

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

For Quarter Ended September 30, 1995

Commission file number 0-1375

FARMER BROS. CO.

California  
State of Incorporation

95-0725980  
Federal ID Number

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

90502  
Zip

(310) 787-5200  
Registrant's telephone number

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Number of shares of Common Stock outstanding: 1,926,414 as of September 30, 1995.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Dollars in thousands, except per share data)

FARMER BROS. CO.  
CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

	For the three months ended September 30,	
	1995	1994
Net sales	\$55,038	\$54,182
Cost of goods sold	27,511	28,274
	27,527	25,908
Selling expense	19,220	18,422
General and administrative expenses	1,894	2,972
	21,114	21,394
Income from operations	6,413	4,514
Other income (expense):		
Dividend income	625	553
Interest income	1,208	958
Other	154	247
	1,987	1,758
Income before taxes and cumulative effect of accounting change	8,400	6,272
Provision for income taxes	3,609	2,515
Income before cumulative effect of accounting change	4,791	3,757
Cumulative effect of		

accounting change, net of income taxes	-	-
Net income	\$ 4,791	\$ 3,757
Income per share:		
Before accounting change	\$2.49	\$1.95
Cumulative effect of accounting change	-	-
Net income per share	\$2.49	\$1.95

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

FARMER BROS. CO.  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)

	September 30, 1995	June 30, 1995
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 14,871	\$ 8,321
Short term investments	77,259	80,530
Accounts and notes receivable, net	18,707	18,481
Inventories	35,027	36,761
Income tax receivable	-	1,266
Deferred income taxes	3,577	3,577
Prepaid expenses	1,156	871
Total current assets	150,597	149,807
Property, plant and equipment, net	34,734	33,213
Notes receivable	1,880	1,880
Long term investments, net	44,249	43,337
Other assets	16,082	15,887
Deferred income taxes	(20)	217
Total assets	\$247,522	\$244,341
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 5,677	\$ 9,408
Accrued payroll expenses	4,971	4,711
Other	6,683	4,605
Total current liabilities	17,331	18,724
Accrued postretirement benefits	11,946	11,505
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$1.00 par value, authorized 3,000,000 shares; issued and outstanding 1,926,414 shares	1,926	1,926
Additional paid-in capital	569	569
Retained earnings	215,446	211,619
Investment valuation allowance	304	(2)
Total shareholders' equity	218,245	214,112
Total liabilities and shareholders' equity	\$247,522	\$244,341

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

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

	For the three months ended September 30,	
	1995	1994
Cash flows from operating activities:		
Net Income	\$ 4,791	\$ 3,757
Adjustments to reconcile net income to net cash provided by operating activities:		
Cumulative effect of accounting changes		
Depreciation	1,253	1,323
Deferred income taxes	33	-
Other	(32)	10
Net (gain) loss on investments	(46)	(113)
Change in assets and liabilities:		
Short term investments	-	-
Accounts and notes receivable	(275)	(2,277)
Inventories	1,734	(807)
Income tax receivable	1,266	5,357
Prepaid expenses and other assets	(486)	(1,029)
Accounts payable	(3,730)	2,848
Accrued payroll expenses and other liabilities	2,338	21
Other long term liabilities	441	390
Total adjustments	2,496	5,723
Net cash provided by operating activities	\$7,287	\$9,480

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

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

For the three months  
ended September 30,

	1995	1994
Net cash provided by operating activities:	\$ 7,287	\$ 9,480
Cash flows from investing activities:		
Purchases of property, plant and equipment	(2,809)	(2,380)
Proceeds from sales of property, plant and equipment	72	20
Purchases of investments	(26,777)	(34,539)
Proceeds from sales of investments	29,693	26,884
Notes issued	-	-
Notes repaid	50,000	61,000
Net cash (used in) provided by investing activities	229	(9,954)
Cash flows from financing activities:		
Dividends paid	(963)	(963)
Net cash used in financing activities	(963)	(963)
Net (decrease) in cash and cash equivalents	6,553	(1,437)
Cash and cash equivalents at beginning of year	8,321	8,681
Cash and cash equivalents at end of quarter	\$14,874	\$ 7,244
Supplemental disclosure of cash flow information:		
Income tax payments	\$ 215	\$ 2

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

A. Unaudited Financial Statements

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

B. Investments

	September 30, 1995		June 30, 1995	
	Cost	Fair Value (In thousands)	Cost	Fair Value
Current Assets				
U.S. Government				
Obligations	\$77,280	\$77,259	\$80,608	\$80,530
	\$77,280	\$77,259	\$80,608	\$80,530
Non-Current Assets				
U.S. Government				
Obligations	\$ 8,608	\$ 8,546	\$ 8,617	\$ 8,610
Corporate bonds	1,499	1,499	1,599	1,569
Preferred stocks	31,161	33,161	30,456	31,896
Liquid asset fund and other	1,082	1,043	1,262	1,262
	\$42,350	\$44,249	\$41,934	\$43,337

The Company hedges interest rate risk in its portfolio of preferred stock. Deferred losses associated with the hedge are \$1,410,000 and \$1,329,000 at September 30 and June 30, 1995, respectively.

