matter of the Elizabeth H. Farmer Trust f/b/o Janis Crowe, under declaration of trust dated May 3, 1972 (the "Janis 1972 Trust"), L.A.S.C. Case No. BP 082587 (the "Janis/1972 TAL Petition");

On or about November 14, 2003, Catherine filed a Petition for Appointment of Trustee Ad Litem under Probate Code Sections 17200, 17206, in the matter of the Elizabeth H. Farmer Trust f/b/o Catherine Crowe, under declaration of trust dated August 4, 1969 (the "Catherine 1969 Trust"), L.A.S.C. Case No. BP 082586 (the "Catherine/1969 TAL Petition"); and

On or about November 14, 2003, Catherine filed a Petition for Appointment of Trustee Ad Litem under Probate Code Sections 17200, 17206, in the matter of the Elizabeth H. Farmer Trust f/b/o Catherine Crowe, under declaration of trust dated May 3, 1972 (the "Catherine 1972 Trust"), L.A.S.C. Case No. BP 082588 (the "Catherine/1972 TAL Petition") (Trust B of the Children's Trust, the Steve 1964 Trust, Steve 1969 Trust, Steve 1972 Trust, Steve 1995 Trust, Janis 1964 Trust, Janis 1969 Trust, Janis 1972 Trust, Catherine 1969 Trust and Catherine 1972 Trust are sometimes referred to collectively as the "Crowe Trusts") (the Steve/Children's TAL Petition, Steve/1964 TAL Petition, Steve/1969 TAL Petition, Steve/1972 TAL Petition, Steve/1995 TAL Petition, Janis/Children's TAL Petition, Janis/1964 TAL Petition, Janis/1969 TAL Petition, Janis/1972 TAL Petition, Catherine/1969 TAL Petition and Catherine/1972 TAL Petition are sometimes referred to collectively as the "TAL Petitions").

Now, in consideration of the foregoing, the respective covenants and agreements herein contained, and in consideration of other good and valuable consideration, each to the other, the sufficiency and receipt of which is hereby acknowledged, the Parties to this Agreement hereby agree as follows:

ARTICLE I -- TERMS

1.1 Entry of Stipulated Orders. Contemporaneous with the execution of this Agreement, the Parties shall cause their attorneys to execute stipulations mutually agreeable to the Parties approving the settlement and dismissal with prejudice of the Removal Petitions and the TAL Petitions in each of the above referenced trust proceedings (the "Stipulated Orders"). The Stipulated Orders may be entered immediately by the court on December 24, 2003, or as soon thereafter as the court is prepared to enter the Stipulated Orders. In the event the court requires changes to the Stipulated Orders, the Parties shall cooperate in good faith to modify the Stipulated Orders in accordance therewith. The entry of each of the Stipulated Orders by the court shall be a condition precedent to any further obligation under this Agreement. In the event each of the Stipulated Orders is not entered by the Court by January 15, 2004, this Agreement shall be null and void and the Parties shall have no further obligations to each other hereunder.

1.2 Closing Documents. Immediately following entry of the Stipulated Orders, the Parties shall deliver and exchange (a) the Stock Purchase Agreement, in the form attached hereto as Exhibit A ("Stock Purchase Agreement"), fully executed by Farmer Bros., Roy II and Catherine; and (c) mutual general releases, in the form attached hereto as Exhibit B (the "Mutual General Releases"), fully executed by Farmer Bros., the Farmers and the Crowes. The Stipulated Orders, Stock Purchase Agreement and Mutual General Releases are sometimes referred to collectively as the "Closing Documents"). The Closing Documents are hereby incorporated by this reference as though fully set forth herein. Notwithstanding anything to the contrary contained herein, the delivery of the fully executed Closing Documents is a condition precedent to all other terms and conditions of this Agreement, and the Closing Documents shall become effective upon confirmation that the Purchase Price (as that term is defined in the Stock Purchase Agreement) has been transferred in accordance with section 1.11 and confirmation of delivery of wire instructions to Bank of America in accordance with section 1.10 below.

1.3 Resignation as Trustee. Roy II hereby resigns as trustee of the Crowe Trusts, and of Trust A of the Children's Trust (such that Roy II has resigned as trustee of Trust A and Trust B of the Children's Trust).

1.4 Revocation of Designations of Successor Trustee. Roy II hereby revokes, rescinds, and cancels any and all instruments designating or purporting to designate a successor trustee or successor trustees of the Crowe Trusts.

1.5 Revocation of Exercise of Power of Appointment. Roy II hereby revokes, rescinds, and cancels any and all instruments exercising or purporting to exercise any powers of appointment over the Crowe Trusts.

1.6 Agreement to Not Exercise Powers of Appointment. Roy II hereby agrees to not exercise any powers of appointment over the Crowe Trusts at his death or during his lifetime.

1.7 Waiver of Rights and Powers re: Successor and Corporate Trustees. Farmer Bros. hereby waives any and all rights and powers to appoint or designate a successor trustee and/or corporate trustee of Trust B of the Children's Trust. Farmer Bros. further waives any and all rights to discharge a successor trustee and/or corporate trustee of Trust B of the Children's Trust.

1.8 Designation and Appointment of Successor Trustees to Crowe Trusts. It is hereby agreed that the successor trustees of the Crowe Trusts

shall be as follows: (a) City National Bank, Steve and Janis for Trust B of the Children's Trust; (b) City National Bank and Steve for the Steve 1964 Trust; (c) City National Bank and Steve for the Steve 1969 Trust; (d) City National Bank and Steve for the Steve 1972 Trust; (e) City National Bank and Steve for the Steve 1995 Trust; (f) City National Bank and Janis for the Janis 1964 Trust; (g) City National Bank and Janis for the Janis 1969 Trust; (h) City National Bank and Janis for the Janis 1972 Trust; (i) City National Bank and Catherine for the Catherine 1969 Trust; and (j) City National Bank and Catherine for the Catherine 1972 Trust. The successor trustees shall serve without bond. All principal assets of the Crowe Trusts shall remain under the control of City National Bank, or any successor institutional trustee, and no such assets shall be managed or controlled by any individual trustee without filing a bond equal in amount to the value of such assets.

1.9 Designation and Appointment of Successor Trustee to Trust A of Children's Trust. It is hereby agreed that the successor trustee of Trust A of the Children's Trust shall be Roy III. Roy III shall serve without bond so long as Trust A consists principally of shares of common stock of Farmer Bros., which are not to be sold, and shall not be sold, without further order of the Court.

1.10 Accumulated Income. Roy II hereby represents and warrants that the following amounts of accumulated and undistributed income remained in the Crowe Trusts as of December 23, 2003: (a) Trust B of the Children's Trust: \$0; (b) the Steve 1964 Trust: \$0; (c) the Steve 1969 Trust: \$40,075.02; (d) the Steve 1972 Trust: \$2,054.88; (e) the Steve 1995 Trust: \$0; (f) the Janis 1964 Trust: \$0; (g) the Janis 1969 Trust: \$338,689.78; (h) the Janis 1972 Trust: \$49,694.63; (i) the Catherine 1969 Trust: \$379,878.05; and (j) the Catherine 1972 Trust: \$111,286.09. Immediately upon entry of the Stipulated Orders, Roy II shall instruct Bank of America to transfer to City National Bank, as a successor cotrustee of the Crowe Trusts, all assets including accumulated income in the Crowe Trusts by wire transfer or bank transfer.

1.11 Allocation of Sale Proceeds. Pursuant to the Stock Purchase Agreement, Farmer Bros. shall purchase 100 percent of the common stock of the company owned by Catherine Crowe and Roy II as trustee of the Crowe Trusts. The beneficiaries of the Crowe Trusts have insisted that Roy II, as trustee, demand a greater allocation of the proceeds to the Crowe Trusts, than to Catherine, as a condition of entering into this Agreement. Based thereon, Roy II and Catherine have agreed to allocate \$259.73 in consideration for each share held in the Crowe Trusts, and \$238.50 in consideration for each share owned by Catherine Crowe. Immediately upon entry of the Stipulated Orders, Farmer Bros. shall instruct City National Bank to transfer the Purchase Price (as that term is defined in the Stock Purchase Agreement) by wire transfer or bank transfer as follows: \$48,518,055 shall be distributed to Catherine Crowe, and \$62,442,987.95 shall be distributed to the Crowe Trusts as follows:

- (a) \$38,015,381.45 to Trust B of the Children's Trust;
- (b) \$8,356,812.75 to the Steve 1964 Trust;
- (c) \$1,947,975 to the Steve 1969 Trust;
- (d) \$623,352 to the Steve 1995 Trust;
- (e) \$8,356,812.75 to the Janis 1964 Trust;
- (f) \$1,947,975 to the Janis 1969 Trust;
- (g) \$623,352 to the Janis 1972 Trust;
- (h) \$1,947,975 to the Catherine 1969 Trust; and
- (i) \$623,352 to the Catherine 1972 Trust.

1.12 Disclaimer of Contingent Remaindermen of Children's Trust. Roy III, Carol, Jeanne and Richard do hereby renounce and disclaim, on behalf of themselves and their respective successors, assignees, heirs, legatees, devisees, executors, trustees, administrators and legal representatives, any right or interest they may have as contingent remainder beneficiaries of Trust B of the Children's Trust. Likewise, Steve and Janis, on behalf of themselves and their respective successors, assignees, heirs, legatees, devisees, executors, trustees, administrators and legal representatives, do hereby renounce and disclaim any right or interest they may have as contingent remainder beneficiaries of Trust A of the Children's Trust.

1.13 Modification of Children's Trust. The Farmers, the Crowes and Farmer Bros., on behalf of themselves and their respective successors, assignees, heirs, legatees, devisees, executors, trustees, administrators and legal representatives, hereby consent to a modification of the Children's Trust Agreement, dated October 24, 1957, to reflect the designation of City National Bank, Steve and Janis as successor trustees of Trust B of the Children's Trust and the elimination of the right and power of the board of directors of Farmer Bros. to discharge and/or designate successor and/or corporate trustees of Trust B of the Children's Trust. The Farmers, the Crowes and Farmer Bros., on behalf of themselves and their respective successors, assignees, heirs, legatees, devisees, executors, trustees, administrators and legal representatives, further agree that they shall use reasonable and diligent efforts to cooperate with any subsequent proceedings commenced in Superior Court of the State of California, County of Los Angeles, for the purpose of achieving such a modification.

