SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended June 30, 1997

Commission file number: 0-1375

FARMER BROS. CO.

California	95-0725980
State of Incorporation	Federal ID Number
20333 S. Normandie Avenue, Torrance, California	90502
Registrant's address	Zip

(310) 787-5200
Registrant's telephone number

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Title of each class	Name on each exchange on which registered
Common stock, $1.00 par value	OTC

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 [ ]

Number of shares of Common Stock, $1.00 par value, outstanding as of August 31, 1997: 1,926,414 and the aggregate market value of the common shares held by non-affiliates of the Registrant was approximately $139 million.

Documents Incorporated by Reference

Certain portions of the Registrant's definitive Proxy Statement to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, in connection with the Annual Meeting of Shareholders of the Registrant to be held on December 1, 1997 are incorporated by reference into Part III of this report. The Form 8-K/A dated and filed with the SEC on April 14, 1997 is incorporated by reference into Part II of this report.

PART I

Item 1. Business

General: Farmer Bros. Co. (the "Company" or "Registrant") was incorporated in California in 1923, and is in the business of roasting, packaging and distributing coffee and allied products to restaurants, hotels, hospitals, convenience stores and fast food outlets.

Raw Materials and Supplies: Registrant's primary raw material is green coffee. Roast coffee sales account for approximately 60% of revenues. Coffee purchasing, roasting and packaging takes place at Registrant's Torrance, California plant, which is also the distribution hub for its branches. Green coffee is purchased through domestic commodity brokers. Coffee is an agricultural commodity, and is subject to fluctuations of both price and supply. Registrant has not been confronted by shortages in the supply of green coffee. Green coffee is grown outside the United States and can be subject to volatile price fluctuations resulting from concerns about crop availability and related conditions, such as weather, political events and social instability, in coffee producing nations. Government actions and trade restrictions between our own and foreign governments can also influence prices.

Trademarks & Patents: Registrant owns approximately 34 registered U.S. trademarks which are integral to customer identification of its products. It is not possible to assess the impact of the loss of such identification.

Seasonality: Registrant experiences some seasonal influences. The winter months are the best sales months. Registrant's product line and geographic diversity provides some sales stability during the summertime decline in coffee consumption during the warmer months.

Distribution: Registrant's products are distributed by its selling divisions from 97 branches located in most large cities throughout the western states. The diversity of the product line (over 300 products) and size of the geographic area served requires each branch to maintain a sizable inventory. Registrant operates its own trucking fleet to more effectively control the supply of these warehouses.

Customers: No customer represents a significant concentration of sales. The loss of any one or more of the larger customer accounts would have no material adverse effect on the Company. Customer contact and service quality, which is integral to Registrant's sales effort, is often secondary to product pricing for customers with their own distribution systems.

Competition: Registrant faces competition from many sources, including multi-national companies like Procter and Gamble, Nestle and Philip Morris, grocery distributors like Sysco and Rykoff-Sexton and regional roasters like Boyd Coffee Co., Lingle Bros. and Royal Cup. Registrant has some competitive advantages due to its longevity, strong regional roots and sales and service force. Registrant's customer base is price sensitive and the Company is often faced with price competition.

Item 1. Business, Continued

Working Capital: Registrant finances its operations internally. Management believes that working capital from internal sources will be adequate for the coming year. Registrant maintains a $50,000,000 line of credit with Bank of America. There is no commitment fee or compensating balance requirement and the line was not used in fiscal year 1997.

Foreign Operations: Registrant has no material revenues that result from foreign operations. Coffee brewing equipment is sold through distributors in Canada and Japan and manufactured in Europe under license.

Other: On June 30, 1997, Registrant employed 1,168 employees; 410 are subject to collective bargaining agreements. The effects of compliance with government provisions regulating discharge of materials into the environment have not had a material effect on the Company's financial condition or results of operations. The nature of Registrant's business does not provide for maintenance of or reliance upon a sales backlog.

Item 2. Properties

Registrant's largest facility is the 474,000 sq. ft. roasting plant, warehouses and administrative offices in Torrance, California. Registrant believes the existing plant will continue to provide adequate production capacity for the foreseeable future.

Item 3. Legal Proceedings

Registrant is a defendant in various legal proceedings incidental to its business which are ordinary and routine. It is management's opinion that the resolution of these lawsuits will not have a material impact on the Company's financial condition or results of operations.

Item 4. Submission of Matters to A Vote of Security Holders

None.

PART II

Item 5. Market for Registrant's Common Equity and Related Shareholder Matters

Registrant has one class of common stock which is traded in the over the counter market. The bid prices indicated below are as reported by NASDAQ and represent prices between dealers, without including retail mark up, mark down or commission, and do not necessarily represent actual trades.

