Farmer Brothers COMPANY

2010 Annual Report

Financial Highlights

(In thousands, except per share data)

For the fiscal years ended June 30,	2010	2009(a)	2008	2007(b)	2006
Net sales	$ 450,318	$ 341,724	$ 266,485	$ 216,259	$ 207,453
Loss from operations	$ (39,192)	$ (15,203)	$ (10,644)	$ (4,076)	$ (2,965)
Net (loss) income (c)	$ (23,953)	$ (33,270)	$ (7,924)	$ 6,815	$ 4,756
Loss from operations per common share	$ (2.64)	$ (1.05)	$ (0.75)	$ (0.29)	$ (0.21)
Net (loss) income per common share	$ (1.61)	$ (2.29)	$ (0.55)	$ 0.48	$ 0.34
Cash dividends declared per common share	$ 0.46	$ 0.46	$ 0.46	$ 0.44	$ 0.42
Current assets	$ 189,956	$ 186,546	$ 217,750	$ 239,362	$ 246,808
Current liabilities (d)	$ 98,546	$ 74,756	$ 25,358	$ 27,096	$ 16,578
Long-term obligations	$ 3,137	$ 344	$ -	$ -	$ -
Working capital	$ 91,410	$ 111,790	$ 192,392	$ 212,266	$ 230,230
Capital expenditures	$ 28,483	$ 38,901	$ 24,852	$ 12,485	$ 12,840
Purchase of businesses	$ -	$ 48,287	$ -	$ 23,167	$ -
Total assets	$ 339,121	$ 330,017	$ 312,984	$ 337,609	$ 317,237
Total liabilities	$ 173,526	$ 133,528	$ 46,529	$ 71,393	$ 48,014
Total stockholders' equity	$ 165,595	$ 196,489	$ 266,455	$ 266,216	$ 269,223

(a) Includes the results of operations of the DSD Coffee Business since it was acquired by Farmer Bros. Co. on February 28, 2009.

(b) Includes the results of operations of Coffee Bean Holding Co., Inc. since it was acquired by Farmer Bros. Co. on April 27, 2007.

(c) Includes deferred tax asset valuation allowance in the amount of $19.7 million recorded as a tax expense in fiscal 2009.

(d) To match fiscal 2010 presentation, reflects reclassification of certain pension liabilities from long-term to current in fiscal 2009; reclassification of certain deferred tax liabilities from current to long-term in fiscal 2009; and reclassification of certain workers' compensation liabilities from current to long-term in fiscal 2009 and 2008.

FARMER BROS. CO.

20333 South Normandie Avenue
Torrance, California 90502

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON DECEMBER 9, 2010

TO THE STOCKHOLDERS OF FARMER BROS. CO.:

NOTICE IS HEREBY GIVEN that the 2010 Annual Meeting of Stockholders (the "Annual Meeting") of Farmer Bros. Co., a Delaware corporation (the "Company" or "Farmer Bros."), will be held at the principal office of the Company located at 20333 South Normandie Avenue, Torrance, California 90502, on Thursday, December 9, 2010, at 10:00 a.m., Pacific Standard Time, for the following purposes:

1. To elect three Class I directors to the Board of Directors of the Company for a three-year term of office expiring at the 2013 Annual Meeting of Stockholders;
2. To ratify the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2011; and
3. To transact such other business as may properly come before the Annual Meeting or any continuation, postponement or adjournment thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice of Annual Meeting of Stockholders.

The Board of Directors has fixed the close of business on October 15, 2010 as the record date for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting and at any continuation, postponement or adjournment thereof.

By Order of the Board of Directors

John M. Anglin
Secretary

Torrance, California
October 28, 2010

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON DECEMBER 9, 2010

The accompanying Proxy Statement and the Company's 2010 Annual Report on Form 10-K, as amended, are available at: *http://proxy.farmerbros.com.*

PLEASE SUBMIT A PROXY AS SOON AS POSSIBLE SO THAT YOUR SHARES CAN BE VOTED AT THE ANNUAL MEETING IN ACCORDANCE WITH YOUR INSTRUCTIONS. FOR SPECIFIC INSTRUCTIONS ON VOTING, PLEASE REFER TO THE INSTRUCTIONS ON THE PROXY CARD OR THE INFORMATION FORWARDED BY YOUR BROKER, BANK OR OTHER NOMINEE. ESOP PARTICIPANTS SHOULD FOLLOW THE INSTRUCTIONS PROVIDED BY THE ESOP TRUSTEE, GREATBANC TRUST COMPANY. EVEN IF YOU HAVE VOTED YOUR PROXY, YOU MAY STILL VOTE IN PERSON IF YOU ATTEND THE ANNUAL MEETING. PLEASE NOTE, HOWEVER, THAT IF YOUR SHARES ARE HELD OF RECORD BY A BROKER, BANK OR OTHER NOMINEE AND YOU WISH TO VOTE IN PERSON AT THE ANNUAL MEETING, YOU MUST OBTAIN A PROXY ISSUED IN YOUR NAME FROM SUCH BROKER, BANK OR OTHER NOMINEE.

YOUR VOTE IS VERY IMPORTANT. PLEASE SUBMIT YOUR PROXY EVEN IF YOU PLAN TO ATTEND THE ANNUAL MEETING.

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FARMER BROS. CO.

20333 South Normandie Avenue
Torrance, California 90502

PROXY STATEMENT

INFORMATION CONCERNING VOTING AND SOLICITATION

General

The enclosed proxy is solicited on behalf of the Board of Directors (the "Board of Directors" or the "Board") of Farmer Bros. Co., a Delaware corporation (the "Company" or "Farmer Bros."), for use at the 2010 Annual Meeting of Stockholders (the "Annual Meeting") to be held on Thursday, December 9, 2010, at 10:00 a.m., Pacific Standard Time, or at any continuation, postponement or adjournment thereof, for the purposes discussed in this Proxy Statement and in the accompanying Notice of Annual Meeting of Stockholders, and any business properly brought before the Annual Meeting. Proxies are solicited to give all stockholders of record an opportunity to vote on matters properly presented at the Annual Meeting. The approximate date on which this Proxy Statement, the accompanying proxy card and Annual Report to Stockholders (which is not part of the Company's soliciting materials) are being mailed to the Company's stockholders is November 1, 2010. The Annual Meeting will be held at the principal office of the Company located at 20333 South Normandie Avenue, Torrance, California 90502. If you plan to attend the Annual Meeting in person, you can obtain directions to the Company's principal office at *http://proxy.farmerbros.com*.

