

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K
CURRENT REPORT

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

Date of Report (Date of earliest event reported): **December 19, 2006**

Farmer Bros. Co.

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

0-1375
(Commission File Number)

95-0725980
(I.R.S. Employer
Identification No.)

20333 South Normandie Avenue, Torrance, California
(Address of Principal Executive Offices)

90502
(Zip Code)

(310) 787-5200
(Registrant's telephone number, including area code)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers; Compensatory Arrangements of Certain Officers.

On December 19, 2006, the Compensation Committee of the Board of Directors of Farmer Bros. Co., a Delaware corporation (the "Company"), established target awards under the Farmer Bros. Co. 2005 Incentive Compensation Plan (the "Plan") for the fiscal year ending June 30, 2007 ("fiscal 2007"). The Compensation Committee designated Guenter W. Berger, Roger M. Lavery III, John E. Simmons and Michael J. King (collectively, the "Named Executive Officers") as participants in the Plan for fiscal 2007. For fiscal 2007, the Company has set the target awards of Messrs. Berger, Lavery, Simmons and King at \$200,000, \$200,000, \$150,000 and \$150,000, respectively.

For fiscal 2007, the Compensation Committee has established that the Company's financial performance for purposes of the Plan will be based on the level of achievement of operating cash flow and net sales as determined from the Company's audited financial statements. "Operating cash flow" is defined as income from operations plus depreciation and ESOP compensation expense, excluding income from the sale of capital assets. A percentage between 25% and 150% will be derived based on the combined level of achievement of these two criteria. The matrix showing the levels of achievement and percentages has not been included in this description since such information relates to specific quantitative or qualitative performance related factors. The Compensation Committee has also assigned individual goals for fiscal 2007 to each of the Named Executive Officers. The individual goals have not been included in this description in order to maintain the confidentiality of the Company's confidential commercial or business information. The preliminary bonus awards for fiscal 2007 will be determined based on the level of achievement of the assigned individual goals within a range of 60% to 120%, multiplied by the financial performance percentage derived from the matrix, multiplied by the Named Executive Officer's fiscal 2007 target award.

The form of 2007 Target Award Notification Letter under the Plan is attached as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

99.1 Form of 2007 Target Award Notification Letter Under Farmer Bros. Co. 2005 Incentive Compensation Plan

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SIGNATURE

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

Dated: December 20, 2006

FARMER BROS. CO.

By: /S/ JOHN E. SIMMONS

Name: John E. Simmons

Title: Treasurer, Chief Financial Officer

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EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Form of 2007 Target Award Notification Letter Under Farmer Bros. Co. 2005 IncentiveCompensation Plan

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**FORM OF 2007 TARGET AWARD NOTIFICATION LETTER
UNDER FARMER BROS. CO. 2005 INCENTIVE COMPENSATION PLAN**

Dear _____ :

The Compensation Committee ("Committee") has chosen you to be a participant in fiscal 2007 in the Farmer Bros. Co. 2005 Incentive Compensation Plan.

In general, your bonus for fiscal 2007 will be determined primarily by measuring the Company's financial performance and your achievement of individual goals which the Committee has assigned to you.

The Company's financial performance will be gauged by the level of achievement of operating cash flow and net sales as determined from the Company's audited financial statements. "Operating cash flow" is defined as income from operations plus depreciation and ESOP compensation expense, excluding income from the sale of capital assets. A matrix is attached which shows various percentages between 25% and 150% depending on the combined level of achievement of these two criteria.

The Committee has also assigned certain individual goals to you for fiscal 2007. After the end of each Fiscal Year and promptly upon availability of the Company's audited financial statements, the Committee will determine your level of achievement of the assigned goals within a range of 60% to 120%. This percentage will be multiplied by the financial performance percentage derived from the matrix. The resulting product will then be multiplied by your fiscal 2007 target award amount to determine your preliminary bonus award for the year.

The Committee has designed the 2007 performance matrix and assigned individual goals to encourage teamwork among key management personnel as well as individual achievement.

Your target award for fiscal 2007 is \$ _____ which the Committee determined by taking into consideration past total annual compensation, current base salary, job responsibilities and past and expected job performance.

Your assigned individual goals for fiscal 2007 are:

Goals

(All goals are weighted equally)

Example:

Your target award for 2007 is \$ _____. Assume that the Company's operating cash flow for fiscal 2007 is \$ _____, and net sales are \$ _____. The percentage applicable under the financial performance matrix, therefore, is _____. Assume also that it is determined that your level of achievement of individual goals was 120% for the year. Your preliminary award is \$ _____ (_____ % x 120% x \$ _____).

The preliminary award is subject to adjustment, upward or downward, by the Compensation Committee in its discretion. The Committee also has the discretion to alter the financial performance criteria and individual goals during the year and to decline to award any bonus should the Committee determine such actions to be warranted by a change in circumstances. Accordingly, no bonus is earned unless and until an award is actually made by the Committee after year-end.

The Committee can determine to pay awards on a current or deferred basis, or partly on each.

All awards are governed by the Plan provisions which control any inconsistency with this letter. A copy of the Plan is enclosed.

Please let me know if you have any questions. We wish you great success for 2007!

Very truly yours,
Thomas A. Maloof
Compensation Committee Chairman