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

	Fair Value	
	09/30/95	06/30/95
	(In thousands)	
Within 1 year	\$77,259	\$80,530
After 1 year through 5 years	8,546	8,610
After 5 years through 10 years	1,499	1,569
After 10 years	-	-
	\$87,304	\$90,709

## C. Inventories

	Processed	Unprocessed	Total
	(In thousands)		
September 30, 1995			
Coffee	\$ 3,416	\$10,288	\$13,704
Allied products	9,604	4,390	13,994
Coffee brewing equipment	1,462	5,867	7,329
	\$14,482	\$20,545	\$35,027
June 30, 1995			
Coffee	\$ 3,093	\$10,809	\$13,902
Allied products	11,308	4,096	15,404
Coffee brewing equipment	2,120	5,335	7,455
	\$16,521	\$20,240	\$36,761

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

Continued high green coffee prices continue to effect Registrant's operations. Although green coffee costs have retreated from the highs experienced in fiscal 1995, the higher average product costs and resulting higher sales prices (and lower sales volume) are directly reflected in financial results. Improved profit margins and controlled operating expenses have had a direct effect on profits. First quarter 1996 sales increased 1.6% to \$55,038,000 as compared to \$54,182,000 in the same quarter of fiscal 1995. Gross profit in the first quarter increased 6.2% to \$27,527,000 from \$25,908,000 in the same quarter of fiscal 1995. First quarter 1996 operating expenses decreased (1.3%) to \$21,114,000 from \$21,394,000 in the first quarter of fiscal 1995. Net income for the three months ended September 30, 1995 increased 27.5% to \$4,791,000 or \$2.49 per share, as compared to \$3,757,000 or \$1.95 per share in the same quarter of the prior fiscal year.

### Quarterly Summary of Results (in thousands of dollars)

	09/30/94	12/31/94	03/31/95	06/30/95	09/30/95
Net sales	54,182	62,598	59,514	58,368	55,038
Gross profit	25,908	30,085	26,818	30,088	27,527
Operating income	4,514	8,023	4,448	8,250	6,413
Net income	3,757	5,706	3,220	6,834	4,791

### (as a percentage of sales)

	09/30/94	12/31/94	03/31/95	06/30/95	09/30/95
Net sales	100.00	100.00	100.00	100.00	100.00
Gross profit	47.82	48.06	45.06	51.55	50.01
Operating income	8.33	12.82	7.47	14.13	11.65
Net income	6.93	9.12	5.41	11.71	8.70

### (in dollars)

	09/30/94	12/31/94	03/31/95	06/30/95	09/30/95
EPS	1.95	2.96	1.67	3.55	2.49

Part II Other Information

Item 1.	Legal proceedings.	not applicable.
Item 2.	Changes in securities.	none.
Item 3.	Defaults upon senior securities.	none.
Item 4.	Submission of matters to a vote of security holders.	none.
Item 5.	Other information.	none.
Item 6.	Exhibits and reports on Form 8-K.	
(a)	Exhibits.	
	(2) Plan of acquisition, reorganization, arrangement, liquidation or succession.	not applicable.
(4)	Instruments defining the rights of security holders, including indentures.	not applicable.
	(11) Statement re computation of per share earnings.	not applicable.
	(15) Letter re unaudited interim financial information.	not applicable.
	(18) Letter re change in accounting principles.	not applicable.
	(19) Report furnished to security holders	not applicable.
	(22) Published report regarding matters submitted to vote of security holders.	not applicable.
	(23) Consents of experts and counsel.	not applicable.
	(24) Power of attorney.	not applicable.
	(27) Financial Data Schedule.	See attached Form EX-27.
	(99) Additional exhibits.	not applicable.
(b)	Reports on Form 8-K	none.



# SIGNATURES

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

Date: November 13, 1995

FARMER BROS. CO.

(Registrant)

John E. Simmons  
John E. Simmons  
Treasurer and  
Chief Financial Officer

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SEP-30-1995

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