Solicitation of Proxies

The Company will bear the entire cost of solicitation of proxies, including preparation, assembly and mailing of this Proxy Statement, the proxy and any additional information furnished to stockholders. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding shares of Farmer Bros. common stock ("Common Stock") in their names that are beneficially owned by others to forward to those beneficial owners. The Company may reimburse persons representing beneficial owners for their costs of forwarding the solicitation materials to the beneficial owners. Original solicitation of proxies by mail may be supplemented by telephone, facsimile, electronic mail or personal solicitation by directors, officers or employees of the Company. No additional compensation will be paid to directors, officers or employees for such services. A list of stockholders entitled to vote at the Annual Meeting will be available for examination by any stockholder for any purpose germane to the Annual Meeting during ordinary business hours at the offices of the Company located at 20333 South Normandie Avenue, Torrance, California 90502 for the ten days prior to the Annual Meeting and also at the Annual Meeting.

What Am I Voting On?

You will be entitled to vote on the following proposals at the Annual Meeting:

- The election of three Class I directors to serve on our Board for a three-year term of office expiring at the 2013 Annual Meeting of Stockholders; and
- The ratification of the selection of Ernst & Young LLP ("EY") as our independent registered public accounting firm for the fiscal year ending June 30, 2011.

Who Can Vote?

You are entitled to vote if you are a stockholder of record of Common Stock as of the close of business on October 15, 2010. Your shares may be voted at the Annual Meeting only if you are present in person or represented by a valid proxy.

Shares Outstanding and Quorum

At the close of business on October 15, 2010, 16,156,861 shares of Common Stock were outstanding and entitled to vote at the Annual Meeting. The Company has no other class of securities outstanding. A majority of the outstanding shares of Common Stock, present in person or represented by proxy, will constitute a quorum at the Annual Meeting, which is required in order to hold the Annual Meeting and conduct business. Your shares are counted as present at the Annual Meeting if you: (i) are present in person at the Annual Meeting; or (ii) have properly submitted a proxy card by mail. If you submit your proxy but abstain from voting on one or more matters, your shares will be counted as present at the Annual Meeting for the purpose of determining a quorum. Your shares also will be counted as present at the Annual Meeting for the purpose of calculating the vote on the particular matter with respect to which you abstained from voting. If your shares are held in "street name," your shares are counted as present for purposes of determining a quorum if your broker, bank or other nominee submits a proxy covering your shares. Your broker, bank or other nominee is entitled to submit a proxy covering your shares as to certain "routine" matters, even if you have not instructed your broker, bank or other nominee on how to vote on such matters.

Voting of Shares

Stockholders of record as of the close of business on October 15, 2010 are entitled to one vote for each share of Common Stock held on all matters to be voted upon at the Annual Meeting. There is no cumulative voting in the election of our directors. You may vote by attending the Annual Meeting and voting in person. You may also vote by completing and mailing the enclosed proxy card or the form forwarded by your bank, broker or other nominee. If your shares are held by a bank, broker or other nominee, please refer to the instructions they provide for voting your shares. Participants in the Farmer Bros. Co. Employee Stock Ownership Plan (the "ESOP") should follow the instructions provided by the ESOP trustee, GreatBanc Trust Company. All shares entitled to vote and represented by properly executed proxies received before the polls are closed at the Annual Meeting, and not revoked or superseded, will be voted at the Annual Meeting in accordance with the instructions indicated on those proxies.

YOUR VOTE IS VERY IMPORTANT. PLEASE SUBMIT YOUR PROXY EVEN IF YOU PLAN TO ATTEND THE ANNUAL MEETING.

Voting Instructions by ESOP Participants

The ESOP owns approximately 17.5% of the outstanding Common Stock. Full time employees of Farmer Bros. and its subsidiaries participate in the ESOP. Each ESOP participant has the right to direct the ESOP trustee on how to vote the shares of Common Stock allocated to his or her account under the ESOP. Shares of Common Stock allocated to participant accounts for which properly executed voting instructions have been received by the ESOP trustee will be voted by the ESOP trustee in the manner directed or, in the absence of any direction, FOR each nominee named in Item 1 and FOR Item 2, and in accordance with the discretion of the ESOP trustee on such other matters as may properly come before the Annual Meeting, including any continuation, postponement or adjournment thereof, and any other matters incident to the conduct of the Annual Meeting. The ESOP trustee will vote all of the unallocated ESOP shares (i.e., shares of Common Stock held in the ESOP, but not allocated to any participant's account) and allocated shares for which no voting directions are timely received by the ESOP trustee in the same proportion as the voted allocated shares with respect to each item.

Counting of Votes

All votes will be tabulated by the inspector of election appointed for the Annual Meeting, who will separately tabulate affirmative and negative votes, abstentions and broker "non-votes." Shares held by persons attending the Annual Meeting but not voting, shares represented by proxies that reflect abstentions as to one or more proposals and broker non-votes will be counted as present for purposes of determining a quorum. A broker "non-vote" occurs when a nominee holding shares for a beneficial owner has not received instructions from the beneficial owner and does not have discretionary authority to vote the shares. If you hold your shares in street name and do not provide voting instructions to your bank, broker or other nominee, your shares will be considered to be broker non-votes and will not be voted on any proposal on which your bank, broker or other nominee does not have discretionary authority to vote. Shares that constitute broker non-votes will be counted as present at the Annual Meeting for purposes of determining a quorum, but will not be considered entitled to vote on the proposal in question. Brokers generally have discretionary authority to vote on the ratification of the selection of EY as our independent registered public accounting firm.