	1997			1996		
	High	Low	Dividend	High	Low	Dividend
1st Quarter	$154.00	$135.00	$ 0.60	$130.00	$116.00	$ 0.50
2nd Quarter	154.00	142.00	0.60	147.00	125.00	0.55
3rd Quarter	155.00	130 00	0.60	144.00	131.75	0.55
4th Quarter	135.00	125.00	0.60	143.00	130.00	0.55

There were 608 holders of record on June 30, 1997.

Item 6. Selected Financial Data
(In thousands, except per share data)

	1997	1996	1995
Net sales	$224,802	$224,075	$234,662
Income from operations	16,789	29,198	25,235
Net income	16,690	23,363	19,517
Net income per share	$8.66	$12.13	$10.13
Total assets	$276,849	$260,890	$244,340
Dividends declared per share	$2.40	$2.15	$2.00

	1994	1993
Net sales	$193,861	$190,679
Income from operations	9,488	29,929
Net income	10,330	18,950
Net income per share	$5.36	$9.84
Total assets	$219,903	$216,266
Dividends declared per share	$2.00	$1.80

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

Registrant continues to maintain a strong working capital position, and management believes cash requirements for the coming year will be provided by internal sources. Registrant has no major commitments for capital expenditures at this time.

(In thousands)	1997	1996	1995
Current assets	$170,346	$167,059	$149,806
Current liabilities	16,380	14,330	18,724
Working capital	$153,966	$152,729	$131,082
Quick ratio	7.96:1	8.51:1	5.73:1
Capital Expenditures	$ 4,403	$ 5,277	$ 9,085

Results of Operations

The market for green coffee has been especially volatile during the past three years. During 1994, Brazil, the world's largest green coffee producer suffered a series of frosts that damaged its 1994-1995 crop of green coffee. The cost of green coffee soared by 40% as the market adjusted to a perceived coffee shortage. Higher green coffee costs were eventually reflected in selling prices of roast coffee during 1995. The higher selling prices resulted in lower sales volume in 1995 and 1996. During 1997, concerns about green coffee stocks, labor problems in coffee producing countries and the possibility of weather related crop reductions pushed prices up again.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Continued

Coffee prices increased by 250% from December, 1996, to the end of May, 1997. As Registrant raises roast coffee prices to reflect higher green coffee costs, roast coffee sales volume has declined. It has been reported by the National Coffee Association that in 1995, after the Brazilian frost, high coffee prices reduced consumption by 14%. Cost increases of this magnitude take a period of time to work through inventories, even if green coffee costs were to decline immediately.

Net sales reached $224,802,000 in 1997 as compared to $224,075,000 in 1996, and $234,662,000 in 1995. Gross profit decreased to $107,792,000 in 1997, or 48% of sales, compared to $118,811,000, or 53% of sales, in 1996 and $112,899,000, or 48% of sales in 1995. Registrant's customers are price sensitive, and the Company is generally forced to absorb some coffee cost fluctuations in order to provide stable and predictable pricing.

Operating expenses, composed of selling and general and administrative expenses increased 2% to $91,003,000 in 1997 from $89,613,000 in 1996, and $87,664,000 in 1995. Other income, increased 9% to $10,521,000 in 1997 as compared to $9,691,000 in 1996, and $6,049,000 in 1995 primarily due to an improved interest rate environment during the 1996 and 1997 fiscal years.

Income before taxes decreased to $27,310,000 or 12% of sales in 1997, as compared to $38,889,000 or 17% of sales in 1996 and $31,284,000 or 13% of sales in 1995. Net income for fiscal year 1997 reached $16,690,000, or $8.66 per share, as compared to $23,363,000, or $12.13 per share, in 1996 and $19,517,000, or $10.13 per share, in 1995.

	1997	1996	1995
Net income per share	$8.66	$12.13	$10.13

Percentage change:

	1997 to 1996	1996 to 1995
Net sales	0.3%	(4.5)%
Cost of goods sold	11.2%	(13.6)%
Gross profit	(9.3)%	5.2%
Operating expenses	1.6%	2.2%
Income from operations	(42.5)%	15.7%
Provision for income taxes	(31.6)%	31.9%
Net income	(28.6)%	19.7%

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Continued

Change in Earnings Per Share

A summary of the change in earnings per share, which highlights factors discussed earlier, is as follows:

	Per Share Earnings 1997 vs. 1996	Per Share Earnings 1996 vs. 1995
Coffee: Prices	$2.49	$(2.02)
Volume	(3.75)	(3.47)
Cost	(5.13)	7.32
Gross Profit	(6.39)	1.83
Allied products: Gross Profit	0.67	1.24
Operating expenses	(0.72)	(1.01)
Other income	.43	1.89
Provision for income taxes	2.54	(1.95)
Net income	$(3.47)	$ 2.00