1.14 Modification of Other Crowe Trusts. The Parties, on behalf of themselves and their respective successors, assignees, heirs, legatees, devisees, executors, trustees, administrators and legal representatives, hereby

consent to a modification of the following trusts: (a) the Steve 1964 Trust; (b) the Steve 1969 Trust; (c) the Steve 1972 Trust; (d) the Steve 1995 Trust; (e) the Janis 1964 Trust; (f) the Janis 1969 Trust; (g) the Janis 1972 Trust; (h) the Catherine 1969 Trust; and (i) the Catherine 1972 Trust to reflect the designation of successor trustees consistent with the terms of this Agreement and the exercise of powers of appointment solely in favor of the Crowes. The Parties further agree that they shall use reasonable and diligent efforts to cooperate with any subsequent proceedings commenced in Superior Court of the State of California, County of Los Angeles, for the purpose of achieving such a modification.

1.15 Authorization. Roy III hereby represents and warrants that he has been duly authorized by the board of directors of Farmer Bros. to execute and deliver this Agreement on behalf of Farmer Bros. and the board of directors of Farmer Bros. Roy III further represents and warrants that no other corporate action on the part of Farmer Bros. is necessary to authorize the execution and delivery by Farmer Bros. of this Agreement.

ARTICLE II - MISCELLANEOUS

2.1 Further Assurances. Each Party hereto shall use reasonable and diligent efforts to proceed promptly with the transactions contemplated herein, to fulfill the conditions precedent, and to execute such other and further documents and perform such other and further acts as may reasonably be required or appropriate to effectuate the provisions of this Agreement.

2.2 Entire Agreement. This Agreement constitutes and is intended to constitute the entire agreement of the Parties concerning the subject matter hereof. No covenants, agreements, representations or warranties of any kind whatsoever have been made by any Party hereto, except as specifically set forth herein. All prior or contemporaneous discussions or negotiations with respect to the subject matter hereof are superseded by this Agreement.

2.3 Successor and Assigns. This Agreement in its entirety shall be binding and inure to the benefit of the parties, their respective heirs, successors, and assigns.

2.4 Construction. The Parties hereby acknowledge that each of them has been represented by independent counsel of their own selection throughout all negotiations preceding the execution of this Agreement, and that they have executed the same upon the advice of such counsel. The Parties and their respective counsel cooperated in the drafting and preparation of this Agreement such that it shall be deemed to be their joint work product and may not be construed against any of the Parties by reason of its preparation.

2.5 Severability. If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid or unenforceable, in whole or in part, the remaining provisions, and any partially invalid or unenforceable provisions, to the extent valid and enforceable, shall nevertheless be binding and valid and enforceable.

2.6 Modification and Amendment. This Agreement may not be modified or amended orally and no modification, termination or waiver shall be valid unless in writing and signed by all of the Parties.

2.7 Choice of Law/Venue. The terms and provisions of this Agreement shall be construed according to and governed by the laws of the State of California. Any action arising from, or relating to, the terms or provisions of this Agreement shall be instituted in the Superior Court of the State of California for the County of Los Angeles.

2.8 No Admission. The Parties understand, acknowledge and agree that any claims any Party may have against any other Party are disputed and that all Parties are entering into this Agreement for the purpose of settling such disputes by compromise in order to avoid litigation and to buy peace. Neither the execution nor delivery of this Agreement by any Party, nor the execution and delivery of the stipulation for an order dismissing the Petition, nor the order dismissing the Petition, nor the payment of any consideration or performance of any obligation hereunder is an admission as to the merits of any of the claims the Parties may have against one another, or that the Parties have against any other persons or entities.

2.9 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

2.10 Facsimile Transmissions. Facsimile transmissions of signatures shall be deemed to constitute original signatures.

FARMER BROS. CO.

/s/ Roy E. Farmer

By: Roy E. Farmer
Chief Executive Officer

/s/ Roy F. Farmer

Roy F. Farmer

(SIGNATURES CONTINUED ON NEXT PAGE)

/s/ Roy E. Farmer

Roy E. Farmer

/s/ Carol Lynn Farmer-Waite

Carol Lynn Farmer-Waite

/s/ Jeanne Ann Farmer-Grossman

Jeanne Ann Farmer-Grossman

/s/ Richard F. Farmer

Richard F. Farmer

(SIGNATURES CONTINUED ON NEXT PAGE)

/s/ Catherine Crowe

Catherine Crowe

/s/ Janis Crowe

/s/ Steven D. Crowe

Steven D. Crowe

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I. PARTIES

This Mutual General Release ("Release") is entered into as of December 24, 2003 among the following parties ("Parties")1:

- A. Roy F. Farmer, in his capacity as trustee ("Trustee") of the trusts listed on Schedule I (the "Trusts"), and his Related Entities2;
- B. Roy F. Farmer, individually, and his Related Entities;
- C. Roy E. Farmer, individually, and his Related Entities;
- D. Carol Lynn Farmer-Waite, and her Related Entities
- E. Jeanne Ann Farmer-Grossman, and her Related Entities
- F. Richard F. Farmer, and his Related Entities
- G. Catherine Crowe, individually, and her Related Entities;
- H. Janis Crowe, individually, and her Related Entities;
- I. Steven Crowe, individually, and his Related Entities;
- J. Farmer Bros. Co., a California Corporation together with its officers, directors, subsidiaries and divisions (collectively, the "Company"); and
- K. Each of the Trusts and their Related Entities.

II. RECITALS

This Release is made with reference to the following facts:

A. Trustee, Roy F. Farmer, Roy E. Farmer, Carol Lynn Farmer-Waite, Jeanne Ann Farmer-Grossman, Richard F. Farmer and the Trusts and their respective Related Entities are hereinafter collectively referred to as the "Farmer Parties."

B. Catherine Crowe, Janis Crowe, and Steven Crowe and their respective Related Entities are hereinafter collectively referred to as the "Crowe Family Parties."

C. On or about June 11, 2003, Steven Crowe filed a petition to remove and surcharge Trustee as trustee of the Roy E. Farmer I Children's Trust in a matter "Roy E. Farmer I Children's Trust, pursuant to Children's Trust Agreement, dated October 24, 1957," Superior Court of the State of California, for the County of Los Angeles, Case No. BP079060 (the "Litigation").

D. Janis Crowe and Catherine Crowe have joined the Litigation and the Litigation has been expanded to include all the Trusts.

E. The Parties have duly executed and delivered a Settlement Agreement, dated as of December 23, 2003 (the "Settlement Agreement") in connection with the Litigation which provides for the Parties to execute and deliver a mutual general release in the form of this Release.

F. The Parties intend to include within the scope of this Release all matters that in any way relate to or arise out of:

- 1. Any act or failure to act of the Trustee, the Trust and their Related Entities at any time prior to the moment this Release is executed by the Parties ("Disputed Trust Matters").
- 2. Any act or failure to act by the Company at any time prior to the moment this Release is executed by the Parties ("Disputed Company Matters").
- 3. Any act or failure to act by Roy F. Farmer, Roy E. Farmer, Carol Lynn Farmer-Waite, Jeanne Ann Farmer-Grossman, Richard F. Farmer and their Related Entities at any time prior to the moment this Release is executed by the Parties ("Disputed Farmer Family Matters").
- 4. Any act or failure to act by any of the Crowe Family Parties at any time prior to the moment this Release is executed by the Parties ("Disputed Crowe Family Matters").

G. The Parties intend to include within the scope of this Release all known or presently unknown, suspected or unsuspected, contingent or fixed complaints, grievances, allegations, demands, liabilities, losses, obligations, promises, damages, costs, expenses (including, without limitation, attorneys' fees), lawsuits, actions (in law, equity or otherwise), causes of action (including antitrust claims), rights and privileges of whatever kind that:

- 1. Any of the Crowe Family Parties may have or ever come to have against any of the Farmer Parties or the Company and that in any way relate to or arise out of the Disputed Trust Matters, the Disputed Company Matters or the Disputed Farmer Family Matters (such complaints, claims, grievances, allegations, demands, liabilities, losses, obligations, promises, damages, costs, expenses (including, without limitation, attorneys' fees), lawsuits, actions (in law, equity, admiralty or otherwise), causes of action, rights and privileges shall be collectively referred to as "Disputed Crowe Family Claims").
- 2. Any of the Farmer Parties or the Company may have or ever come to have against any of the Crowe Family Parties that in any way relate to or arise out of the Disputed Crowe Family Matters (such complaints, claims, grievances, allegations, demands, liabilities, losses, obligations, promises, damages, costs, expenses (including, without limitation, attorneys' fees), lawsuits, actions (in law, equity, admiralty or otherwise), causes of action, rights and privileges shall be collectively referred to as "Disputed Farmer Claims").

III. RELEASES

A. Crowe Family Parties: Release of Farmer Parties and the Company. In

consideration of the terms and provisions of this Release, the Settlement Agreement and the purchase and sale of shares of Company common stock pursuant to that Stock Purchase Agreement dated, as of December 24, 2003 (the "Stock Purchase Agreement" by and among Catherine Crowe, the Trustee and the Company, and the transactions contemplated by such agreements (collectively, the "Transactions"), each of the Crowe Family Parties shall, and hereby does, relieve, release and forever discharge each of the Farmer Parties and the Company of and from any and all Disputed Crowe Family Claims that any of the Crowe Family Parties may have or ever come to have against any of the Farmer Parties or the Company.

B. Farmer Parties and the Company: Release of Crowe Family Parties. In consideration of the terms and provisions of this Release, the Settlement Agreement, the Stock Purchase Agreement and the Transactions, each of the Farmer Parties and the Company shall, and hereby does, relieve, release and forever discharge each of the Crowe Family Parties of and from any and all Disputed Farmer Claims that any of the Farmer Parties or the Company may have or ever come to have against any of the Crowe Family Parties.

C. Unknown Claims and Risks Released by the Crowe Family Parties. It is understood by the Crowe Family Parties that there is a risk that after the execution of this Release, any of the Crowe Family Parties may incur or suffer losses, damages or injuries that are in some way caused by or related to the Disputed Crowe Family Claims, but that are unknown or unanticipated, for whatever reason, at the time of the execution of this Release ("Unknown Crowe Family Injury Risk"). Further, it is understood by the Crowe Family Parties that there is a risk that loss or damage to the Crowe Family Parties presently known may be or become, for whatever reason, greater than the Crowe Family Parties now expect or anticipate ("Unknown Crowe Family Magnitude Risk"). The Crowe Family Parties understand, accept and assume both the Unknown Crowe Family Injury Risk and the Unknown Crowe Family Magnitude Risk and intend that the releases contained herein shall apply to all unknown and unanticipated results in any way arising from or relating to Disputed Crowe Family Claims, as well as those known and anticipated, and, upon the advice of legal counsel, the Crowe Family Parties knowingly, voluntarily and intentionally and expressly waive against each and every Farmer Party all rights under California Civil Code Section 1542, which provides as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH, IF KNOWN BY HIM, MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

The Crowe Family Parties also knowingly, voluntarily, intentionally and expressly waive any and all rights and benefits conferred by any law of any state or territory of the United States or any foreign country or principal of common law that is similar to Section 1542 of the California Civil Code.