Directors are elected by a plurality of the votes cast. This means that the three individuals nominated for election to the Board at the Annual Meeting who receive the largest number of properly cast "FOR" votes (among votes properly cast in person or by proxy) will be elected as directors. In director elections, stockholders may either vote "FOR" or withhold voting authority with respect to director nominees. Shares voting "withhold" are counted for purposes of determining a quorum. However, if you withhold authority to vote with respect to the election of some or all of the nominees, your shares will not be voted with respect to those nominees indicated. Therefore, "withhold" votes will not affect the outcome of the election of directors. Brokers do not have discretionary authority to vote on the election of directors. Broker non-votes and abstentions will have no effect on the election of directors.

The ratification of the selection of EY requires the affirmative vote of a majority of the shares present or represented by proxy at the Annual Meeting and entitled to vote on the matter. Abstentions will have the same effect as votes against the ratification. Because brokers have discretionary authority to vote on the ratification, we do not expect any broker non-votes in connection with the ratification.

If You Receive More Than One Proxy Card

If you receive more than one proxy card, it means you hold shares that are registered in more than one account. To ensure that all of your shares are voted, sign and return each proxy card.

Proxy Card and Revocation of Proxy

You may vote by completing and mailing the enclosed proxy card. If you sign the proxy card but do not specify how you want your shares to be voted, your shares will be voted by the proxy holders named in the enclosed proxy: (i) in favor of the election of all of the director nominees; and (ii) in favor of ratification of the selection of EY as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2011. In their discretion, the proxy holders named in the enclosed proxy are authorized to vote on any other matters that may properly come before the Annual Meeting and at any continuation, postponement or adjournment thereof. The Board of Directors knows of no other items of business that will be presented for consideration at the Annual Meeting other than those described in this Proxy Statement. In addition, no stockholder proposal or nomination was received on a timely basis, so no such matters may be brought to a vote at the Annual Meeting.

If you vote by proxy, you may revoke that proxy at any time before it is voted at the Annual Meeting. Stockholders of record may revoke a proxy by sending to the Company's Secretary at the Company's principal office at 20333 South Normandie Avenue, Torrance, California 90502, a written notice of revocation or a duly executed proxy bearing a later date or by attending the Annual Meeting in person and voting in person. Attendance at the Annual Meeting will not, by itself, revoke a proxy.

If your shares are held in the name of a bank, broker or other nominee, you may change your vote by submitting new voting instructions to your bank, broker or other nominee. Please note that if your shares are held of record by a bank, broker or other nominee, and you decide to attend and vote at the Annual Meeting, your vote in person at the Annual Meeting will not be effective unless you present a legal proxy, issued in your name from the record holder, your bank, broker or other nominee.

Board Recommendations

The Board recommends that you vote your shares as follows:

- FOR the election of three Class I directors to serve on our Board for a three-year term of office expiring at the 2013 Annual Meeting of Stockholders; and

- FOR the ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2011.

ITEM 1
ELECTION OF DIRECTORS

General

Under the Company's Certificate of Incorporation and Amended and Restated Bylaws (the "Bylaws"), the Board of Directors is divided into three classes, each class consisting, as nearly as possible, of one-third of the total number of directors, with members of each class serving for a three-year term. Each year only one class of directors is subject to a stockholder vote. Class I presently consists of three directors whose term of office expires at the Annual Meeting and whose successors will be elected at the Annual Meeting to serve until the 2013 Annual Meeting of Stockholders. Class II consists of two directors, continuing in office until the 2011 Annual Meeting of Stockholders. Class III consists of two directors, continuing in office until the 2012 Annual Meeting of Stockholders.

The authorized number of directors is set forth in the Company's Certificate of Incorporation and shall consist of not less than five or more than seven members, the exact number of which shall be fixed from time to time by resolution of the Board. The authorized number of directors is currently seven. If the number of directors is changed, any increase or decrease will be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible. Any vacancy on the Board of Directors that results from an increase in the number of directors may be filled by a majority of the Board of Directors then in office, provided that a quorum is present, and any other vacancy occurring on the Board of Directors may be filled by a majority of the Board of Directors then in office, even if less than a quorum, or by the sole remaining director. Any director of any class elected to fill a vacancy resulting from an increase in the number of directors of such class will hold office for a term that will coincide with the remaining term of that class. Any director elected to fill a vacancy not resulting from an increase in the number of directors will have the same remaining term as that of his or her predecessor.

Based on the recommendation of the Nominating Committee, the Board has nominated Roger M. Laverty III, Martin A. Lynch and James J. McGarry for re-election to the Board as Class I directors. If elected at the Annual Meeting, each would serve until the 2013 Annual Meeting of Stockholders and until his successor is elected and qualified, subject, however, to prior death, resignation, retirement, disqualification or removal from office. No nominations were made by stockholders.

All of the present directors were elected to their current terms by the stockholders. There are no family relationships among any current directors of the Company, or among any current directors and executive officers of the Company. Other than as disclosed in the tables below, none of the directors is a director of any other publicly-held company. None of our directors has been convicted in any criminal proceeding during the past ten years or is a party to any judicial or administrative proceeding during the past ten years that resulted in a judgment, decree or final order enjoining them from future violations of, or prohibiting activities subject to, federal or state securities laws or a finding of any violation of federal or state securities laws or commodities laws. Similarly, no bankruptcy petitions have been filed by or against any business or property of any of our directors or officers, nor has any bankruptcy petition been filed against a partnership or business association in which these persons were general partners, directors or executive officers.

Vote Required

Each share of Common Stock is entitled to one vote for each of the three director nominees and will be given the option of voting "FOR" or withholding authority to vote for each nominee. Cumulative voting is not permitted. It is the intention of the proxy holders named in the enclosed proxy to vote the proxies received by them for the election of the three nominees named below unless the proxies direct otherwise. If any nominee should become unavailable for election prior to the Annual Meeting, an event that currently is not anticipated by the Board, the proxies will be voted for the election of a substitute nominee or nominees proposed by the Board of Directors. Each nominee has agreed to serve if elected, and the Board of Directors has no reason to believe that any nominee will be unable to serve.