Price Risk

The Company's operations are significantly impacted by the world market for green coffee, its largest product. Coffee is an agricultural product and fundamental shifts in supply or demand produce dramatic price effects. Coffee is traded domestically on the New York Coffee, Sugar & Cocoa Exchange, and is one of the largest and most volatile commodity markets. Although the Company attempts to manage its exposure to price risk by managing its inventory level, there is no assurance that future green coffee price fluctuations can be passed on to Registrant's customers. Registrant is unable to predict either the direction or duration of coffee price swings, and cautions against using past results to predict future results.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders
of Farmer Bros. Co. and Subsidiary

We have audited the accompanying consolidated balance sheet of Farmer Bros. Co. and Subsidiary (the "Company") as of June 30, 1997, and the related consolidated statements of income, cash flows, and shareholders' equity for the year ended June 30, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provided a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Farmer Bros. Co. and Subsidiary at June 30, 1997 and the consolidated results of their operations and their cash flows for the year ended June 30, 1997, in conformity with generally accepted accounting principles.

Ernst & Young LLP

Long Beach, California
September 12, 1997

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders
of Farmer Bros. Co. and Subsidiary

We have audited the consolidated balance sheet of Farmer Bros. Co. and Subsidiary (the "Company") as of June 30, 1996 and the related consolidated statements of income, shareholders' equity and cash flows for each of the two years in the period ended June 30, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of June 30, 1996, and the consolidated results of its operations and its cash flows for each of the two years in the period ended June 30, 1996 in conformity with generally accepted accounting principles.

As discussed in Note A to the consolidated financial statements, the Company changed its method of accounting for certain investments in debt and equity securities in 1995.

Coopers & Lybrand L.L.P.

Los Angeles, California
September 25, 1996

FARMER BROS. CO.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share data)

	June 30, 1997	June 30, 1996
ASSETS		
Current assets:		
Cash and cash equivalents	$ 34,174	$ 28,165
Short term investments	77,791	74,937
Accounts and notes receivable, net	18,401	18,822
Inventories	35,176	40,818
Income tax receivable	2,216	1,000
Deferred income taxes	1,804	2,616
Prepaid expenses	784	701
Total current assets	170,346	167,059
Property, plant and equipment, net	32,526	33,343
Notes receivable	2,977	1,841
Long term investments	51,341	40,058
Other assets	18,035	17,320
Deferred income taxes	1,624	1,269
Total assets	$276,849	$260,890
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 7,510	$ 4,635
Accrued payroll expenses	4,247	4,153
Other	4,623	5,542
Total current liabilities	16,380	14,330
Accrued postretirement benefits	14,347	12,892
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	242,907	230,840
Investment valuation allowance	721	334
Total shareholders' equity	246,122	233,668
Total liabilities and shareholders' equity	$276,849	$260,890

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

FARMER BROS. CO.
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands, except per share data)

	For the Years Ended June 30,		
	1997	1996	1995
Net sales	$224,802	$224,075	$234,662
Cost of goods sold	117,010	105,264	121,763
	107,792	118,811	112,899
Selling expense	82,967	81,515	76,313
General and administrative expense	8,036	8,098	11,351
	91,003	89,613	87,664
Income from operations	16,789	29,198	25,235
Other income (expense):			
Dividend income	2,662	2,549	2,459
Interest income	6,624	6,128	4,403
Other, net	1,235	1,014	(813)
	10,521	9,691	6,049
Income before taxes	27,310	38,889	31,284
Income taxes	10,620	15,526	11,767
Net income	$ 16,690	$ 23,363	$ 19,517
Net income per share	$8.66	$12.13	$10.13

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

FARMER BROS. CO.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	For the years ended June 30,		
	1997	1996	1995
Cash flows from operating activities:			
Net income	$16,690	$23,363	$19,517
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	5,353	5,698	4,677
Deferred income taxes	197	145	(170)
Other	(144)	(645)	(47)
Net (gain) loss on investments	(641)	(510)	1,384
Change in assets and liabilities:			
Accounts and notes receivable	466	(383)	(2,460)
Inventories	5,642	(4,057)	(1,851)
Income tax receivable	(1,216)	265	4,092
Prepaid expenses and other assets	(1,014)	(1,931)	(2,401)
Accounts payable	2,875	(4,773)	6,036
Accrued payroll expenses and other liabilities	(825)	379	200
Accrued postretirement benefits	1,455	1,387	1,495
Total adjustments	12,148	(4,425)	10,955
Net cash provided by operating activities	$28,838	$18,938	$30,472