D. Unknown Claims and Risks Released by Farmer Parties and the Company. It is understood by the Farmer Parties and the Company that there is a risk that after the execution of this Release, any of the Farmer Parties or the Company may incur or suffer losses, damages or injuries that are in some way caused by or related to the Disputed Farmer Claims, but that are unknown or unanticipated, for whatever reason, at the time of the execution of this release ("Unknown Farmer Injury Risk"). Further, it is understood by the Farmer Parties and the Company that there is a risk that loss or damage to the Farmer Parties or the Company presently known may be or become, for whatever reason, greater than the Farmer Parties or the Company now expect or anticipate ("Unknown Farmer Magnitude Risk"). The Farmer Parties and the Company understand, accept and assume both the Unknown Farmer Injury Risk and the Unknown Farmer Magnitude Risk and intend that the releases contained herein shall apply to all unknown and unanticipated results in any way arising from or relating to the Disputed Farmer Claims, as well as those known and anticipated, and, upon the advice of legal counsel, the Farmer Parties and the Company knowingly, voluntarily and intentionally and expressly waive against each and every Crowe Family Party all rights under California Civil Code Section 1542, which provides as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH, IF KNOWN BY HIM, MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

The Farmer Parties and the Company also knowingly, voluntarily, intentionally and expressly waive any and all rights and benefits conferred by any law of any state or territory of the United States or any foreign country or principal of common law that is similar to Section 1542 of the California Civil Code.

IV. COVENANT NOT TO SUE

A. General. Each Party agrees ("Covenant Not To Sue") that it will forever refrain and forbear from commencing, instituting or prosecuting any lawsuit, action or other proceeding, in law, equity, admiralty or otherwise, or from inducing others to do so against any other Party, in any way arising out of

or relating to any of the Disputed Crowe Family Claims or the Disputed Farmer Claims, including, but not limited to, an action claiming that this Release, or any portion thereof, was fraudulently induced.

B. Attorneys' Fees. The Parties agree further that in the event any Party breaches this Covenant Not to Sue, the breaching Party, or in the case of a breach by any of a Party's Related Entities, the party to whom the breaching Related Entity is related, shall pay any and all costs, expenses and attorneys' fees actually incurred by any nonbreaching Party and by any of such nonbreaching Party's Related Entities, in defending or otherwise responding to or participating in any such action or proceeding.

C. Injunctive Relief. The Parties acknowledge and agree that monetary damages alone are inadequate to compensate any Party for injury caused or threatened by a breach of this Covenant Not to Sue and that preliminary and permanent injunctive relief restraining and prohibiting the prosecution of any action or proceeding sought or instituted in violation hereof is a necessary and appropriate additional remedy in the event of such a breach. Nothing contained in this paragraph, however, shall be interpreted or construed to prohibit or in any way limit the right of any nonbreaching Party to obtain, in addition to injunctive relief, an awarded of monetary damages against any person or entity breaching this Covenant Not to Sue or this Release.

D. Exceptions. The following specific matters are excepted from this Release and the Covenant not to Sue:

1. Any claims of any Party resulting from a breach by any other Party of any representations or warranties contained in this Release, the Settlement Agreement, the Stock Purchase Agreement or any of the of the documents executed in connection with the foregoing; and

2. Any claims of any Party resulting from a breach or failure to perform by any other Party of any covenants contained in this Release, the Settlement Agreement, the Stock Purchase Agreement or any of the of the documents executed in connection with the foregoing.

Provided further, that this Release including, without limitation, the Covenant not to Sue shall be of no force or effect on any Party to the extent of any damages suffered by such Party (i) if the purchase and sale of shares of Company common stock effected pursuant to the Stock Purchase Agreement be hereinafter set aside in whole, or in material (five percent (5%) or greater) part, or (ii) if any Crowe Family Member, for any reason, shall be required to return to the Company, or pay to any third party, in either case after adjustment for any indemnity payments, in the aggregate more than one percent (1%) of the purchase price received by such Crowe Family Member (directly, or indirectly in trust) pursuant to the Stock Purchase Agreement.

V. ADDITIONAL COVENANTS

A. No Disparagement. Each Crowe Family Party agrees not to make any public or private statements, either orally or in writing, to any person (including, but not limited to, any employee or former employee of the Company) or any entity of any kind that are derogatory or disparaging of the personal, professional or business reputation of any of the Farmer Parties. Each Farmer Party agrees not to make any public or private statements, either orally or in writing, to any third party that are derogatory or disparaging of the personal, professional or business reputation of any Crowe Family Party.

B. No Interference. Each of the Crowe Family Parties agrees that for a period of 15 (fifteen) years it shall not take any of the following actions:

1. Acquire or propose to acquire, or agree to seek to acquire, directly or indirectly, any securities (or direct or indirect rights or options to acquire) any securities of the Company or any subsidiary thereof or of any successor to or person in control of the Company.

2. Enter into or agree, offer, propose to seek to enter into or otherwise be involved in or part of, directly or indirectly, any acquisition transaction or other business combination relating to all or part of the Company or any of its subsidiaries or any acquisition transaction for all or part of the assets of the Company or any of its businesses.

3. make, or in any way participate in, directly or indirectly, any "solicitation" of "proxies" (as such terms are used in the rules of the Securities and Exchange Commission) to vote, or seek to advise or influence any person or entity with respect to the voting of, any voting securities of the Company; become a "participant" in any "election contest" (as such terms are defined or used in the rules under the Securities and Exchange Act of 1934, as amended (the "Exchange Act")) with respect to the Company; seek to advise, encourage or influence any person or entity with respect to any voting securities of the Company; demand a copy of the Company's stock ledger, list of shareholders or other books and records; or call or attempt to call any meeting of the shareholders of the Company; or

4. form, join or in any way participate in a "group" (within the meaning of Section 13(d)(3) of the Exchange Act) with respect to any voting securities of the Company or any of its subsidiaries; or

5. seek or propose, alone or in concert with others, to influence or control the Company's management or policies; or

6. directly or indirectly enter into any discussions, negotiations, arrangements or understandings with any other person with respect to any of the foregoing activities or propose any of such activities to any other

person; or

7. advise, assist, encourage, act as a financing source for or otherwise invest in any other person in connection with any of the foregoing activities; or

8. disclose any intention, plan or arrangement inconsistent with any of the foregoing.

C. Non-Cooperation

1. The Parties further agree that they will not cooperate with any other person or entity in litigation or other proceedings against each other. Nothing herein, however, precludes the Parties from obeying lawful process. In the event a Party is served or otherwise provided with a subpoena and/or any other request for information and/or documents ("Request For Information") regarding or related to any of the other Parties hereto, the Party receiving such subpoena and/or Request For Information hereby agrees to provide notice immediately of such occurrence pursuant to the Notice provision contained in this Agreement. The Notice shall include a copy of the subpoena and/or Request For Information together with any other document(s) that accompanied such subpoena and/or Request For Information. The Party from whom the documents or information is sought shall use its best efforts to seek an extension of time to respond to the Request for Information, but shall not be required to obtain the requested extension. In the event the Party opposing the Request For Information files an appropriate motion for a protective order, the Party from whom the documents or information is sought shall not produce any such information or documents until a ruling has been made on the motion.

VI. REPRESENTATIONS AND WARRANTIES

A. Independent Legal Advice. Each of the Parties represents, warrants and agrees that it has received independent legal advice from its attorneys with respect to the advisability of executing this Release, the Settlement Agreement, the Stock Purchase Agreement and entering into the Transactions. Accordingly, any rule of law, or any legal decision, that would require interpretation of any claimed ambiguities in this Agreement against the Party that drafted it has no application and is expressly waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the intent of the Parties.

B. No Other Representation. Each of the Parties represents, warrants and agrees that in executing this Release, it has relied solely on the statements expressly set forth herein. Each of the Parties represents, warrants and agrees that, in executing this Release, it has placed no reliance whatsoever on any statement, representation or promise or any other Party, or any other person or entity, not expressly set forth herein, or upon the failure of any other Party or any other person or entity to make any statement, representation or disclosure or anything whatsoever. The Parties have included this clause: (1) to preclude any claim that any Party was in any way fraudulently induced to execute this Release; and (2) to preclude the introduction of parol evidence to vary, interpret, supplement or contradict the terms of this Release.

C. Factual Investigation. Each of the Parties represents, warrants and agrees that it has made such investigation of the facts pertaining to the Disputed Crowe Family Claims, the Disputed Farmer Claims and other matters contained in or relating to this Release as it deems necessary or desirable.

D. No Assignment. Each of the Parties represents and warrants that there has been no assignment to any person or entity whatsoever of claims released by that Party. Each Party, to the extent such Party breaches this representation and warranty, agrees to indemnify and hold harmless any nonbreaching Party to this Release from and against any and all claims, allegations, demands, liabilities, losses, obligations, promises, damages, costs, expenses (including, without limitation, attorneys' fees), lawsuits (in law, equity, admiralty or otherwise), causes of action, rights and privileges actually incurred as a result of such breach.

E. Authority. Each of the Parties represents, warrants and agrees that it has the full right and authority to enter into this Release, and that the person executing this Release on its behalf has the full right and authority to fully commit and bind such Party.

VII. GENERAL

A. No Admissions. Each of the Parties hereto expressly agrees and acknowledges that this Release represents a settlement of disputed claims and that, by entering into this Release, no Party hereto admits or acknowledges the existence of any claim or wrongdoing on its part.

B. Full Integration. This Release is the final written expression and the complete and exclusive statement of all of the agreements, conditions, promises, representations and covenants between the Parties with respect to the subject matter hereof, and supersedes all prior or contemporaneous agreements, negotiations, representations, understandings and discussions between and among the Parties, their respective representatives and any other person or entity, with respect to the subject matter covered hereby. Any amendment to this Release must be in writing, must specifically refer to this Release, and must be signed by duly authorized representatives of each of the Parties.

C. Gender. Whenever the context so requires, the masculine gender herein shall include the feminine or neuter, and the singular number shall include

the plural and vice versa.

D. Confidentiality. Except as required by applicable laws and regulations, court processes or obligations pursuant to a listing agreement with NASDAQ, the existence of this Release, the Settlement Agreement, the Stock Purchase Agreement and their respective terms and the Transactions are to be held in strict confidence by the Parties and shall not be discussed with or disclosed to any person or entity. In addition, the Parties may discuss the terms of this Release, the Settlement Agreement or the Stock Purchase Agreement and the Transactions where absolutely essential for accounting or tax purposes, and in such circumstance shall notify such other person of the confidentiality obligations under this Release prior to revealing any such information and the divulging party shall be liable for any breach of the confidentiality provisions by such other person.

E. Counterparts. This Release may be executed in any number of counterparts by the Parties, and when each Party has signed and delivered at least one (1) such counterpart to the other Party, each counterpart shall be deemed an original and, taken together, shall constitute one and the same Release that shall be binding and effective as to all the Parties.