Directors are elected by a plurality of the votes cast. This means that the three individuals nominated for election to the Board at the Annual Meeting who receive the largest number of properly cast "FOR" votes (among votes properly cast in person or by proxy) will be elected as directors. In director elections, stockholders may either vote "FOR" or withhold voting authority with respect to director nominees. Shares voting "withhold" are counted for purposes of determining a quorum. However, if you withhold authority to vote with respect to the election of some or all of the nominees, your shares will not be voted with respect to those nominees indicated. Therefore, "withhold" votes will not affect the outcome of the election of directors. Brokers do not have discretionary authority to vote on the election of directors. Broker non-votes and abstentions will have no effect on the election of directors.

Nominees for Election as Directors

Set forth below is biographical information for each nominee for election as a Class I director at the Annual Meeting and a summary of the specific qualifications, attributes, skills and experiences which led our Board to conclude that the individual should be re-nominated to serve on the Board.

Name	Age	Director Since	Audit Committee	Compensation Committee	Nominating Committee
Roger M. Laverty III	63	2007			
Martin A. Lynch	73	2007	X		X
James J. McGarry	57	2007		X	X

Roger M. Laverty III joined Farmer Bros. in 2006, as the fifth chief executive to lead the Company since its founding in 1912. Under Mr. Laverty's leadership, the Company has positioned itself as one of the nation's largest direct-store delivery (DSD) businesses for coffee, tea and culinary products, including the acquisition of the DSD Coffee Business from Sara Lee in 2009, and the acquisition of Coffee Bean International, Inc. ("CBI"), one of the nation's leading roasters and wholesalers of specialty coffee, in 2007. Since joining Farmer Bros., Mr. Laverty has also focused on operational improvements through programs intended to enhance the efficiency and flexibility of the Company's manufacturing processes and supply chain, and initiatives intended to strengthen sales and branding. From 2003 to 2005, Mr. Laverty served as President and CEO of Diedrich Coffee, Inc., a diversified operator of coffee houses and franchises that was known for its expertise and traditions in specialty coffee. Earlier, Mr. Laverty served 20 years with retailer Smart & Final, Inc., an operator of non-membership grocery warehouse stores for food and foodservice supplies, playing key roles in the growth of its sales from $200 million to more than $1.4 billion. He served as President and CEO of Smart & Final from 1993 to 1998. Mr. Laverty received his undergraduate and law degrees from Stanford University. Mr. Laverty's knowledge regarding the Company's operations and the markets and industries in which we compete provides a critical link between management and the Board of Directors, enabling the Board to provide its oversight function with the benefit of management's perspective of the business.

Martin A. Lynch is currently the President of Claremorris Consulting, a privately-owned consulting company helping privately-held and publicly-held companies in the areas of strategic and financial projects, and has been serving in this capacity since 2002. From 2003 to 2005, Mr. Lynch served as the Executive Vice President and Chief Financial Officer of Diedrich Coffee, Inc. From 2001 to 2003, he served as a consultant to Smart & Final on strategic and financial projects. For twelve years, from 1989 to 2001, he served as Executive Vice President and Chief Financial Officer of Smart & Final. From 1984 to 1989, Mr. Lynch was Executive Vice President and Chief Financial Officer of San Francisco-based Duty Free Shoppers Group, Ltd. (retail). He served in a number of key positions with Los Angeles-based Tiger International (transportation and financial services) from 1970 to 1984 including the position of Senior Vice President, Chief Financial Officer from 1976 to 1984. Mr. Lynch's earlier experience includes merger and acquisition activities at Scot Lad Foods, Inc. (retail grocery) and service as audit manager for Price Waterhouse & Company (accounting) in Chicago. Mr. Lynch received his undergraduate degree from De Paul University and received his Certified Public Accountant designation in Illinois. Mr. Lynch's background and experience, particularly in the foodservice business, provide him with an understanding of our business, operations, financial results and prospects.

James J. McGarry has been a partner in the law firm of McGarry & Laufenberg, El Segundo, California, since 1995, and was a partner in other law firms bearing his name since 1984. A licensed attorney since 1980, his experience has been as a litigator and a mediator, specializing in business, tort and contract litigation. Mr. McGarry received his undergraduate degree from Loyola Marymount University and his law degree from Loyola Law School. Mr. McGarry's extensive legal and business experience provide him with an understanding of the Company's operations.

THE BOARD RECOMMENDS A VOTE "FOR" EACH OF THE THREE NAMED NOMINEES.

Directors Continuing in Office

Set forth below is biographical information for each director continuing in office and a summary of the specific qualifications, attributes, skills and experiences which led our Board to conclude that the individual should serve on the Board.

Name	Age	Director Since	Class	Term Expires	Audit Committee	Compensation Committee	Nominating Committee
Guenter W. Berger	73	1980	II	2011			
Jeanne Farmer Grossman	60	2009	III	2012		X	X
Thomas A. Maloof	58	2003	II	2011	X	Chair	X
John H. Merrell	66	2001	III	2012	Chair	X	X

Guenter W. Berger retired in December 2007 as Chief Executive Officer of Farmer Bros. after more than 47 years of service with the Company in various capacities. Mr. Berger served as Chief Executive Officer of the Company from 2005 to 2007, President from August 2005 through July 2006, and Interim President and Chief Executive Officer from January 2005 to August 2005. For more than 25 years, from 1980 to 2005, Mr. Berger served as Vice President of Torrance inventory, production, coffee roasting and distribution operations. Based on his longstanding tenure with the Company, Mr. Berger has a deep understanding of our operations and has acquired extensive knowledge of the foodservice industry and the production and distribution processes related to coffee, tea and culinary products.

Jeanne Farmer Grossman is a retired teacher and a homemaker. She is the sister of Carol Farmer Waite, a former director, and the late Roy E. Farmer, who served as Chairman of the Board from 2004 to 2005, Chief Executive Officer from 2003 to 2005, and President from 1993 to 2005, and the daughter of the late Roy F. Farmer, who served as Chairman of the Board from 1951 to 2004 and Chief Executive Officer from 1951 to 2003. Ms. Grossman received her undergraduate degree and teaching credentials from the University of California at Los Angeles.