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

FARMER BROS. CO
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	For the Years Ended June 30,		
	1997	1996	1995
Net cash provided by operating activities:	$ 28,838	$ 18,938	$ 30,472
Cash flows from investing activities:			
Purchases of property, plant and equipment	(4,403)	(5,277)	(9,085)
Proceeds from sales of property, plant and equipment	228	284	266
Purchases of investments	(431,719)	(259,995)	(164,754)
Proceeds from sales of investments	418,869	269,955	147,263
Notes issued	(1,218)	-	(760)
Notes repaid	37	81	91
Net cash (used in) provided by investing activities	(18,206)	5,048	(26,979)
Cash flows from financing activities:			
Dividends paid	(4,623)	(4,142)	(3,853)
Net cash used in financing activities	(4,623)	(4,142)	(3,853)
Net increase (decrease) in cash and cash equivalents	6,009	19,844	(360)
Cash and cash equivalents at beginning of year	28,165	8,321	8,681
Cash and cash equivalents at end of year	$ 34,174	$ 28,165	$ 8,321

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

FARMER BROS. CO.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Dollars in thousands, except per share data)

	For the Years Ended June 30,		
	1997	1996	1995
Common stock	$ 1,926	$ 1,926	$ 1,926
Additional paid-in capital	568	568	568
Retained earnings:			
Beginning balance	230,840	211,619	195,955
Net income for the year	16,690	23,363	19,517
Dividends	(4,623)	(4,142)	(3,853)
Ending balance	242,907	230,840	211,619
Investment valuation allowance:			
Beginning balance	334	(2)	(1,044)
Adjustment	387	336	1,042
Ending balance	721	334	(2)
Total shareholders' equity	$246,122	$233,668	$214,111
Dividends declared per share	$2.40	$2.15	$2.00

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

Notes to Consolidated Financial Statements

A. Summary of Significant Accounting Policies

Organization
The Company is in the business of roasting, packaging, and distributing coffee and allied products to restaurants, hotels, hospitals, convenience stores and fast food outlets.

Principles of Consolidation
The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary FBC Finance Company. All significant intercompany balances and transactions have been eliminated.

Financial Statement Preparation
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents
The Company considers all highly liquid investments with a maturity of 90 days or less when purchased to be cash equivalents, which approximate fair value.

Investments
The Company adopted Statement of Financial Accounting Standards No. 115 (SFAS 115), "Accounting for Certain Investments in Debt and Equity Securities", as of July 1, 1994. SFAS 115 specifies the accounting treatment of the Company's investments based on investment classifications defined in the statement. The Company's investments have been recorded at fair value and have been classified as "available for sale". Any unrealized gains or losses on such investments at June 30, 1997, 1996 and 1995 have been recorded as a separate component of shareholders' equity.

The Company's investments have been recorded at fair value, as determined by quoted market prices, and have been classified as "available for sale". Any unrealized gains or losses have been recorded as a separate component of shareholders' equity.

The cost of investments sold is determined on the specific identification method. Dividend and interest income is accrued as earned.

Inventories
Inventories are valued at the lower of cost or market. Costs of coffee and allied products are determined on the Last In, First Out (LIFO) basis. Costs of coffee brewing equipment manufactured are accounted for on the First In, First Out (FIFO) basis.

A. Summary of Significant Accounting Policies, Continued

In the normal course of business, the Company enters into commodity purchase agreements with suppliers and futures contracts to hedge exposure to inventory price fluctuations. Gains on the hedging transactions are deferred as an adjustment to the carrying amount of the inventory and are recognized in income at the time of the sale of inventory. Losses on the hedging transactions are recognized in earnings currently as the Company believes this appropriately reflects its LIFO methodology. Futures contracts not designated as hedges, and terminations of contracts designated as hedges, if any, are marked to market, and changes are recognized in earnings currently. No contracts were outstanding at June 30, 1997 or 1996.

In the event of non-performance by the counterparties, the Company could be exposed to credit and supply risk. The Company monitors the financial viability of the counterparties in an attempt to minimize this risk.

Property, Plant and Equipment

Property, plant and equipment is carried at cost, less accumulated depreciation. Depreciation of buildings and facilities is computed using the straight-line method. Other assets are depreciated using the sum-of-the-years' digits and straight line methods. The following useful lives are used:

Buildings and facilities	10 to 30 years
Machinery and equipment	3 to 5 years
Office furniture and equipment	5 years

When assets are sold or retired the asset and related depreciation allowance are eliminated from the records and any gain or loss on disposal is included in operations. Maintenance and repairs are charged to expense, betterments are capitalized.

Income Taxes

Deferred income taxes are determined based on the temporary differences between the financial reporting and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which differences are expected to reverse.

Revenue Recognition

Sales and the cost of products sold are recorded at the time of delivery to the customer.