F. California Law Governs. This Release shall be construed and enforced in accordance with, and governed by, the laws of the State of California.

G. Headings. The headings to the paragraphs of this Release are inserted for convenience only and will not be deemed a part hereof or affect the construction or interpretation of the provisions hereof.

H. Survival of Warranties. All representations, warranties and covenants contained in this Release shall survive its execution, effectiveness and delivery.

I. Notices. Unless otherwise provided herein, all notices, demands, requests, claims and other communications hereunder shall be in writing and may be given by any of the following methods: (a) personal delivery; (b) facsimile transmission; (c) registered or certified mail, postage prepaid, return receipt requested; or (d) internationally recognized overnight courier service. Such notices and communications shall be sent to the appropriate party at its address or facsimile number given below or at such other address or facsimile number for such as shall be specified by notice given hereunder (and shall be deemed given upon receipt by such party or upon actual delivery to the appropriate address, or, in case of a facsimile transmission, upon transmission thereof by the sender and issuance by the transmitting machine of a confirmation slip that the number of pages constituting the notice have been transmitted without error; in the case of notices sent by facsimile transmission, the sender shall contemporaneously mail a copy of the notice to the addressee at the address provided for above, provided however, that such mailing shall in no way alter the time at which the facsimile notice is deemed received):

If to the Company to:

Name: Farmer Bros. Co.
Address: 20333 South Normandie Avenue
Torrance, CA 90502

Attention: John Simmons

Fax No.: (310) 787-5376

with a copy (which shall not constitute notice) to:

Name: Joseph Giunta, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
Address: 300 S. Grand Avenue, Suite 3400
Los Angeles, CA 90071
Fax No.: (213) 687-5600

If to the Trusts, the Trustee or their Related Entities to:

Name: Roy F. Farmer
Address: 20333 South Normandie Avenue
Torrance, CA 90502

Attention: Roy E. Farmer

with a copy (which shall not constitute notice) to:

Name: Marshal Oldman, Esq.
Oldman Cooley et al LLP
Address: 16133 Ventura Blvd, PH#A
Encino, California 91436-2408
Fax No.: (818) 986-8080

If to the Crowe Family Parties or their Related Entities, to:

Name: Steven D. Crowe
Address: 106 South Canyon View Drive
Los Angeles, California 90049

with a copy (which shall not constitute notice) to:

Name: Robert S. Barry, Esq.
Address: Loeb & Loeb LLP
10100 Santa Monica Blvd., Suite 2200
Los Angeles, California 90067
Fax No.: (310) 282-2200

IN WITNESS WHEREOF, the Parties hereto have approved and executed

this Agreement as of December 24, 2003.

EXECUTED by the Parties as follows:

/s/ Catherine Crowe

Catherine Crowe

/s/ Steven D. Crowe

Steven D. Crowe

/s/ Janis Crowe

Janis Crowe

/s/ Roy F. Farmer

Roy F. Farmer, as Trustee of the
Trusts Listed on Schedule I

/s/ Roy F. Farmer

Roy F. Farmer, Individually

/s/ Roy E. Farmer

Roy E. Farmer

/s/ Carol Lynn Farmer-Waite

Carol Lynn Farmer-Waite

/s/ Jeanne Ann Farmer-Grossman

Jeanne Ann Farmer-Grossman

/s/ Richard F. Farmer

Richard F. Farmer

Farmer Bros. Co.

/s/ Roy E. Farmer
By: _____
Roy E. Farmer
Chief Executive Officer

Schedule I

List of Trusts

NAME OF TRUST/BENEFICIARYCHILDREN'S TRUST B,
October 24, 1957Beneficiaries: Crowe ChildrenELIZABETH H. FARMER TRUST,
December 21, 1964Beneficiary: Janis CroweELIZABETH H. FARMER TRUST,
December 21, 1964Beneficiary: Steven CroweELIZABETH H. FARMER TRUST,
August 4, 1969Beneficiary: Janis CroweELIZABETH H. FARMER TRUST,
August 4, 1969Beneficiary: Steven CroweELIZABETH H. FARMER TRUST,
August 4, 1969Beneficiary: Catherine CroweELIZABETH H. FARMER TRUST
May 3, 1972Beneficiary: Janis CroweELIZABETH FARMER TRUST
MAY 3, 1972Beneficiary: Catherine CroweELIZABETH FARMER TRUST
May 3, 1972, as succeeded by Declaration of Trust, dated March 12,
1995Beneficiary: Steven Crowe:

1 Any references to "Party" or "Parties" hereinafter shall also include
the Party's or Parties' Related Entities.

2 For purposes of this Release, the Related Entities of any party to this
Release ("Party") shall be defined as: the Party's successors, predecessors,
assignees, heirs, legatees, devisees, executors, administrators, legal
representatives; and any other representative, person or entity claiming by,
through or under, or acting on behalf of the Party.

STOCK PURCHASE AGREEMENT
 entered into
 December 24, 2003
 FARMER BROS. CO.,
 a California corporation
 Catherine Crowe,
 and
 Roy F. Farmer
 as trustee
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STOCK PURCHASE AGREEMENT

This STOCK PURCHASE AGREEMENT (this "Agreement") is entered into as of December 24, 2003, by and among Farmer Bros. Co., a California corporation (the "Company"), Catherine Crowe and Roy F. Farmer, as trustee ("Trustee") for the trusts listed on Schedule I (collectively, the "Trusts")

W I T N E S S E T H

WHEREAS, Catherine Crowe is the owner of 203,430 shares of the common stock of the Company ("Common Stock");

WHEREAS, the Trusts collectively own 240,415 shares of Common Stock that are held for the benefit of Catherine Crowe and her children: Steven Crowe and Janis Crowe and other members of the Crowe family (collectively, the Crowe Beneficiaries");

WHEREAS, certain of the Crowe Beneficiaries and Trustee are a party to litigation pending in the Superior Court for the State of California for the County of Los Angeles (the "Court"), entitled; in the Matter of the Roy E. Farmer I Children's Trust, Pursuant to Children's Trust Agreement, dated October 24, 1957, Case No. BP 079060 (the "Litigation");

WHEREAS, the parties to the Litigation have entered into that certain Settlement Agreement, dated as of December 23, 2003 (the "Settlement Agreement") pursuant to which such parties have agreed to settle the Litigation (the "Settlement") in accordance with the Settlement Agreement and such Settlement Agreement has been approved by the Court;

WHEREAS, pursuant to the terms of the Settlement Agreement, and as part of the Settlement, the Company has agreed to purchase all of the

shares of Common Stock owned by Catherine Crowe and owned by the Trusts for the benefit of the Crowe beneficiaries (collectively, the "Crowe Family Shares"), and Catherine Crowe and the Trustee, on behalf of the Trusts, have agreed to sell to the Company all the Crowe Family Shares, subject to the terms and conditions of this Agreement; and

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements set forth herein, intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

PURCHASE AND SALE OF SHARES

Section 1.1 Sale and Transfer of Shares.

(a) Catherine Crowe by the concurrent execution of one or more stock powers in the form of Exhibit A, and by delivery to the Company of all related stock certificates, hereby sells, conveys, assigns, transfers and delivers to the Company all the Crowe Family Shares owned by her, free and clear of any and all liens (including liens for taxes), charges, security interests, options, claims, mortgages, pledges, proxies, voting trusts or agreements, obligations, understandings or arrangements or other restrictions on title or transfer of any nature whatsoever (collectively, "Encumbrances").

(b) Subject to the terms and conditions of this Agreement, Trustee by the concurrent execution of one or more stock powers in the form of Exhibit B, in his capacity as Trustee of each Trust, and by delivery to the Company of all related stock certificates, hereby sells, conveys, assigns, transfers and delivers to the Company all the Crowe Family Shares owned by the Trusts, free and clear of all Encumbrances.

Section 1.2 Consideration; Allocation of Purchase Price.

In consideration of the aforesaid sale, conveyance, assignment, transfer and delivery to the Company of the Crowe Family Shares, concurrently with the execution and delivery of this Agreement and the aforementioned stock powers, and the delivery of the related stock certificates, the Company shall deliver to Catherine Crowe and the Trustee (on behalf of the Trusts), a total of \$110,961,042.95 (One Hundred Ten Million Nine Hundred Sixty-One Thousand Forty-Two Dollars and Ninety-Five Cents (the "Purchase Price")). The Purchase Price shall be allocated among Catherine Crowe and the Trusts as set forth in the Settlement Agreement and shall be delivered by wire transfer or bank transfer of immediately available funds in accordance with such allocation.

Section 1.3 Reimbursement of Expenses.

Concurrently with the wire transfer of the Purchase Price to Catherine Crowe and the Trustee (on behalf of the Trusts) pursuant to Section 1.2, the Company shall deliver by wire transfer of immediately available funds \$200,207.05 (Two Hundred Thousand Two Hundred Seven Dollars and Five Cents) to counsel to Catherine Crowe in accordance with the wire transfer instructions described on Schedule II for transaction costs related to this Agreement and the consummation of the purchase and sale of the Crowe Family Shares as contemplated hereunder.

Section 1.4 Proxy.

If the Company requests in writing, Catherine Crowe and the Trustee shall each execute a proxy card for the annual meeting of the Company's shareholders voting the Crowe Family Shares held by each of them, respectively, as directed by the Company.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF CATHERINE CROWE

Catherine Crowe represents and warrants to the Company that the statements contained in this Article II are true and correct.

Section 2.1 Power and Authority.

Catherine Crowe has full power and authority to execute and deliver this Agreement and to consummate the purchase and sale of the Crowe Family shares owned by her.

Section 2.2 Binding Agreement.

This Agreement has been duly executed and delivered by Catherine Crowe and, assuming the due and valid authorization, execution and delivery hereof by the Trustee and the Company, this Agreement is a valid and binding obligation of Catherine Crowe enforceable against her in accordance with its terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws of general application affecting enforcement of creditors' rights generally.

Section 2.3 Good Title Conveyed.

The stock certificates, stock powers, endorsements, assignments and other instruments concurrently executed and delivered by Catherine Crowe to the Company are valid and binding obligations of Catherine Crowe, enforceable in accordance with their respective terms, and will effectively vest in the Company good, valid and marketable title to the Crowe Family Shares to be transferred to the Company by Catherine Crowe pursuant to and as contemplated by this Agreement, free and clear of all Encumbrances.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE TRUSTEE

Roy F. Farmer, in his capacity as Trustee of the Trusts, represents and warrants to the Company that the statements contained in this Article III are true and correct.

Section 3.1 Power and Authority.