Thomas A. Maloof served as Chief Financial Officer of Hospitality Marketing Concepts, LLC, Newport Beach, California, a provider of loyalty membership programs for the hospitality and leisure industries, from January 2001 to August 2005, and has been an independent consultant since 2005. Mr. Maloof served as President of Perinatal Practice Management, Inc., a national genetic testing provider, from 1998 to 2000. Mr. Maloof currently serves as a director for PC Mall, Inc. (Nasdaq: MALL), a direct marketing company, and The Ensign Group (Nasdaq: ENSG), an operator of skilled nursing facilities. Mr. Maloof's background and experience provide management, public company corporate governance and financial experience to the Board.

John H. Merrell is a retired partner of the regional accounting and consulting firm of Hutchinson and Bloodgood LLP, Glendale, California. He was an active Partner in the firm from 1978 to 2008. He served as Managing Partner of the firm from 1988 to 2002. Prior to 1978, Mr. Merrell spent six years with an international public accounting firm both in the audit and tax departments. Mr. Merrell has also served as the Corporate Controller and then Chief Financial Officer of a publicly-held company in the international insurance industry. Mr. Merrell received his undergraduate degree in Accounting from San Jose State University, and is a Certified Public Accountant. Mr. Merrell's background and experience provide valuable management and leadership skills, as well as an understanding of the operations and financial results and prospects of the Company. Based on his experience, the Board has determined that he is an Audit Committee financial expert.

ITEM 2
RATIFICATION OF SELECTION
OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

General

The Audit Committee of the Board of Directors has selected Ernst & Young LLP ("EY") as the independent registered public accounting firm for the Company and its subsidiaries for the fiscal year ending June 30, 2011, and has further directed that management submit this selection for ratification by the stockholders at the Annual Meeting. EY served as the Company's independent registered public accounting firm in fiscal 2010. A representative of EY is expected to be present at the Annual Meeting and will have the opportunity to make a statement and respond to appropriate questions.

Stockholder ratification of the selection of EY as the Company's independent registered public accounting firm is not required by the Bylaws or otherwise. However, the Board is submitting the selection of EY to stockholders for ratification because the Company believes it is a matter of good corporate practice. If the Company's stockholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain EY but still may retain them. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if the Audit Committee determines that such a change would be in our best interests and that of our stockholders.

Vote Required

The affirmative vote of a majority of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote is required to ratify the selection of EY.

THE BOARD RECOMMENDS A VOTE "FOR" RATIFICATION OF THE SELECTION OF ERNST & YOUNG LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Beneficial Owners

The following table sets forth certain information regarding the beneficial ownership of Common Stock as of October 15, 2010, by all persons (including any "group" as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) known by the Company to be the beneficial owner of more than five percent (5%) of the Common Stock as of such date, except as noted in the footnotes below:

Name and Address of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership(2)	Percent of Class(3)
Farmer Group	6,402,895 shares(4)	39.6%
Employee Stock Ownership Plan	2,834,060 shares(5)	17.5%
Franklin Mutual Advisers, LLC	2,040,293 shares(6)	12.6%

(1) The address for Franklin Mutual Advisers, LLC ("Franklin") is 101 John F. Kennedy Parkway, Short Hills, New Jersey 07078. The address for all other beneficial owners is c/o Farmer Bros. Co., 20333 South Normandie Avenue, Torrance, California 90502.

(2) For purposes of this table, "beneficial ownership" is determined in accordance with Rule 13d-3 under the Exchange Act. A person is deemed to be the beneficial owner of a security if that person has the right to acquire beneficial ownership of such security within 60 days. Information in this table regarding beneficial owners of more than five percent (5%) of the Common Stock is based on information provided by them or obtained from filings under the Exchange Act. Unless otherwise indicated in the footnotes, each of the beneficial owners of more than five percent (5%) of the Common Stock has sole voting and/or investment power with respect to such shares.

(3) The "Percent of Class" reported in this column has been calculated based upon the number of shares of Common Stock outstanding as of October 15, 2010 and may differ from the "Percent of Class" reported in statements of beneficial ownership filed with the Securities and Exchange Commission (the "SEC").

(4) For purposes of Section 13 of the Exchange Act, Carol Farmer Waite, Richard F. Farmer, Jeanne Farmer Grossman, Trust A created under the Roy E. Farmer Trust dated October 11, 1957 ("Trust A") and Farmer Equities, LP, a California limited partnership ("Farmer Equities"), comprise a group (the "Farmer Group"). The Farmer Group is deemed to be the beneficial owner of all shares beneficially owned by its members with shared power to vote and dispose of such shares. Each member of the Farmer Group is the beneficial owner of the following shares (in accordance with the beneficial ownership regulations, in certain cases the same shares of Common Stock are shown as beneficially owned by more than one individual or entity):

Name of Beneficial Owner	Total Shares Beneficially Owned	Percent of Class	Shares Disclaimed	Sole Voting and Investment Power	Shared Voting and Investment Power
Carol Farmer Waite	6,320,938 shares	39.1%	14,474 shares	22,720 shares	6,312,692 shares
Richard F. Farmer	6,294,419 shares	39.0%	39,891 shares	21,820 shares	6,312,490 shares
Jeanne Farmer Grossman	4,133,125 shares	25.6%	6,030 shares	11,723 shares	4,127,432 shares
Trust A	1,463,640 shares	9.1%	—	1,463,640 shares	—
Farmer Equities	2,617,530 shares	16.2%	—	2,617,530 shares	—

(5) Includes 1,550,341 allocated shares and 1,283,719 shares as yet unallocated to plan participants as of October 15, 2010. The ESOP trustee votes the shares held by the ESOP that are allocated to participant accounts as directed by the participants or beneficiaries of the ESOP. Under the terms of the ESOP, the ESOP trustee will vote all of the unallocated ESOP shares (i.e., shares of Common Stock held in the ESOP,

but not allocated to any participant's account) and allocated shares for which no voting directions are timely received by the ESOP trustee in the same proportion as the voted allocated shares with respect to each item. The present members of the ESOP Administrative Committee are Roger M. Laverty III, Martin A. Lynch and John H. Merrell. Each member of the ESOP Administrative Committee disclaims beneficial ownership of the securities held by the ESOP except for those, if any, that have been allocated to the member as a participant in the ESOP.

