

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, 1997

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, 1997.

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,	
	1997	1996
Net sales	\$59,497	\$52,785
Cost of goods sold	30,171	25,369
	29,326	27,416
Selling expense	19,755	20,181
General and administrative expenses	1,919	1,518
	21,674	21,699
Income from operations	7,652	5,717
Other income:		
Dividend income	658	686
Interest income	1,842	1,444
Other	313	140
	2,813	2,270
Income before taxes	10,465	7,987
Income taxes	4,237	3,328
Net income	\$ 6,228	\$ 4,659
Net income per share	\$3.23	\$2.42
Cash dividends declared per share	\$.60	\$.60

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

FARMER BROS. CO.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 1997	June 30, 1997
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 23,615	\$ 34,174
Short term investments	95,444	77,791
Accounts and notes receivable, net	18,465	18,401
Inventories	34,844	35,176
Income tax receivable	97	2,216
Deferred income taxes	1,804	1,804
Prepaid expenses and other	930	784
Total current assets	175,199	170,346
Property, plant and equipment, net	31,479	32,526
Notes receivable	2,977	2,977
Long term investments, net	56,756	51,341
Other assets	18,261	18,035
Deferred taxes	1,453	1,624
Total assets	\$286,125	\$276,849
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 9,118	\$ 7,510
Accrued payroll expenses	4,396	4,247
Other	6,557	4,623
Total current liabilities	20,071	16,380
Accrued postretirement benefits	14,703	14,347
Commitments and contingencies	-	-
Shareholders' equity:		
Common stock, \$1.00 par value, authorized 3,000,000 shares; issued and outstanding 1,926,414 shares	1,926	1,926
Additional paid-in capital	568	568
Retained earnings	247,980	242,907
Investment valuation allowance	877	721
Total shareholders' equity	251,351	246,122
Total liabilities and shareholders' equity	\$286,125	\$276,849

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,	
	1997	1996
Cash flows from operating activities:		
Net Income	\$ 6,228	\$ 4,659
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,347	1,430
Deferred income taxes	(24)	(15)
Net (gain) on investments	(167)	(20)
Changes in assets and liabilities:		
Accounts and notes receivable	(74)	1,685
Inventories	332	1,629
Income tax receivable	2,119	971
Prepaid expenses and other assets	(382)	(453)
Accounts payable	1,609	1,984
Accrued payroll expenses and other liabilities	2,083	2,743
Other long term liabilities	356	286
Total adjustments	7,199	10,240
Net cash provided by operating activities	\$ 13,427	\$ 14,899

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,

	1997	1996
Net cash provided by operating activities:	\$ 13,427	\$ 14,899
Cash flows from investing activities:		
Purchases of property, plant and equipment	(339)	(1,308)
Proceeds from sales of property, plant and equipment	72	35
Purchases of investments	(83,646)	(72,417)
Proceeds from sales of investments	61,073	79,155
Notes repaid	10	9
Net cash (used in) provided by investing activities	(22,830)	5,474
Cash flows from financing activities:		
Dividends paid	(1,156)	(1,156)
Net cash used in financing activities	(1,156)	(1,156)
Net (decrease) increase in cash and cash equivalents	(10,559)	19,217
Cash and cash equivalents at beginning of period	34,174	28,165
Cash and cash equivalents at end of quarter	\$ 23,615	\$ 47,382
Supplemental disclosure of cash flow information:		
Income tax payments	\$ 29	\$ 579

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

The Company hedges interest rate risk in its portfolio of preferred stock. Deferred losses associated with the hedge are \$1,883,000 and \$1,081,000 at September 30 and June 30, 1997, respectively.

(In thousands)

September 30, 1997	Cost	Gross Unrealized Loss	Gross Unrealized Gain	Fair Value
Current Assets				
Commercial Paper	\$32,636	-	136	\$32,772
U.S. Government Obligations	62,782	(116)	6	\$62,672
	\$95,418	(116)	142	\$95,444
Non-Current Assets				
U.S. Government Obligations	\$13,130	(87)	21	\$13,064
Other debt	1,695	(17)	-	1,678
Preferred stocks	36,381	(22)	3,496	39,855
Liquid asset fund and other	2,471	(326)	14	2,159
	\$53,677	(452)	\$3,531	\$56,756

(In thousands)