Accounting Pronouncements

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share," which is effective for periods ending after December 15, 1997; SFAS No. 129, "Disclosures of Information About Capital Structure," which is effective for periods ending after December 15, 1997; SFAS No. 130, "Reporting Comprehensive Income," which is effective for fiscal years beginning after December 15, 1997; and, SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," which is effective for fiscal years beginning after December 15, 1997.

A. Summary of Significant Accounting Policies, Continued

The adoption of SFAS No. 128 and 129 will not impact the computation of earnings per share or require any additional disclosures. SFAS No. 130 requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The changes in unrealized gains and losses from investments, reported through the Investment Valuation Allowance in shareholders' equity, is the Company's only component of comprehensive income. The Company currently plans to adopt this standard in fiscal 1999.

SFAS No. 131 requiries a public enterprise to report financial and descriptive information about its reportable operating segments based upon the way management organizes segments within the enterprise for making operating decisions and assessing performances. The Company is currently analyzing the various requirements of this standard in order to determine what additional disclosures, if any, will be required. The Company plans to adopt the standard in fiscal 1999.

B. Investments

(In thousands)		Gross	Gross	
Unrealized	Unrealized		Fair	
June 30, 1997	Cost	Loss	Gain	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
Corporate debt	-	-		-
Preferred stocks	36,816	(23)	2,575	39,368
Liquid asset fund and other	1,689	-	-	1,689
	$48,958	(192)	2,575	$51,341

(In thousands)		Gross	Gross	
Unrealized	Unrealized		Fair	
June 30, 1996	Cost	Loss	Gain	Value
Current Assets				
Commercial Paper	$34,609	(7)	173	$34,775
U.S. Government Obligations	40,129	-	33	40,162
	$74,738	(7)	206	$74,937
Non-Current Assets				
U.S. Government Obligations	$ 2,096	(53)	-	$ 2,043
Corporate debt	1,400	(50)	-	1,350
Preferred stocks	34,475	(418)	1,057	35,114
Liquid asset fund and other	1,551	-	-	1,551
	$39,522	(521)	1,057	$40,058

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 6/30/97	Fair Value 6/30/96
Within one year	$77,791	$74,937
After 1 year through 5 years	10,284	2,043
After 5 years through 10 years	-	1,350
	$88,075	$78,330

Gross realized gains and losses from available for sale securities were $2,271,000 and ($1,630,000) respectively in 1997, $1,907,000 and ($1,397,000) respectively in 1996 and gross realized gains from available for sale securities were $1,857,000 in 1995.

The Company hedges interest rate risk in its portfolio of preferred stocks. A substantial portion of the preferred stock portfolio was hedged with put options on U.S. Treasury futures traded on a national exchange. Deferred losses at June 30, 1997 and 1996, associated with the hedge were $1,081,000 and $162,000, respectively. Such deferred gains and losses are recognized in other income as the related unrealized gains and losses in the preferred stock portfolio are realized.

C. Allowance for Doubtful Accounts and Notes Receivable

(In thousands)	1997	1996	1995
Balance at beginning of year	$555	$545	$445
Additions	429	683	527
Deductions	(429)	(673)	(427)
Balance at end of year	$ 555	$555	$545

D. Inventories

June 30, 1997 (In thousands)	Processed	Unprocessed	Total
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

June 30, 1996 (In thousands)	Processed	Unprocessed	Total
Coffee	$ 5,302	$12,259	$17,561
Allied products	10,846	4,847	15,693
Coffee brewing equipment	2,475	5,089	7,564
	$18,623	$22,195	$40,818

Current cost of coffee and allied products inventories exceeds the LIFO cost by approximately $28,608,000, and $20,475,000 as of June 30, 1997 and 1996, respectively.

D. Inventories, Continued

Decreases in the Company's green coffee inventories during fiscal 1997 and 1995 resulted in LIFO decrements which increased fiscal pre-tax income by $4,007,000 and $1,008,000, respectively.

E. Property, Plant and Equipment

(In thousands)	1997	1996
Buildings and facilities	$30,067	$28,759
Machinery and equipment	45,261	44,439
Office furniture and equipment	6,030	6,236
	81,358	79,434
Accumulated depreciation	(53,966)	(51,225)
Land	5,134	5,134
	$32,526	$33,343

Maintenance and repairs charged to expense for the years ended June 30, 1997, 1996 and 1995 were $11,015,000, $11,608,000 and $10,545,000, respectively.

F. Retirement Plans

The Company has a contributory defined benefit pension plan for all employees not covered under a collective bargaining agreement (Farmer Bros. Co.) and a non-contributory defined benefit pension plan for certain hourly employees covered under a collective bargaining agreement (Brewmatic Co.). The Company's funding policy is to contribute annually at a rate that is intended to fund benefits as a level percentage of salary (Farmer Bros. Co.) and as a level dollar cost per participant (Brewmatic Co.) over the working lifetime of the plan participants. Benefit payments are determined under a final pay formula (Farmer Bros. Co.) and flat benefit formula (Brewmatic Co.)