(6) The amount shown was provided by Franklin pursuant to a Schedule 13F filed by Franklin Resources, Inc. with the SEC on August 10, 2010. Franklin is reported to have sole voting and investment power over 2,040,293 shares beneficially owned by one or more open-end investment companies or other managed accounts which, pursuant to investment management contracts, are managed by Franklin. Franklin reports that it has sole voting and dispositive power over all of these shares.

Security Ownership of Directors and Executive Officers

The following table sets forth certain information regarding the beneficial ownership of Common Stock as of October 15, 2010, by: (i) each director and nominee; (ii) the Company's Chief Executive Officer, (iii) all individuals serving as the Company's Chief Financial Officer or acting in a similar capacity during fiscal 2010; (iv) the Company's most highly compensated executive officers (other than the Chief Executive Officer and Chief Financial Officer) who were serving as executive officers at the end of fiscal 2010; (v) one additional individual for whom disclosure would have been provided but for the fact that she was not serving as an executive officer of the Company at the end of fiscal 2010 (collectively, the "Named Executive Officers"); and (vi) all directors and executive officers of the Company as a group.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)(2)	Percent of Class
Non-Employee Directors and Nominees		
Guenter W. Berger	17,557(3)	*
Jeanne Farmer Grossman	4,133,125(4)	25.6%
Martin A. Lynch	4,873(5)	*
Thomas A. Maloof	7,873(6)	*
James J. McGarry	4,873(5)	*
John H. Merrell	6,373(7)	*
Named Executive Officers		
Roger M. Laverty III	105,540(8)	*
Jeffrey A. Wahba	3,000	*
Peter B. Knepper	—	—
John E. Simmons	20,652(9)	*
Drew H. Webb	9,000(10)	*
Hortensia R. Gómez	9,041(11)	*
Heidi L. Modaro	—(12)	—
All directors and executive officers as a group (14 individuals)	4,326,780	26.8%

* Less than 1%

(1) For purposes of this table, "beneficial ownership" is determined in accordance with Rule 13d-3 under the Exchange Act. A person is deemed to be the beneficial owner of a security if that person has the right to acquire beneficial ownership of such security within 60 days. Information in this table is based on the Company's records and information provided by directors, nominees, executive officers and in public filings. Unless otherwise indicated in the footnotes and subject to community property laws where applicable, each of the directors, nominees and executive officers has sole voting and/or investment power with respect to such shares, including shares held in trust.

(2) Includes (i) shares of restricted stock which have not yet vested as of October 15, 2010, awarded under the Farmer Bros. Co. 2007 Omnibus Plan (the "Omnibus Plan") over which the individuals shown have voting power but no investment power, and (ii) shares which the individuals shown have the right to acquire upon the exercise of vested options as of October 15, 2010 or within 60 days thereafter as set forth in the table below. Such shares are deemed to be outstanding in calculating the percentage ownership of such individual (and the group), but are not deemed to be outstanding as to any other person.

Name	Vested Options (#)	Right to Acquire Under Vested Options Within 60 Days (#)	Restricted Stock (#)
Non-Employee Directors and Nominees			
Guenter W. Berger	—	—	3,542
Jeanne Farmer Grossman	—	—	2,173
Martin A. Lynch	—	—	3,542
Thomas A. Maloof	—	—	3,542
James J. McGarry	—	—	3,542
John H. Merrell	—	—	3,542
Named Executive Officers			
Roger M. Laverty III	40,001	37,609	24,372
Jeffrey A. Wahba	—	—	3,000
Peter B. Knepper	—	—	—
John E. Simmons(a)	9,000	—	—
Drew H. Webb(b)	9,000	—	—
Hortensia R. Gómez	3,000	2,156	1,132
Heidi L. Modaro(c)	—	—	—
Other Executive Officers	—	—	3,542

(a) Excludes 3,000 shares of restricted stock and 9,000 shares subject to unvested stock options previously granted to Mr. Simmons which were forfeited upon Mr. Simmons' retirement from the Company on February 28, 2010.

(b) Excludes 6,458 shares of restricted stock and 31,542 shares subject to unvested stock options previously granted to Mr. Webb which were forfeited upon Mr. Webb's separation from the Company on September 17, 2010.

(c) Excludes 2,562 shares of restricted stock and 19,138 shares subject to unvested stock options previously granted to Ms. Modaro which were forfeited upon Ms. Modaro's separation from the Company on February 25, 2010.

(3) Includes 1,331 shares owned outright, 6,060 shares held in trust with voting and investment power shared by Mr. Berger and his wife, and 6,624 shares previously allocated to Mr. Berger under the ESOP which have been distributed to Mr. Berger and are now owned outright.

(4) Includes shares held in Farmer Equities and various family trusts of which Ms. Grossman (or a trust of which she is the sole trustee) is a general partner or the sole trustee, co-trustee, beneficiary and/or settlor. Ms. Grossman is the indirect beneficial owner of: (i) 9,550 shares of Common Stock as a successor trustee of a family trust for the benefit of her daughter over which she has sole voting and dispositive power; (ii) 2,617,530 shares of Common Stock as sole trustee of the Jeanne F. Grossman Trust, dated August 22, 1997, which is a general partner of Farmer Equities, and over which she has shared voting and dispositive power with trusts for the benefit of Carol Farmer Waite and Richard F. Farmer; and (iii) 1,509,902 shares of Common Stock as successor co-trustee of various family trusts, for the benefit of herself and family members, and over which she has shared voting and dispositive power with Carol Farmer Waite and/or Richard F. Farmer. Ms. Grossman disclaims beneficial ownership of 6,030 shares held in a trust for the

benefit of her nephew. Total beneficial ownership of the Farmer Group, which includes Ms. Grossman, is 6,402,895, as shown in the table above under the heading "—Security Ownership of Certain Beneficial Owners."

(5) Includes 1,331 shares owned outright.

(6) Includes 1,331 shares owned outright and 3,000 shares beneficially owned by Mr. Maloof through an IRA.