The Trustee has full power and authority to execute and deliver this Agreement on behalf of the Trusts and to consummate the purchase and sale of the Crowe Family Shares owned by the Trusts. No other action on the part of the Trustee or the Trusts is necessary to authorize the execution and delivery by the Trustee of this Agreement or the consummation of the purchase and sale of the Crowe Family Shares owned by the Trusts to the Company hereunder.

Section 3.2 Binding Agreement.

This Agreement has been duly executed and delivered by the Trustee on behalf of the Trusts and, assuming the due and valid authorization, execution and delivery hereof by Catherine Crowe and the Company, this Agreement is a valid and binding obligation of the Trustee enforceable against him in his capacity as Trustee in accordance with its terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws of general application affecting enforcement of creditors' rights generally.

Section 3.3 Good Title Conveyed.

The stock certificates, stock powers, endorsements, assignments and other instruments concurrently executed and delivered by the Trustee on behalf of the Trusts to the Company are valid and binding obligations of the Trustee, enforceable in accordance with their respective terms, and will effectively vest in the Company good, valid and marketable title to the Crowe Family Shares to be transferred to the Company by the Trustee on behalf of the Trusts pursuant to and as contemplated by this Agreement, free and clear of all Encumbrances.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to Catherine Crowe and the Trustee that the statements contained in this Article IV are true and correct.

Section 4.1 Organization.

The Company is a corporation duly incorporated, validly existing and in good standing under the laws of State of California.

Section 4.2 Authorization; Validity of Agreement; Necessary Action.

The Company has full power and authority to execute and deliver this Agreement and to consummate the purchase and sale of the Crowe Family Shares contemplated hereunder. The execution, delivery and performance by the Company of this Agreement and the consummation of the purchase and sale of the Crowe Family Shares contemplated hereunder have been duly authorized by the board of directors of the Company and no other corporate action on the part of the Company is necessary to authorize the execution and delivery by the Company of this Agreement or the purchase and sale of the Crowe Family Shares contemplated hereunder. This Agreement has been duly executed and delivered by the Company and, assuming due and valid authorization, execution and delivery hereof by Catherine Crowe and the Trustee, this Agreement is a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws of general application affecting enforcement of creditors' rights generally.

Section 4.3 Consents and Approvals; No Violations.

None of the execution, delivery or performance of this Agreement by the Company, the consummation by the Company of the purchase and sale of the Crowe Family Shares contemplated hereunder or compliance by the Company with any of the provisions hereof will (i) conflict with or result in any breach of any provision of the articles of incorporation, bylaws or other organizational documents of the Company, (ii) require any filing with, or permit, authorization, consent or approval of, any governmental entity, (iii) require any consent, approval or notice under, or result in a violation or breach of, or constitute (with or without due notice or the passage of time or both) a default (or give rise to any right of termination, amendment, cancellation or acceleration) under, any of the terms, conditions or provisions of any agreement to which the Company is a party or by which its assets or properties are bound, or (iv) violate any order, writ, injunction, decree, statute, rule or regulation applicable to the Company or any of its assets or properties, including, without limitation, Sections 500 and 501 of the California Corporations Code and all applicable federal and state securities laws..

ARTICLE V

INDEMNIFICATION

Section 5.1 Indemnification Obligations of the Company.

The Company shall indemnify, defend and hold harmless Catherine Crowe and the other Crowe Beneficiaries, the Trustee (in his capacity as such) and the Trusts, and all their respective successors, assigns and attorneys (collectively, the "Indemnified Persons") from and against and in respect of any and all actual losses, liabilities, damages, judgments, settlements and expenses (including interest and penalties

recovered by a third party with respect thereto and reasonable attorneys' fees and expenses and reasonable accountants' fees and expenses incurred in the investigation, negotiation or defense of any of the same, whether or not suit is brought, or in asserting, preserving or enforcing any of the rights of the Indemnified Persons arising under Article V) (collectively, "Damages") incurred by any of the Indemnified Persons that arise out of or relate to the purchase and sale of the Crowe Family Shares pursuant to this Agreement, the Settlement Agreement or any of the transactions contemplated by the Settlement Agreement. If such indemnification is for any reason not available or insufficient to hold an Indemnified Person harmless, the Company agrees to contribute to the Damages involved in such proportion as is appropriate to reflect the relative benefits received (or anticipated to be received) by the Company, on the one hand, and by the Indemnified Person, on the other hand, with respect to the purchase and sale of the Crowe Family Shares contemplated hereunder or, if such allocation is determined by a court or arbitral tribunal to be unavailable, in such proportion as is appropriate to reflect other equitable considerations such as the relative fault of the Company on the one hand and of the Indemnified Person on the other hand. For purposes of determining such relative benefits, the parties agree that the Company derived substantial benefit by the purchase of the Crowe Family Shares at a price per share significantly below the last trading price for shares of Company common stock. Notwithstanding the foregoing, the Company shall not be liable to indemnify any Indemnified Person for (x) any Damages resulting from any breach of a representation, warranty or covenant of such Indemnified Person contained in this Agreement, the Settlement Agreement or any other agreement executed in connection with the Settlement, (y) any violation of law by an Indemnified Person, except where such violation of law results from a breach by the Company of any of its representations or warranties or (z) any taxes, charges, fees, duties, levies, penalties or other assessments imposed by any federal, state, local or foreign governmental authority and any interest, penalties or additions attributable thereto or attributable to any failure to comply with any requirement regarding tax returns.

Section 5.2 Notice of Third Party Claims; Defense.

An Indemnified Person under this Article V shall give the Company prompt notice of any third party claim that may give rise to any indemnification obligation under this Article V, together with the estimated amount of such claim, and the Company shall have the right to assume the defense (at the Company's expense) of any such claim through counsel selected by the Company, subject to the approval of the Indemnified Person, which shall not be unreasonably withheld (and in this regard Skadden, Arps, Slate, Meagher & Flom LLP is hereby approved by the Indemnified Persons) by so notifying such Indemnified Person within 30 days of the first receipt by the Company of such notice from such Indemnified Person. Failure to give such notice shall not affect the indemnification obligations hereunder in the absence of actual and material prejudice. If, under applicable standards of professional conduct, a conflict with respect to any significant issue between any Indemnified Person and the Company exists in respect of such third party claim, the Company shall pay the reasonable fees and expenses of one additional counsel to represent the Catherine Crowe and the other Crowe Family Beneficiaries, and one additional counsel to represent the Trustee and members of the Farmer family, as may be required to be retained in order to eliminate such conflict, and upon request of the Indemnified Person, shall advance such expenses. The Company shall be liable for the fees and expenses of counsel employed by the Indemnified Person for any period during which the Company has not assumed the defense of any such third party claim (other than during any period in which the Indemnified Person will have failed to give notice of the third party claim as provided above). If the Company assumes such defense, the Indemnified Person shall have the right to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by the Company, it being understood that the Company shall control such defense. If the Company chooses to defend any third party claim, the Indemnified Person shall cooperate in the defense thereof. If the Company chooses to defend any third party claim, the Indemnified Person shall agree to any settlement, compromise or discharge of such third party claim that the Company may recommend and that by its terms discharges the Indemnified Person from the full amount of liability in connection with such third party claim, and the Indemnified Person shall not be required to agree to the entry of any judgment or enter into any settlement that (i) provides for injunctive or other non-monetary relief affecting the Indemnified Person or (ii) does not include as an unconditional term thereof, the giving of a release from all liability with respect to such claim by each claimant or plaintiff to each Indemnified Person that is the subject of such third party claim. The Indemnified Person shall not enter into any settlement of a third party claim for which the Company is liable for indemnification without the written consent of the Company, which consent shall not be unreasonably withheld.

Section 5.3 Survival.

The indemnification and contribution obligations of the parties set forth in this Article V and the covenants, representations and warranties of the parties contained in this Agreement or in any schedule,

instrument or other document delivered pursuant to this Agreement shall survive the consummation by the Company of the purchase and sale of the Crowe Family Shares contemplated hereunder.

Section 5.4 Subrogation.

The Company shall be subrogated to the Indemnified Person's rights of recovery to the extent of any losses satisfied by the Company. Catherine Crowe and the Trustee, as applicable, shall execute and deliver such instruments and papers as are requested to assign such rights and assist in the exercise thereof.

Section 5.5 Tax Effect of Indemnification Payments.

All indemnity payments made by the Company to the Indemnified Persons pursuant to this Agreement shall be treated for all tax purposes as adjustments to the consideration paid with respect to the Crowe Family Shares.

Section 5.6 Remedies Cumulative.

Subject to the limitations and qualifications set forth in this Article V, the remedies provided herein shall be cumulative and shall not preclude the assertion by the parties hereto of any other rights or the seeking of any other remedies, whether at law or in equity, against the other parties, or their respective successors or assigns.

ARTICLE VI

MISCELLANEOUS

Section 6.1 Fees and Expenses.

Except for the reimbursement of expenses described in Section 1.3, all costs and expenses incurred in connection with this Agreement and the consummation of the purchase and sale of the Crowe Family Shares contemplated hereunder shall be paid by the party incurring such expenses, except that all transfer taxes, if any, shall be borne and paid by Catherine Crowe and the Trustee (in his capacity as such).

Section 6.2 Amendment and Modification.

This Agreement may be amended, modified and supplemented in any and all respects, but only by a written instrument signed by all of the parties hereto expressly stating that such instrument is intended to amend, modify or supplement this Agreement.

Section 6.3 Notices.

Unless otherwise provided herein, all notices, demands, requests, claims and other communications hereunder shall be in writing and may be given by any of the following methods: (a) personal delivery; (b) facsimile transmission; (c) registered or certified mail, postage prepaid, return receipt requested; or (d) internationally recognized overnight courier service. Such notices and communications shall be sent to the appropriate party at its address or facsimile number given below or at such other address or facsimile number for such as shall be specified by notice given hereunder (and shall be deemed given upon receipt by such party or upon actual delivery to the appropriate address, or, in case of a facsimile transmission, upon transmission thereof by the sender and issuance by the transmitting machine of a confirmation slip that the number of pages constituting the notice have been transmitted without error; in the case of notices sent by facsimile transmission, the sender shall contemporaneously mail a copy of the notice to the addressee at the address provided for above, provided however, that such mailing shall in no way alter the time at which the facsimile notice is deemed received):

if to Catherine Crowe, to:

Name: Catherine Crowe
Address: 7821 Stewart Avenue
Los Angeles, California 90045

with a copy (which shall not constitute notice) to:

Name: Robert S. Barry, Esq.
Address: Loeb & Loeb LLP
10100 Santa Monica Blvd., Suite 2200
Los Angeles, California 90067
Fax No.: 310-282-2200

if to the Trustee, to:

Name: Roy F. Farmer, Trustee
Address: 5915 South Holt Avenue
Los Angeles, California 90056

with a copy (which shall not constitute notice) to:

Name: Marshal Oldman, Esq.
Oldman Cooley et al LLP
Address: 16133 Ventura Blvd, PH#A
Encino, California 91436-2408
Fax No.: (818) 986-8080

if to the Company, to:

Name: Farmer Bros. Co.
Address: 20333 South Normandie Avenue
Torrance, California 90502

Attention: John Simmons
Fax No.: (310) 787-5376

with a copy (which shall not constitute notice) to:

Name: Joseph Giunta, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
Address: 300 S. Grand Avenue, Suite 3400
Los Angeles, California 90071
Fax No.: (213) 687-5600

Section 6.4 Counterparts.