The net periodic pension benefit for 1997, 1996 and 1995 is comprised of the following:

(In thousands)	Farmer Bros. Co.	Brewmatic Co.
	1997	
Service cost	$ 1,300	$ 21
Interest cost	2,479	133
Actual return on assets	(7,099)	(491)
Net amortization and deferral	2,772	248
Net periodic pension benefit	$ (548)	$ (89)
	1996	
Service cost	$ 1,200	$ 96
Interest cost	2,310	131
Actual return on assets	(7,621)	(499)
Net amortization and deferral	3,773	284
Net periodic pension benefit	$ (338)	$ (65)

F. Retirement Plans, Continued

	1995	
Service cost	$ 875	$ 16
Interest cost	2,083	119
Actual return on assets	(5,358)	304
Net amortization and deferral	1,738	(507)
Net periodic pension benefit	$ (662)	$ (68)

The funded status of the plans at June 30, 1997 was as follows:

(In thousands)	Farmer Bros. Co.	Brewmatic Co.
Actuarial present value of benefit obligations:		
Vested	$31,544	$ 1,792
Non-vested	184	-
Accumulated benefit obligations	31,728	1,792
Effect of projected salary increases	3,457	25
Projected benefit obligations	35,185	1,817
Plan assets at fair value	(54,536)	(3,262)
Plan assets at fair value in excess of projected benefit obligations	(19,351)	(1,445)
Unrecognized net asset at June 30, 1996	3,723	219
Unrecognized prior service cost	(1,397)	(126)
Unrecognized net gain	7,146	429
Prepaid pension cost	$(9,879)	$(923)
Assumptions for 1997:		
Discount rate for plan obligations	7.75%	7.75%
Assumed long term return on assets	8.00%	8.00%
Projected compensation increases for pay related plans	3.10%	-

The funded status of the plans at June 30, 1996 was as follows:

(In thousands)	Farmer Bros. Co.	Brewmatic Co.
Actuarial present value of benefit obligations:		
Vested	$29,278	$1,741
Non-vested	172	-
Accumulated benefit obligations	29,450	1,741
Effect of projected salary increases	3,183	43
Projected benefit obligations	32,633	1,784
Plan assets at fair value	(49,203)	(2,861)
Plan assets at fair value in excess of projected benefit obligations	(16,570)	(1,077)
Unrecognized net asset at June 30, 1995	4,344	256
Unrecognized prior service cost	(1,580)	(145)
Unrecognized net gain (loss)	4,475	149
Prepaid pension cost	$(9,331)	$ (817)
Assumptions for 1996:		
Discount rate for plan obligations	7.75%	7.75%
Assumed long term return on assets	8.00%	8.00%
Projected compensation increases for pay related plans	3.10%	-

F. Retirement Plans, Continued

The assets of each plan are primarily invested in publicly traded stocks and bonds, U.S. government securities and money market funds. The Farmer Bros. Co. Retirement Plan owned 28,565 and 27,765 shares of the Company's common stock at June 30, 1997 and 1996, respectively, with a fair value of approximately $3,828,000 and $3,832,000, respectively.

The Company contributes to two multi-employer defined benefit plans for certain union employees. The contributions to these multi-employer pension plans were approximately $1,695,000, $1,699,000 and $1,635,000 for 1997, 1996 and 1995, respectively. The Company also has a defined contribution plan for eligible non-union employees. No Company contributions have been made nor are required to be made to this plan.

The Company sponsors defined benefit postretirement medical and dental plans that cover non-union employees and retirees, and certain union locals. The plan is contributory and retirees contributions are fixed at a current level. The plan is unfunded.

The Plan's accumulated postretirement benefit obligation (APBO) is as follows:

(In thousands)	June 30, 1997	June 30, 1996
Retirees and dependents	$ 4,887	$ 5,191
Fully eligible active participants	4,774	4,430
Other active plan participants	5,995	5,089
Total APBO	$15,656	$14,710
Unrecognized net (loss) gain	2,618	2,394
Unrecognized prior service cost	(3,927)	(4,212)
Accrued postretirement benefit cost	$14,347	$12,892

Net periodic postretirement benefit costs included the following components:

(In thousands)	For the years ended June 30, 1997	1996	1995
Service cost	$512	$485	$587
Interest cost	1,114	1,026	1,042
Amortization of unrecognized net (gain) loss	(58)	(70)	58
Unrecognized prior service cost	285	286	71
Net periodic postretirement benefit cost	$1,853	$1,727	$1,758

The assumptions used to determine the APBO and net periodic postretirement benefit costs are as follows:

	For the years ended June 30, 1997	1996	1995
Discount rate, net periodic postretirement benefit cost	7.75%	7.75%	8.00%
Discount rate, APBO	7.75%	7.75%	7.75%
Medical care cost trend rate*	9.00%	9.00%	9.50%

F. Retirement Plans, Continued

*Assumed to decline gradually to 5.5% in 2003 and thereafter.
Dental care cost trend rate for 1997, 1996 and 1995 was 6.00%.