(7) Includes 1,331 shares owned outright and 1,500 shares held in a revocable living trust with voting and investment power shared by Mr. Merrell and his wife.

(8) Includes 1,000 shares held in a trust with voting and investment power shared by Mr. Laverty and his wife and 2,558 shares beneficially owned by Mr. Laverty through the ESOP, rounded to the nearest whole share.

(9) Includes 3,720 shares owned outright and 7,932 shares beneficially owned by Mr. Simmons through the ESOP, rounded to the nearest whole share.

(10) Excludes 1,471 shares allocated to Mr. Webb through the ESOP which were unvested and forfeited upon Mr. Webb's separation from the Company on September 17, 2010.

(11) Includes 129 shares held in a trust over which Ms. Gómez has sole voting and investment power and 2,624 shares beneficially owned by Ms. Gómez through the ESOP, rounded to the nearest whole share.

(12) Excludes 648 shares allocated to Ms. Modaro through the ESOP which were unvested and forfeited upon Ms. Modaro's separation from the Company on February 25, 2010.

CORPORATE GOVERNANCE

Board Independence

At least annually, the Board reviews the independence of each non-employee director and affirmatively determines whether each director qualifies as independent. The Board believes that stockholder interests are best served by having a number of objective, independent representatives on the Board. For this purpose, a director will be considered to be "independent" only if the Board affirmatively determines that the director has no relationship with the Company that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

In making its independence determinations, the Board reviewed transactions and relationships between each director and nominee, or any member of his or her immediate family, and us or our subsidiaries based on information provided by the director or nominee, our records and publicly available information. The Board made the following independence determinations (the relationships and transactions reviewed by the Board in making such determinations are set forth in the footnotes below):

Director	Status
Guenter W. Berger	Not independent(1)
Jeanne Farmer Grossman	Independent(2)
Roger M. Laverty III	Not independent(3)
Martin A. Lynch	Independent(4)
Thomas A. Maloof	Independent(5)
James J. McGarry	Independent(6)
John H. Merrell	Independent(4)

(1) Mr. Berger is the Chairman and former Chief Executive Officer of the Company.

(2) Ms. Grossman is the sister of Carol Farmer Waite, a former director, and the sister of the late Roy E. Farmer and daughter of the late Roy F. Farmer, both of whom were executive officers of the Company more than three years ago. The Board considered these relationships and determined that such relationships do not interfere with Ms. Grossman's exercise of independent judgment in carrying out her responsibilities as a director.

(3) Mr. Laverty is the Company's President and Chief Executive Officer. Mr. Laverty's daughter is Producer Relationship Coordinator, a non-executive officer employee of CBI, a subsidiary of the Company. Her compensation is less than the threshold amount that would require disclosure as a related person transaction.

(4) The Board considered the membership of Messrs. Lynch and Merrell on the Company's ESOP Administrative Committee, and determined that such relationship does not interfere with their exercise of independent judgment in carrying out their responsibilities as directors.

(5) Mr. Maloof's son is a real estate salesperson employed by a real estate broker retained by the Company and may receive a commission in connection with the sale of real estate owned by the Company. Such commission, if any, is less than the threshold amount that would require disclosure as a related person transaction. The Board considered this relationship and transaction and determined that such relationship and transaction does not interfere with Mr. Maloof's exercise of independent judgment in carrying out his responsibilities as a director.

(6) Mr. McGarry is a partner in the law firm of McGarry & Laufenberg. During the last three fiscal years, McGarry & Laufenberg billed legal fees and costs to the Company and/or Liberty Mutual Insurance Company, the Company's insurance carrier, in connection with various matters relating to the Company. The foregoing amounts did not exceed the greater of 5% of McGarry & Laufenberg's gross revenues or $200,000 during the applicable fiscal year. The Board considered these relationships and transactions and determined that such relationships and transactions do not interfere with Mr. McGarry's exercise of independent judgment in carrying out his responsibilities as a director.

Board Meetings and Attendance

The Board held five meetings during fiscal 2010, including four regularly scheduled and one special meeting. During fiscal 2010, each director attended at least 75% of the total number of meetings of the Board of Directors (held during the period for which he or she served as a director) and committees of the Board on which he or she served (during the periods that he or she served). Although it is customary for all Board members to attend, the Company has no formal policy in place with regard to Board members' attendance at the Company's annual meeting of stockholders. All directors who were then serving were present at the 2009 Annual Meeting of Stockholders held on December 10, 2009 (the "2009 Annual Meeting").

The independent members of the Board met in executive session without management three times in fiscal 2010. Each independent director attended at least 75% of the total number of executive sessions (held during the period for which he or she served as a director) during fiscal 2010.

Charters; Code of Conduct and Ethics

The Board maintains charters for each of its standing committees, which include the Audit Committee, Compensation Committee and Nominating Committee. In addition, the Board has adopted a written Code of Conduct and Ethics for all employees, officers and directors. Current committee charters and the Code of Conduct and Ethics are available on the Company's website at *www.farmerbros.com*.

Board Committees

The Board maintains the following committees to assist it in discharging its oversight responsibilities:

Audit Committee

The Audit Committee is a standing committee of the Board established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Audit Committee's principal purposes are to oversee the accounting and financial reporting processes of the Company and the audit of the Company's financial statements. The Committee's responsibilities include assisting the Board in overseeing: (i) the integrity of the Company's financial statements; (ii) the independent auditor's qualifications and independence; (iii) the performance of the Company's independent auditor; (iv) the Company's compliance with legal and regulatory requirements in connection with related person transactions; and (v) the Company's system of disclosure controls and system of internal financial, accounting and legal compliance controls. The Audit Committee is directly and solely responsible for the appointment, dismissal, compensation, retention and oversight of the work of any independent auditor engaged by the Company for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. The independent auditor reports directly to the Audit Committee.