This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when two or more counterparts have been signed by each of the parties and delivered to the other parties.

Section 6.5 Entire Agreement; Assignment.

This Agreement (including the Exhibits and Schedules attached hereto) together with the Settlement Agreement and the other agreements contemplated by the Settlement Agreement constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof.

This Agreement shall not be assigned by any party, except that the Company may assign its rights hereunder to an affiliate, provided that no such assignment by the Company shall relieve the Company of any of its obligations hereunder.

Section 6.6 Severability.

Any term or provision of this Agreement that is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If the final judgment of a court of competent jurisdiction or other authority declares that any term or provision hereof is invalid, void or unenforceable, the parties agree that the court making such determination shall have the power to reduce the scope, duration, area or applicability of the term or provision, to delete specific words or phrases, or to replace any invalid, void or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision.

Section 6.7 Governing Law.

THIS AGREEMENT SHALL BE INTERPRETED, CONSTRUED AND GOVERNED BY AND IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement or caused this Agreement to be executed by their respective officers thereunto duly authorized as of the date first written above.

/s/ Catherine Crowe

Catherine Crowe

/s/ Roy F. Farmer

, in his capacity as Trustee of each of the trusts listed on Schedule I hereto

FARMER BROS. CO.

/s/ Roy E. Farmer

By:

Roy E. Farmer
Chief Executive Officer

EXHIBIT A

STOCK POWER

FOR VALUE RECEIVED, the undersigned does hereby sell, assign and transfer to _____
203,430 shares of Common Stock of FARMER BROS. CO., a California corporation, represented by certificate number(s) _____ standing in the name of the undersigned on the books of said corporation. The undersigned does hereby irrevocably constitute and appoint _____ attorney to transfer the shares of said corporation, with full power of substitution in the premises.

Dated: December____, 2003.

EXHIBIT B

FOR VALUE RECEIVED, the undersigned does hereby sell, assign and transfer to _____ shares of Common Stock of FARMER BROS. CO., a California corporation, represented by certificate number(s) _____ standing in the name of the undersigned on the books of said corporation. The undersigned does hereby irrevocably constitute and appoint _____ attorney to transfer the shares of said corporation, with full power of substitution in the premises.

Dated: December____, 2003.

Roy F. Farmer, in his
capacity as Trustee of

SCHEDULE I

NAME OF TRUST/BENEFICIARY TRUSTEE TAX ID NO.	NUMBER OF SHARES
CHILDREN'S TRUST B, October 24, 1957	Roy F. Farmer 146,365
Beneficiaries: Crowe Children	
ELIZABETH H. FARMER TRUST, December 21, 1964	Roy F. Farmer 32,175 Beneficiary: Janis Crowe
ELIZABETH H. FARMER TRUST, December 21, 1964	Roy F. Farmer 32,175 Beneficiary: Steven Crowe
ELIZABETH H. FARMER TRUST, August 4, 1969	Roy F. Farmer 7500 Beneficiary: Janis Crowe
ELIZABETH H. FARMER TRUST, August 4, 1969	Roy F. Farmer 7500 Beneficiary: Steven Crowe
ELIZABETH H. FARMER TRUST, August 4, 1969	Roy F. Farmer 7500 Beneficiary: Catherine Crowe
ELIZABETH H. FARMER TRUST May 3, 1972	Roy F. Farmer 2400 Beneficiary: Janis Crowe
ELIZABETH FARMER TRUST MAY 3, 1972	Roy F. Farmer 2400 Beneficiary: Catherine Crowe
ELIZABETH FARMER TRUST May 3, 1972, as succeeded by Declaration of Trust, dated March 12, 1995	Roy F. Farmer 2400 Beneficiary: Steven Crowe:
TOTAL	240,415

SCHEDULE II

Wire Transfer Instructions:
City National Bank
606 South Olive
Los Angeles, CA 90014
ABA# 122016066
Beneficiary: Loeb & Loeb LLP General Account
Acct#XXX-XXXXX2

STOCK PURCHASE AGREEMENT

BY AND AMONG

THE FARMER BROS. CO. EMPLOYEE STOCK OWNERSHIP TRUST

AND

WELLS FARGO BANK, N.A.
as TRUSTEE

DATED JANUARY 9, 2004

STOCK PURCHASE AGREEMENT

This STOCK PURCHASE AGREEMENT (this "Agreement") is made and entered into as of the 9th day of January, 2004, by and among the Farmer Bros. Co. Employee Stock Ownership Trust, an exempt trust (the "Purchaser") and Farmer Bros. Co., a California corporation (the "Company" or the "Seller").

W I T N E S S E T H:

WHEREAS, the Purchaser is a trust exempt under section 501 of the Internal Revenue Code of 1986, as amended ("Code") which is part of the Farmer Bros. Co. Employee Stock Ownership Plan ("Plan") which is a plan qualified under sections 401(a) and 4975 of the Code;

WHEREAS, the Seller intends to issue 124,939 shares of the authorized common stock of the Company (the "Shares"); and

WHEREAS, the Seller desires to sell the Shares for cash and the Purchaser desires to purchase the Shares from the Seller (the "Acquisition").

NOW, THEREFORE, for and in consideration of the foregoing and of the mutual representations, warranties, covenants and agreements contained in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and subject to the conditions set forth below, the parties, intending to be legally bound, undertake, promise, covenant and agree with each other as follows:

ARTICLE I.
PURCHASE AND SALE OF THE SHARES

SECTION 1.01 Acquisition of the Shares.

On the terms and subject to the conditions contained in this Agreement, the Purchaser hereby agrees to purchase the Shares from the Seller and the Seller hereby agrees to sell, convey, transfer and assign the Shares to the Purchaser, free and clear of all liens, security interests, pledges, encumbrances, adverse claims and demands of every kind, character and description whatsoever.

SECTION 1.02 Purchase Price.

The purchase price (the "Purchase Price") and full consideration that the Seller shall receive for the Shares shall be an aggregate amount of \$31,234,750 or exactly \$250 per share. The Purchase Price shall be payable in cash at the Closing (as defined below).

SECTION 1.03 Closing and Closing Date.

The sale of the Shares to the Purchaser provided for in this Agreement shall be consummated at a closing to be held at a place mutually agreed upon by the Seller and the Purchaser, on January 9, 2004. The date and event of the sale and purchase of the Shares are hereinafter referred as the "Closing Date" and the "Closing," respectively.

SECTION 1.04 Actions to be Taken at the Closing by the Seller.

At the Closing, the Seller shall execute and acknowledge (where appropriate) and deliver to the Purchaser such documents and certificates

necessary to carry out the terms and provisions of this Agreement, including the following (all of such actions constituting conditions precedent to the Purchaser's obligations to close hereunder):

(i) Certificates evidencing and representing the Shares will be newly issued by instruction to the Company's transfer agent, Wells Fargo Shareholder Services of Minneapolis. The Shares shall be delivered to the Purchaser free and clear of any and all liens, pledges, security interests, encumbrances, buy-sell agreements, preemptive rights and adverse claims of every kind and character.

(ii) If the closing date is not the date hereof, a certificate, dated as of the Closing Date, executed by the Seller, pursuant to which the Seller shall certify that the representations and warranties made in Article IV of this Agreement are true and correct on and as of the Closing Date as if made on such date.

(iii) All other documents required to be delivered to the Purchaser by the Seller under the provisions of this Agreement, and all other documents, certificates and instruments necessary or required to accomplish the transaction described in this Agreement as are reasonably requested by the Purchaser.

SECTION 1.05 Actions to be Taken at the Closing by the Purchaser.

At the Closing, the Purchaser shall deliver to the Seller such documents and certificates necessary to carry out the terms and provisions of this Agreement, including the following (all of such actions constituting conditions precedent to the Seller's obligations to close hereunder):

(i) The Purchase Price for the Shares being purchased by the Purchaser from the Seller by one or more wire transfers or by one or more certified checks.

(ii) If the closing date is not the date hereof, a certificate, dated as of the Closing Date, executed by an authorized officer of the Purchaser, pursuant to which such officer shall certify that the representations and warranties made in Article V of this Agreement are true and correct on and as of the Closing Date as if made on such date.

(iii) All other documents, certificates and instruments necessary or required to accomplish the transaction described in this Agreement as are reasonably requested by the Seller.

SECTION 1.06 Further Assurances.

At any time and from time to time after the Closing, at the request of any party to this Agreement and without further consideration, any party so requested will execute and deliver such other instruments and take such other action as the requesting party may reasonably deem necessary or desirable in order to effectuate the transactions contemplated hereby.

ARTICLE II.

CONDITIONS PRECEDENT TO PURCHASER'S OBLIGATIONS

All obligations of the Purchaser under this Agreement are subject to the fulfillment, prior to or at the Closing, of each of the following conditions, any or all of which may be waived in whole or in part by the Purchaser.

SECTION 2.01 Compliance with Representations, Warranties and Agreements.

All representations and warranties made by the Seller in Article IV of this Agreement shall have been true and correct when made and shall be true and correct as of the Closing with the same force and effect as if such representations and warranties were made at and as of the Closing. The Seller and the Company shall have performed or complied in all material respects with all agreements, terms, covenants and conditions required by this Agreement to be performed or complied with by the Seller or by the Company prior to or at the Closing.

SECTION 2.02 Proceedings and Documents.

All actions, proceedings, instruments and documents required to effectuate this Agreement or incidental hereto shall be satisfactory in substance and form to the Purchaser, and the Purchaser shall have received all such counterpart originals or certified or other copies of such documents as it may reasonably request.

SECTION 2.03 Appraisal.

The Purchaser shall have received an appraisal from Valuemetrics Advisors, Inc. ("Valuemetrics") that the terms of the Acquisition are fair from a financial point of view to the Purchaser and that Purchaser is paying no more than adequate consideration for the Shares as that term is defined under section 408 of the Employee Retirement Income Security Act of 1974, as

amended ("ERISA") and the regulations thereunder.

SECTION 2.04 Availability of Financing.

The Purchaser shall have been successful in obtaining a loan from the Company to provide the necessary funds to finance the Purchase Price.

SECTION 2.05 No Litigation.