Increasing the assumed health care costs trend rates by one percentage point each year would increase the APBO as of June 30, 1997 and 1996 by $808,000 and $759,000, respectively, and increase the aggregate of the service cost and interest cost components of net periodic postretirement benefit cost for the fiscal years ended June 30, 1997 and 1996 by $133,000 and $124,000, respectively

G. Income Taxes

The current and deferred components of the provision for income taxes consist of the following:

(In thousands)		1997	1996	1995
Current:	Federal	$ 8,168	$12,621	$ 9,529
	State	2,255	2,760	2,406
		10,423	15,381	11,935
Deferred:	Federal	257	(48)	(145)
	State	(60)	193	(23)
		197	145	(168)
		$10,620	$15,526	$11,767

A reconciliation of the provision for income taxes to the statutory federal income tax expense is as follows:

	1997	1996	1995
Statutory tax rate	35.0%	35.0%	35.0%
(In thousands)			
Income tax expense at statutory rate	$9,559	$13,611	$10,949
State income tax (net of federal tax benefit)	1,426	1,919	1,549
Dividend income exclusion	(661)	(622)	(581)
Other (net)	296	618	(150)
	$10,620	$15,526	$11,767
Income taxes paid	$13,799	$14,820	$10,908

G. Income Taxes, Continued

The primary components of temporary differences which give rise to the Company's net deferred tax assets at June 30, 1997 and 1996 are as follows:

(In thousands)	June 30, 1997	June 30, 1996
Deferred tax assets:		
Postretirement benefits	$5,726	$5,185
Accrued liabilities	1,616	1,164
State taxes	474	688
Other	694	954
	8,510	7,991
Deferred tax liabilities:		
Pension assets	(3,986)	(4,082)
Other	(1,096)	(24)
	(5,082)	(4,106)
Net deferred tax assets	$3,428	$3,885

H. Other Current Liabilities

Other current liabilites consist of the following:

(In thousands)	1997	1996
Accrued workers' compensation liabilities	$3,293	$3,292
Dividends payable	1,156	1,060
Other	174	1,190
	$4,623	$5,542

I. Commitments and Contingencies

The Company incurred rent expense of approximately $658,000, $682,000, and $678,000, for the fiscal years ended June 30, 1997, 1996 and 1995, respectively, and is obligated under leases for branch warehouses with terms not exceeding five years. Certain leases contain renewal options.

Future minimum lease payments are as follows:

June 30,	(In thousands)
1998	$510
1999	281
2000	124
2001	72
2002	19

The Company is a party to various pending legal and administrative proceedings. It is management's opinion that the outcome of such proceedings will not have a material impact on the Company's financial position, results of operations, or cash flows.

I. Commitments and Contingencies, Continued

Concentration of Credit Risk: At June 30, 1997, financial instruments which potentially expose the Company to concentrations of credit risk consist of cash in financial institutions (which exceeds federally insured limits), cash equivalents (principally commercial paper), short term investments, investments in the preferred stocks of other companies and accounts receivable. Commercial paper investments are not concentrated by issuer, industry or geographic area. Maturities are generally shorter than 90 days. Other investments are in U.S. government securities. Investment in the preferred stocks of other companies are limited to high quality issuers and are not concentrated by geographic area or issuer. Concentration of credit risk with respect to trade receivables for the Company is limited due to the large number of customers comprising the Company's customer base, and their dispersion across many different geographic areas. The trade receivables are short-term, and all probable bad debt losses have been appropriately considered in establishing the allowance for doubtful accounts.

J. Quarterly Financial Data (Unaudited)

	Quarter Ended			
	09/30/96	12/31/96	03/31/97	06/30/97
(In thousands)				
Net sales	$52,785	$57,460	$55,336	$59,221
Gross profit	27,416	31,506	21,896	26,974
Income from operations	5,717	8,633	(71)	2,510
Net income	4,659	6,834	1,595	3,602
(Per share)				
Net income	$2.42	$3.55	$0.83	$1.86

	Quarter Ended			
	09/30/95	12/31/95	03/31/96	06/30/96
(In thousands)				
Net sales	$55,038	$58,571	$56,774	$53,692
Gross profit	27,527	30,865	30,885	29,534
Income from operations	6,413	8,007	7,939	6,839
Net income	4,791	6,573	6,391	5,608
(Per share)				
Net income	$2.49	$3.41	$3.32	$2.91

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Registrant incorporates by reference Form 8-K/A dated and filed with the SEC on April 14, 1997, which reported the engagement of Ernst & Young LLP as its new independent accountant.

