

FARMER BROTHERS CO  
Form 10-Q  
February 10, 2009

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended December 31, 2008

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 0-1375

**FARMER BROS. CO.**

(exact name of registrant as specified in its charter)

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**Delaware**

(State of Incorporation)

**95-0725980**

(I.R.S. Employer Identification No.)

**20333 South Normandie Avenue**

**Torrance, California**

(address of principal executive offices)

**90502**

(Zip Code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company.

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES  NO

On February 1, 2009 the registrant had 16,075,080 shares outstanding of its common stock, par value \$1.00 per share, which is the registrant's only class of common stock.

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## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

## FARMER BROS. CO.

## CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share and per share data)

	December 31, 2008 (Unaudited)		June 30, 2008	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$	40,826	\$	9,973
Short term investments		43,972		113,286
Accounts and notes receivable, net		24,564		19,856
Inventories		55,872		54,253
Income tax receivable		3,514		2,879
Deferred income taxes		12,452		7,485
Prepaid expenses		11,407		10,018
Total current assets	\$	192,607	\$	217,750
Property, plant and equipment, net	\$	85,162	\$	69,065
Goodwill and other intangible assets, net		16,346		17,568
Other assets		3,161		746
Deferred income taxes		7,855		7,855
Total assets	\$	305,131	\$	312,984
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>				
Current liabilities:				
Accounts payable	\$	8,362	\$	12,169
Accrued payroll expenses		9,316		8,449
Other		8,241		8,291
Total current liabilities	\$	25,919	\$	28,909
Accrued postretirement benefits	\$	17,508	\$	17,620
Other long term liabilities		2,311		
Total liabilities	\$	45,738	\$	46,529
Commitments and contingencies				
Stockholders' equity:				
Common stock, \$1.00 par value, authorized 25,000,000 shares; 16,075,080 issued and outstanding	\$	16,075	\$	16,075
Additional paid-in capital		30,753		30,612
Retained earnings		247,951		257,693
Unearned ESOP shares		(35,990)		(38,529)
Less accumulated comprehensive income		604		604
Total stockholders' equity	\$	259,393	\$	266,455
Total liabilities and stockholders' equity	\$	305,131	\$	312,984

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



**FARMER BROS. CO.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Dollars in thousands, except share and per share data)  
(Unaudited)

	Three months ended December 31,		Six months ended December 31,	
	2008	2007	2008	2007
Net sales	\$ 76,530	\$ 71,359	\$ 143,053	\$ 132,302
Cost of goods sold	39,212	37,183	74,784	69,399
Gross profit	\$ 37,318	\$ 34,176	\$ 68,269	\$ 62,903
Selling expense	30,193	25,485	58,197	48,840
General and administrative expenses	6,912	7,902	14,114	15,802
Operating expenses	\$ 37,105	\$ 33,387	\$ 72,311	\$ 64,642
Income (loss) from operations	\$ 213	\$ 789	\$ (4,042)	\$ (1,739)
Other (expense) income				
Dividend income	902	1,050	1,949	2,077
Interest income	461	965	938	2,224
Other, net (expense) income	(812)	(5,168)	(10,662)	(8,062)
Total other (expense) income	\$ 551	\$ (3,153)	\$ (7,775)	\$ (3,761)
Income (loss) before taxes	764	(2,364)	(11,817)	(5,500)
Income tax expense (benefit)	870	(2,137)	(5,627)	(4,320)
Net loss	\$ (106)	\$ (227)	\$ (6,190)	\$