No action shall have been taken, and no statute, rule, regulation or order shall have been promulgated, enacted, entered, enforced or deemed applicable to this Agreement or the transactions contemplated hereby by any governmental authority or by any court, including the entry of a preliminary or permanent injunction, that would (i) make this Agreement or the transactions contemplated hereby illegal, invalid or unenforceable, (ii) make this Agreement or the transactions contemplated hereby a prohibited transaction under section 4975 of the Code or Section 406 of ERISA, (iii) impose material limits on the ability of any party to this Agreement to consummate the Agreement or the transactions contemplated hereby, or (iv) if this Agreement or the transactions contemplated hereby are consummated, subject the Purchaser or its Purchaser to criminal or civil liability. No action or proceeding before any court or governmental authority shall be threatened, instituted or pending that would reasonably be expected to result in any of the consequences referred to in clauses (i) through (iv) above.

ARTICLE III.

CONDITIONS PRECEDENT TO SELLER'S OBLIGATIONS

All obligations of the Seller under this Agreement are subject to the fulfillment, prior to or at the Closing, of each of the following conditions, any or all of which may be waived in whole or in part by the Seller:

SECTION 3.01 Compliance with Representations, Warranties and Agreements.

All representations and warranties made by the Purchaser in Article V of this Agreement shall have been true and correct when made and shall be true and correct as of the Closing with the same force and effect as if such representations and warranties were made at and as of the Closing. The Purchaser shall have performed or complied in all material respects with all agreements, terms, covenants and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing.

SECTION 3.02 Proceedings and Documents.

All actions, proceedings, instruments and documents required to effectuate this Agreement or incidental hereto shall be satisfactory in substance and form to the Seller, and the Seller shall have received all such counterpart originals or certified or other copies of such documents as they may reasonably request.

SECTION 3.03 Litigation.

No action shall have been taken, and no statute, rule, regulation or order shall have been promulgated, enacted, entered, enforced or deemed applicable to this Agreement or the transactions contemplated hereby by any governmental authority or by any court, including the entry of a preliminary or permanent injunction, that would (i) make this Agreement or the transactions contemplated hereby illegal, invalid or unenforceable, (ii) impose material limits on the ability of any party to this Agreement to consummate the Agreement or the transactions contemplated hereby, (iii) make this Agreement or the transactions contemplated hereby a prohibited transaction under section 4975 of the Code or Section 406 of ERISA, or (iv) if this Agreement or the transactions contemplated hereby are consummated, subject any Seller to criminal or civil liability. No action or proceeding before any court or governmental authority shall be threatened, instituted or pending that would reasonably be expected to result in any of the consequences referred to in clauses (i) through (iv) above.

ARTICLE IV.

REPRESENTATIONS AND WARRANTIES OF THE SELLER

The Seller hereby makes the following representations and warranties to the Purchaser as of the date of this Agreement and as of the Closing Date.

SECTION 4.01 Disclosure Schedule.

The statements contained in this Article IV are correct and complete, except as set forth in any disclosure schedule delivered by the Company to the Purchaser on the date hereof and initialed by the parties (the "Disclosure Schedule"). Nothing in the Disclosure Schedule shall be deemed adequate to disclose an exception to a representation or warranty made herein, however, unless the Disclosure Schedule identifies the exception with reasonable particularity and describes the relevant facts in reasonable detail. Without limiting the generality of the foregoing, the mere listing (or inclusion of a copy) of a document or other item shall not be deemed

adequate to disclose an exception to a representation or warranty made herein (unless the representation or warranty has to do with the existence of the document or other item itself). The Disclosure Schedule will be arranged in paragraphs corresponding to the lettered and numbered paragraphs contained in this Article IV.

SECTION 4.02 Corporate Organization; Articles; By-Laws; Minutes.

(i) The Company is a corporation duly organized, validly existing, and in good standing under the laws of the State of California. The Company is duly authorized to conduct business and is in good standing under the laws of each jurisdiction where such qualification is required; (ii) the Company has full corporate power and authority and all licenses, permits, and authorizations necessary to carry on the businesses in which it is engaged and to own and use the properties owned and used by it; (iii) the articles of incorporation, as amended, shall not limit the ownership of the capital stock of the Company to a specified number of Seller and the Company will not be a "close corporation" as defined in section 158 of the California Corporations Act, as amended; (iv) the minute books contain the records of all meetings of the board of directors, and accurately reflect corporate actions of its board of directors required by law to be passed by them; (v) the stock certificate books, and the stock record books of the Company are correct and complete; and (vi) the Company is not in default under or in violation of any provision of its articles of incorporation or bylaws.

SECTION 4.03 Capitalization; Issuance of the Shares. Following the issuance of the Company Shares

(i) The entire issued and outstanding capital stock of the Company consists of one million six hundred seven thousand five hundred eight (1,607,508) shares of common stock; (ii) there will be no outstanding or authorized options, warrants, purchase rights, subscription rights, conversion rights, exchange rights, or other contracts or commitments that could require the Company to issue, sell, or otherwise cause to become outstanding any of its capital stock; (iii) there will be no outstanding or authorized stock appreciation, phantom stock, profit participation, or similar rights with respect to the Company; and (iv) there will be no voting trusts, proxies, or other agreements or understandings with respect to the voting of the capital stock of the Company; (v) the Shares, when delivered to the Trustee will be duly authorized, validly issued, fully paid and nonassessable, and none of them will be issued in violation of any statutory preemptive or other similar right or will be subject to any put, call or other option or any buy-sell agreement.

SECTION 4.04 Legal Capacity.

The Company has the legal capacity to enter into this Agreement and all of the related documents.

SECTION 4.05 The Plan.

(i) The Plan has been duly and properly adopted, authorized and established by all necessary corporate actions on the part of the Company; and (ii) the Plan requires that the Company will make contributions to the Trust in an amount sufficient to fully pay the excess of the loan from the Company to the Trust (the "Loan Agreement") pursuant to the Loan Agreement between the Company and the Purchaser over any income of the Trust properly allocable to payment of the Loan Agreement pursuant to the terms of the Loan Agreement documents and the Plan.

SECTION 4.06 Authority and Enforceability.

The execution, delivery, and performance of this Agreement, and the consummation of the transactions contemplated hereby, have been duly authorized by the Company, and this Agreement constitutes a legal, valid, and binding obligation in accordance with its terms, except as limited by applicable bankruptcy, insolvency, or other similar laws relating to creditors' rights generally, now or hereafter in effect, in general principles of equity;

SECTION 4.07 No Default Effectuated.

(i) Neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will (A) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency, or court to which the Company is subject or any provision of the charter or bylaws of the Company or (B) conflict with, or result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument, or other arrangement to which the Company is a party or by which it is bound or to which any of its assets is subject (or result in the imposition of any security interest upon any of its assets); and (ii) the Company is not required to give notice to, make any filing with, or obtain any authorization, consent, or approval of any government or governmental agency in order for the parties to consummate the transactions contemplated by this Agreement, which has not previously been given or obtained.

SECTION 4.08 Title to Assets.

The Company has good and indefeasible title to, or a valid leasehold interest in, the properties and assets used by it, located on its premises, or shown on its most recent balance sheet or acquired after the date thereof, except for properties and assets disposed of in the ordinary course of

business since the date of the most recent balance sheet.

SECTION 4.09 Financial Statements.

The financial statements provided by the Company to Purchaser's independent appraiser (including notes thereto) have been prepared in accordance with generally accepted accounting principles (except as modified for Federal Income Tax Accounting purposes) applied on a consistent basis, and present fairly the financial position of the Company as of such dates and the results of operations of the Company for such periods, are correct and complete, contain no untrue statements of material fact, do not omit any material fact necessary to make such financial statements not misleading, and are consistent with the books and records of the Company (which books and records are correct and complete); provided, however, that the most recent financial statements are subject to normal year-end adjustments (which will not be material individually or in the aggregate) and may lack footnotes and other presentation items.

SECTION 4.10 No Material Adverse Effect.

(i) Since the most recent fiscal year end of the Company, there has not been, and as of the Closing Date there will have been no, material adverse change in the business, financial condition, operations, results of operations, or future prospects of the Company.

(ii) Since the date of the last balance sheet and financial statement described in Section 4.09 of this Agreement, there has not been any material adverse changes in the financial condition, liabilities, assets, business or prospects of the Company, and there has not been any event or condition of any character that has or might reasonably have a material and adverse effect on the financial condition, business, assets, liabilities, or prospects of the Company.

SECTION 4.11 Liabilities.

To the best knowledge of each Seller and of the Company, (i) the Company does not have any debt, liability, or obligation of any nature, whether accrued, absolute, contingent, or otherwise, and whether due or to become due, that is not reflected or reserved against in the Company's last balance sheet described in Section 4.09 of this Agreement except for ordinary trade obligations that may have been incurred after the date of such balance sheet in the normal course of business and determined by the Company not to be included in the balance sheet, and all debts, liabilities, and obligations incurred after the date of such balance sheet were incurred in the ordinary course of business and are usual and normal in amount, both individually, and in the aggregate; and

(ii) Except as set forth in the financial statements described in Section 4.09 of this Agreement, to the best knowledge of each Seller and of the Company, the Company has no liabilities or obligations of any nature, whether absolute, accrued, contingent or otherwise and whether due or to become due, other than non-material liabilities incurred in the ordinary course of business. To the best knowledge of each Seller and of the Company, there is no basis for the assertion against the Company of any liability of any nature or in any amount which is not fully reflected or reserved against in said financial statements or described in a schedule attached hereto;

SECTION 4.12 Compliance with Laws.

To the best knowledge of each Seller and of the Company, the Company, and its predecessors, have complied with all applicable law (including rules, regulations, codes, plans, injunctions, judgments, orders, decrees, rulings, and changes thereunder) of Federal, state, local, and foreign governments (and all agencies thereof), and no action, suit, proceeding, hearing, investigation, charge, complaint, claim, demand, or notice has been filed or commenced against the Company alleging any failure so to comply;

ARTICLE V.

REPRESENTATIONS AND WARRANTIES OF PURCHASER

The Purchaser hereby makes the following representations and warranties to the Seller and the Company as of the date of this Agreement and as of the Closing Date.

SECTION 5.01 Authority and Enforceability.

Purchaser has full legal capacity and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby. This Agreement constitutes the legal, valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws and judicial decisions affecting the rights of creditors generally and by general principles of equity (whether applied in a proceeding at law or in equity).

SECTION 5.02 No Breach of Contract.

Neither the execution, delivery or performance of this Agreement, nor the consummation of the transactions contemplated hereby, nor the fulfillment of the terms thereof, will conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under any material agreement, indenture, instrument, lien, charge, encumbrance or undertaking to

which Purchaser is a party or by which any of the properties of Purchaser may be bound or affected.

SECTION 5.03 No Consents Necessary.

No consent, approval or order is required for the execution, delivery and performance by Purchaser of this Agreement.