PART III

Item 10. Directors and Executive Officers of the Registrant

Reference is made to the information to be set forth in the section entitled "Election of Directors" in the definitive proxy statement involving the election of directors in connection with the Annual Meeting of Shareholders to be held on December 1, 1997 (the "Proxy Statement") which section is incorporated herein by reference. The Proxy statement will be filed with the Securities and Exchange Commission no later than 120 days after June 30, 1996, pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended.

Name	Age	Position
Roy F. Farmer	81	Chairman of Board of Directors since 1951.
Roy E. Farmer	45	President since 1993; various positions since 1976, son of Chairman of the Board, R.F. Farmer.
Guenter W. Berger	60	Vice President of Production, Director since 1980; various positions since 1960.
Kenneth R. Carson	57	Vice President of Sales since 1990; Sales Management since 1968.
David W. Uhley	56	Secretary since 1985; various positions since 1968.
John E. Simmons	46	Treasurer since 1985; various positions since 1980.

All officers are elected annually by the Board of Directors and serve at the pleasure of the Board.

Item 11. Executive Compensation

Reference is made to the information to be set forth in the section entitled "Management Remuneration" in the Proxy Statement, which is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Reference is made to the information to be set forth in the sections entitled "Principal Shareholders" and "Election of Directors" in the Proxy Statement, which is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

Reference is made to the information to be set forth in the sections entitled "Principal Shareholders" and "Election of Directors" in the Proxy Statement, which is incorporated herein by reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) List of Financial Statements and Financial Statement Schedules

1. Financial Statements included in Item 8:
   - Consolidated Balance Sheets as of June 30, 1997 and 1996.
   - Consolidated Statements of Income For the Years Ended June 30, 1997, 1996 and 1995.
   - Consolidated Statements of Cash Flows For the Years Ended June 30, 1997, 1996 and 1995.
   - Consolidated Statements of Shareholders' Equity For the Years Ended June 30, 1997, 1996 and 1995.
   - Notes to Consolidated Financial Statements.

2. Financial Statement Schedules:
   Financial Statement Schedules are omitted as they are not applicable, or the required information is given in the consolidated financial statements or notes thereto.

3. Exhibits required by Item 601 of Regulation S-K.
   See item (c) below.

(b) Reports on Form 8-K.
Registrant filed a report on Form 8-K/A on April 14, 1997 to report a change in certifying accountant.

(c) Exhibits required by Item 601 of Regulation S-K.

Exhibits

3. Articles of incorporation and by-laws.
   Filed with the Form 10-K for the fiscal year ended June 30, 1986.
4. Instruments defining the rights of security holders, including indentures.
   Not applicable.
9. Voting trust agreement.
   Not applicable.
10. Material contracts
    Not applicable.
11. Statement re computation of per share earnings.
    Not applicable.
12. Statements re computation of ratios.
    Not applicable.

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K., Continued

13. Annual report to security holders, Form 10-Q or quarterly report to security holders.
    Not applicable.

18. Letter re change in accounting principles.
    Not applicable.

19. Previously unfiled documents.
    Not applicable.

22. Subsidiaries of the Registrant.
    Not applicable.

23. Published report regarding matters submitted to vote of security holders.
    Not applicable.

24. Consents of experts and counsel.
    Not applicable.

25. Power of attorney.
    Not applicable.

28. Additional exhibits.
    Not applicable.

29. Information from reports furnished to state insurance regulatory authorities.
    Not applicable.

(d) Financial statements required by Regulation S-X but excluded from the annual report to shareholders by Rule 14a - 3(b).
    None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Farmer Bros. Co.

Roy F. Farmer
By: Roy F. Farmer
(Roy F. Farmer, Chief Executive Officer and
Chairman of the Board of Directors)
Date: September 26, 1997

John E. Simmons
By: John E. Simmons
(John E. Simmons, Treasurer and
Chief Financial and Accounting Officer)
Date: September 26, 1997

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.

Roy E. Farmer
Roy E. Farmer, President and Director
Date: August 21, 1997

Guenter W. Berger
Guenter W. Berger, Vice President and Director
Date: August 21, 1997

Lewis A. Coffman
Lewis A. Coffman, Director
Date: August 21, 1997

John M. Anglin
John M. Anglin, Director
Date: August 21, 1997

Catherine E. Crowe
Catherine E. Crowe, Director
Date: August 21, 1997

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