June 30, 1997	Cost	Gross Unrealized Loss	Gross Unrealized Gain	Fair Value
Current Assets				
Commercial Paper	\$14,814	-	129	\$14,943
U.S. Government Obligations	63,059	(211)	-	62,848
	\$77,873	(211)	129	\$77,791
Non-Current Assets				
U.S. Government Obligations	\$10,453	(169)	-	\$10,284
Preferred stocks	36,816	(22)	2,574	39,368
Liquid asset fund and other	1,689	-	-	1,689
	\$48,958	(191)	2,574	\$51,341

B. Investments, CONTINUED

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

Maturities (In thousands)	Fair Value	
	09/30/97	06/30/97
Within 1 year	\$ 95,444	\$ 77,791
After 1 year through 5 years	14,742	10,284
	\$110,186	\$ 88,075

Gross realized gain from available for sale securities were \$255,000 and \$405,000 at September 30, 1997 and 1996, respectively.

C. Inventories

(In thousands)	Processed	Unprocessed	Total
September 30, 1997			
Coffee	\$ 3,704	\$ 9,223	\$12,927
Allied products	9,815	4,769	14,584
Coffee brewing equipment	2,185	5,148	7,333
	\$15,704	\$19,140	\$34,844
June 30, 1997			
Coffee	\$ 3,564	\$10,024	\$13,588
Allied products	10,551	3,794	14,345
Coffee brewing equipment	2,310	4,933	7,243
	\$16,425	\$18,751	\$35,176

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

Registrant's financial condition is substantially the same as at its most recent fiscal year end. The volatile market for green coffee always has an effect on operating results. The higher cost of green coffee has resulted in higher roast coffee prices, lower gross profit margins and lower sales volume.

Net sales for the first quarter of fiscal 1998 increased 13% to \$59,497,000 from \$52,785,000 in the same quarter of fiscal 1997. Gross profit increased 5% during the first quarter of fiscal 1998 to \$29,326,000 or 49% of sales, as compared to \$27,416,000 or 52% of sales, in the same quarter of the prior fiscal year.

Operating expenses, composed of selling and general and administrative expenses, reached \$21,674,000 in the most recent quarter, compared to \$21,699,000 in the same quarter of fiscal 1997. Other income increased 24% to \$2,813,000 in the first quarter of fiscal 1997 as compared to \$2,270,000 in the same quarter of the prior fiscal year, primarily the result of higher interest income.

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

Income before taxes increased 31% to \$10,465,000 or 18% of sales, in the first quarter of the 1998 fiscal year as compared to \$7,987,000 or 14% of sales in the same quarter of fiscal 1997. Net income for the first quarter of fiscal 1998 increased 34% to \$6,228,000 or \$3.23 per share, from \$4,659,000 or \$2.42 per share, recorded in the first quarter of fiscal 1997.

Quarterly Summary of Results
(In thousands of dollars)

	09/30/96	12/31/96	03/31/97	06/30/97	09/30/97
Net sales	52,785	57,460	55,336	59,221	59,497
Gross profit	27,416	31,506	21,896	26,974	29,326
Operating income	5,717	8,633	(71)	2,510	7,652
Net income	4,659	6,834	1,595	3,602	6,228

(As a percentage of sales)

	09/30/96	12/31/96	03/31/97	06/30/97	09/30/97
Net sales	100.00	100.00	100.00	100.00	100.00
Gross profit	51.94	54.83	39.57	45.55	49.29
Operating income	10.83	15.02	(.13)	4.24	12.86
Net income	8.82	11.89	2.88	6.08	10.47

(In dollars)

	09/30/96	12/31/96	03/31/97	06/30/97	09/30/97
EPS	2.42	3.55	.83	1.86	3.23

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.

PART II OTHER INFORMATION, (CONTINUED)

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|--|--------------------------|
| (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
Registrant filed a report reporting a change in accountant. April 14, 1997.

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, 1997

FARMER BROS. CO.
(Registrant)

John E. Simmons

John E. Simmons
Treasurer and
Chief Financial Officer

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FARMER BROS. CO.
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3-MOS

JUN-30-1998	SEP-30-1997
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95444	
18465	
555	
34844	
175199	31479
54592	
286125	
20071	0
0	0
	0
	1926
	249425
286125	59497
59497	30171
21674	
0	
0	
0	
10465	
4237	
6228	0
0	
0	
	0
6228	
3.23	
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