SECTION 5.04 Purchase for Investment.

The Shares will be acquired by Purchaser for investment and not with a view to, or for sale in connection with, any distribution thereof.

ARTICLE VI.

OBLIGATIONS AND COVENANTS OF THE PURCHASER

SECTION 6.01 Confidentiality.

The Purchaser shall hold in confidence all information furnished to the Purchaser by the Seller, except as disclosure may be necessary to obtain any governmental or regulatory approvals of the transactions described in this Agreement. In the event this Agreement is terminated, any and all copies of the books and records of the Seller in the possession of the Purchaser, or which is in the possession of another party from whom the Purchaser can reasonably retrieve the information, shall be returned to Seller.

SECTION 6.02 Litigation and Claims.

The Purchaser shall promptly notify the Seller in writing of any legal action, suit or proceeding or judicial administrative or governmental investigation, pending or threatened against the Purchaser that questions or might question the validity of this Agreement or any actions taken or to be taken by the Purchaser pursuant hereto or thereto or seeks to enjoin or otherwise restrain the transactions contemplated hereby.

ARTICLE VII.

TERMINATION AND ABANDONMENT

SECTION 7.01 Right of Termination.

This Agreement and the transactions contemplated hereby may be terminated and abandoned at any time prior to or at the Closing as follows, and in no other manner:

(i) By the mutual consent of the Purchaser and the Seller.

(ii) By either the Purchaser or the Seller if any court of competent jurisdiction or other governmental body shall have issued an order, decree or ruling or taken any other action restraining, enjoining, invalidating or otherwise prohibiting the Agreement or the transactions contemplated hereby and such order, decree, ruling or other action shall have become final and nonappealable.

(iii) By the Purchaser if the Seller shall fail to comply in any material respect with any of its covenants or agreements contained in this Agreement or in any other agreement contemplated hereby and such failure shall not have been cured within a period of thirty (30) calendar days after notice from the Purchaser, or if any of the representations or warranties of the Seller contained herein or therein shall be inaccurate in any material respect.

(iv) By the Seller if the Purchaser shall fail to comply in any material respect with any of its covenants or agreements contained in this Agreement or in any other agreement contemplated hereby and such failure shall not have been cured within a period of thirty (30) calendar days after notice from the Seller, or if any of the representations or warranties of the Purchaser contained herein or therein shall be inaccurate in any material respect.

SECTION 7.02 Notice of Termination.

The power of termination provided for by Section 7.01 of this Agreement may be exercised only by a notice given in writing, as provided in Section 8.01 of this Agreement.

SECTION 7.03 Effect of Termination.

Without limiting any other relief to which either party hereto may be entitled for breach of this Agreement, in the event of the termination and abandonment of this Agreement pursuant to the provisions of Section 7.01 hereof, no party to this Agreement shall have any further liability or obligation in respect of this Agreement.

ARTICLE VIII.

MISCELLANEOUS

SECTION 8.01 Notices.

Any and all payments (other than payments at the Closing), notices, requests, instructions and other communications required or permitted to be given under this Agreement after the date hereof by any party hereto to any other party may be delivered personally or by nationally recognized overnight courier service or sent by mail or (except in the case of payments) by telex or facsimile transmission, at the respective addresses or transmission numbers set forth below and shall be effective (i) in the case of personal delivery, telex or facsimile transmission, when received; (ii) in the case of mail, upon the earlier of actual receipt or three (3) business days after

deposit in the United States Postal Service, first class certified or registered mail, postage prepaid, return receipt requested; and (iii) in the case of nationally-recognized overnight courier service, one (1) business day after delivery to such courier service together with all appropriate fees or charges and instructions for such overnight delivery. The parties may change their respective addresses and transmission numbers by written notice to all other parties, sent as provided in this Section 8.01. All communications must be in writing and addressed as follows:

IF TO THE SELLER:

Farmer Bros. Co.
20333 South Normandie Avenue
Torrance, CA 90502
Attn: John Simmons, Treasurer and CFO

IF TO THE PURCHASER:

Wells Fargo Bank, N.A.
Trustee for the Farmer Bros. Co. Employee Stock Ownership Trust
707 Wilshire Boulevard
MAC E2818-10D
Los Angeles, CA 90017
Attn: Ellen L. Yeany, Vice President and Compliance Manager

SECTION 8.02 Survival of Representations and Warranties.

The representations and warranties made by the Company and by the Seller to the Purchaser in this Agreement are made as of the date hereof and as of the Closing Date and shall survive the Closing. The representations and warranties made by the Purchaser to the Seller and the Company in this Agreement are made as of the date hereof and as of the Closing Date and shall survive the Closing.

SECTION 8.03 Entire Agreement.

This Agreement contains the entire agreement between the parties hereto with respect to the transaction contemplated hereby. This Agreement may be amended, modified or supplemented only by an instrument in writing executed by the party against which enforcement of the amendment, modification or supplement is sought.

SECTION 8.04 GOVERNING LAW.

THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA (INCLUDING THOSE LAWS RELATING TO CHOICE OF LAW) APPLYING TO CONTRACTS ENTERED INTO AND TO BE PERFORMED WITHIN THE STATE OF CALIFORNIA, WITHOUT REGARD FOR THE PROVISIONS THEREOF REGARDING CHOICE OF LAW.

SECTION 8.05 Severability.

In the event that any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws, then (i) such provision shall be fully severable and this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision were not a part hereof; (ii) the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by such illegal, invalid or unenforceable provision or by its severance from this Agreement; and (iii) there shall be added automatically as a part of this Agreement a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and still be legal, valid and enforceable.

SECTION 8.06 Attorneys' Fees and Costs.

In the event attorneys' fees or other costs are incurred to secure performance of any of the obligations herein provided for, or to establish damages for the breach thereof, or to obtain any other appropriate relief, whether by way of prosecution or defense, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs incurred therein.

SECTION 8.07 Specific Performance.

Each of the parties hereto acknowledges that the other parties would be irreparably damaged and would not have an adequate remedy at law for money damages in the event that any of the covenants contained in this Agreement were not performed in accordance with its terms or otherwise were materially breached. Each of the parties hereto therefore agrees that, without the necessity of proving actual damages or posting bond or other security, the other party shall be entitled to temporary or permanent injunction or injunctions to prevent breaches of such performance and to specific enforcement of such covenants in addition to any other remedy to which they may be entitled, at law or in equity.

SECTION 8.08 Multiple Counterparts.

For the convenience of the parties hereto, this Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all counterparts hereof so executed by the parties hereto, whether or not such counterpart shall bear the execution of each of the parties hereto, shall be deemed to be, and shall be construed as, one and the same Agreement. A telecopy or facsimile transmission of a signed counterpart of this Agreement shall be sufficient to bind the party or parties whose signature(s) appear thereon.

SECTION 8.09 Articles, Sections and Exhibits.

All articles and sections referred to herein are articles and sections, respectively, of this Agreement and all exhibits referred to herein are exhibits attached to this Agreement. Descriptive headings as to the contents of particular sections are for convenience only and shall not control or affect the meaning, construction or interpretation of any provision of this Agreement. Any and all exhibits or other documents or instruments referred to herein or attached hereto are and shall be incorporated herein by reference hereto as though fully set forth herein verbatim.

SECTION 8.10 Rules of Construction.

The descriptive headings in this Agreement are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement. Each use herein of the masculine, neuter or feminine gender shall be deemed to include the other genders. Each use herein of the plural shall include the singular and vice versa, in each case as the context requires or as it is otherwise appropriate. The word "or" is used in the inclusive sense.

SECTION 8.11 Commissions.

The parties hereto agree and represent to each other that there are no commissions due to any broker or any other person relating to the transactions that are the subject of this Agreement, and each party hereto agrees to indemnify and hold harmless the other parties hereto from any commission due as a result of its actions with respect to this transaction.

SECTION 8.12 Binding Agreement; No Assignment. This Agreement shall be binding upon and inure to the benefit of each corporate party hereto, its successors, and each individual party hereto and his or her heirs, personal representatives, successors and assigns. No party to this Agreement shall assign this Agreement, by operation of law or otherwise, in whole or in part, without the prior written consent of the other parties.

SECTION 8.13 Indemnification. (i) General. From and after the Closing, the Seller shall indemnify the Trustee, the Trust, and the members of the Administrative Committee of the Plan as provided in this Article VIII. As used in this Agreement, the term "Damages" shall mean all liabilities, inaccuracy in or breach of any representations or warranties made by the Company resulting in an adverse effect on the Company, demands, claims, actions or causes of action, regulatory, legislative or judicial proceedings or investigations, assessments, levies, losses, fines, penalties, damages, costs and expenses, including, without limitation, reasonable attorneys', accountants', investigators', and experts' fees and expenses sustained or incurred in connection with the defense or investigation of any claim.

(ii) The Company's Indemnification Obligations. The Company shall defend, indemnify, save, and keep harmless the Trust, the members of the Administrative Committee of the Plan, the Trustee, and their respective representatives, officers, directors, agents, employees, successors, and assigns against and from all Damages sustained or incurred by any of them resulting from or arising out of or by virtue of (A) any inaccuracy in or breach of any representation and warranty made by the Company in this Agreement or in any closing document delivered to the Seller in connection with this Agreement or (B) any breach by the Company of, or failure by the Company to comply with, any of its covenants or obligations under this Agreement (including, without limitation, its obligations under this Article VIII).

(iii) Limitation on Rights to Indemnification. The obligations to indemnify pursuant to this Article VIII are subject to the following limitations:

(A) No recovery for Damages related to any inaccuracy in or breach of any representation and warranty made by any Seller or the Company in this Agreement or in any closing document delivered to the Trust in connection with this Agreement under Section 8.12(ii) of this Agreement, unless a claim for Damages has been asserted by written notice, specifying the details of the alleged claim, delivered to the other party prior to the second anniversary of the Closing Date.

(B) Notwithstanding anything herein to the contrary in this Section 8.13, the parties acknowledge and agree that the indemnification provisions in this Article are the exclusive remedy for any breach of representations and warranties by the Company in this Agreement except in the case of fraud.

SECTION 8.14 Construction.

The parties acknowledge that each party and its counsel have reviewed this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments or exhibits hereto.

IN WITNESS WHEREOF, the Purchaser and the Seller have caused this Agreement to be executed as of the date first above written.

THE PURCHASER:

WELLS FARGO BANK, N.A., not in its corporate capacity but solely in its capacity as Directed

Trustee of the FARMER BROS CO. EMPLOYEE STOCK
OWNERSHIP TRUST acting pursuant to the directions of the
Administrative Committee appointed thereunder.

By /s/ E. Pigott /s/ E.L. Yeany

Title: Vice President Vice President

THE SELLER:

FARMER BROS. CO.

/s/ John Simmons

John Simmons, Treasurer and CFO

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