During fiscal 2010, the Audit Committee met seven times. John H. Merrell serves as Chairman, and Martin A. Lynch and Thomas A. Maloof currently serve as members of the Audit Committee. All members of the Audit Committee meet the Nasdaq composition requirements, including the requirements regarding financial literacy and financial sophistication, and the Board has determined that each member is independent under the Nasdaq listing standards and the rules of the SEC regarding audit committee membership. The Board has determined that at least one member of the Audit Committee is an "audit committee financial expert" as defined in Item 407(d) of Regulation S-K under the Exchange Act. That person is John H. Merrell, the Audit Committee Chairman.

Compensation Committee

Overview

The Compensation Committee is a standing committee of the Board. The Compensation Committee's principal purposes are to discharge the Board's responsibilities related to compensation of the Company's executive officers and administer the Company's incentive compensation plan for executive officers and the Company's equity compensation plan. The Compensation Committee also is responsible for evaluating and making recommendations to the Board regarding director compensation. In addition, the Compensation Committee is responsible for conducting an annual risk evaluation of the Company's compensation practices, policies and programs.

During fiscal 2010, the Compensation Committee met five times. Thomas A. Maloof serves as Chairman, and Jeanne Farmer Grossman, James J. McGarry and John H. Merrell currently serve as members of the Compensation Committee. The Board has determined that all Compensation Committee members are independent under the Nasdaq listing standards and the requirements of the SEC.

Executive Compensation

The processes and procedures of the Compensation Committee for considering and determining compensation for our executive officers are as follows:

- Cash compensation for our executive officers is generally determined annually in the first quarter of the fiscal year, with any adjustments to base compensation retroactive to the beginning of the applicable fiscal year. Equity compensation is generally determined on the date of the regularly scheduled meeting of the Board of Directors in December of each year, with grants to executive officers hired or promoted since that grant date to receive an interim grant reviewed by the Board and approved by the Compensation Committee outside any blackout period under our insider trading policy.

- In making determinations regarding executive officer compensation, the Compensation Committee considers competitive market data among several other factors such as Company performance, individual executive performance, tenure, the importance of the role at the Company and pay levels among the Company's executives, as well as input and recommendations of the Chief Executive Officer with respect to compensation for those executive officers reporting directly to him. The Compensation Committee has typically followed these recommendations. In the case of the Chief Executive Officer, the Compensation Committee may also solicit input from the other disinterested Board members.

- In fiscal 2010, the Compensation Committee retained Mercer to update its study conducted in 2007 with respect to the Company's compensation levels and mix relative to market benchmarks. The updated study was based on a revised peer group and updated survey information reflecting the increase in size and scope of the Company's operations following the acquisition of the DSD coffee business from Sara Lee (the "DSD Acquisition"). Mercer reported directly to the Compensation Committee in connection with these services. Management interacted with the consultant to provide information or the perspective of management as requested by the consultant or Compensation Committee, and coordinated payment to the consultant out of the Board of Directors' budget. During fiscal 2010, Mercer attended four of the five Compensation Committee meetings.

- With respect to incentive compensation for our executive officers under the Farmer Bros. Co. 2005 Incentive Compensation Plan (the "Incentive Plan"), generally during the first quarter of each fiscal year, the Compensation Committee evaluates the executive officer's performance in light of the goals and objectives established for the prior year and determines the level of incentive compensation to be awarded to each executive officer. As part of the evaluation process, the Compensation Committee solicits comments from the Chief Executive Officer with respect to achievement of individual goals by those executive officers reporting to him. In the case of the Chief Executive Officer, the Compensation Committee may also solicit input from the other disinterested Board members. Additionally, the executive officers have an opportunity to provide input regarding their contributions to the Company's success and achievement of individual goals for the period being assessed. Incentive compensation for Named Executive Officers is approved by the Compensation Committee or, upon recommendation of the Compensation Committee, submitted to the disinterested members of the Board for approval. Following determination of incentive compensation awards for the prior fiscal year, the Compensation Committee establishes individual and corporate goals and objectives for each executive officer for the current fiscal year.

- The Compensation Committee has the authority to make equity-based grants under the Omnibus Plan to eligible individuals for purposes of compensation, retention or promotion, and in connection with commencement of employment. Proposed equity awards to all executive officers are discussed and presented to the entire Board prior to award by the Compensation Committee.

- The Compensation Committee has authority to delegate any of the functions described above to a subcommittee of its members. No delegation of this authority was made in fiscal 2010.

- The Compensation Committee holds executive sessions (with no members of management present) at each of its regular meetings.

Director Compensation

In addition to considering and determining compensation for our executive officers, the Compensation Committee evaluates and makes recommendations to the Board regarding compensation for non-employee Board members. Any Board member who is also an employee of the Company does not receive separate compensation for service on the Board.

The processes and procedures of the Compensation Committee for considering and determining director compensation are as follows:

- The Compensation Committee has authority to evaluate and make recommendations to the Board regarding director compensation. The Compensation Committee conducts this evaluation periodically by reviewing our director compensation practices against the practices of an appropriate peer group and market survey information. Based on this evaluation, the Compensation Committee may determine to make recommendations to the Board regarding possible changes. The Compensation Committee has the authority to delegate any of these functions to a subcommittee of its members. No delegation of this authority was made in fiscal 2010.

- The Compensation Committee has the authority to retain consultants to advise on director compensation matters. In 2007, the Compensation Committee retained Mercer to evaluate the Company's director compensation levels relative to market benchmarks. No compensation consultants were engaged to provide advice regarding director compensation in 2008, 2009 or 2010. No executive officer has any role in determining or recommending the form or amount of director compensation.

- The full Board serves as administrator under the Omnibus Plan with respect to equity awards made to non-employee directors.

Compensation Committee Interlocks and Insider Participation

During fiscal 2010, Thomas A. Maloof (Chair), Jeanne Farmer Grossman, James J. McGarry and John H. Merrell served as members of the Compensation Committee. No member of the Compensation Committee is an officer or former officer of the Company, was an employee of the Company during fiscal 2010, or has any relationship requiring disclosure by the Company as a related person transaction under SEC rules.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management and, based on the review and discussions, recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference in the Company's Annual Report on Form 10-K, as amended, for the fiscal year ended June 30, 2010.

Compensation Committee
of the Board of Directors

Thomas A. Maloof, Chairman
Jeanne Farmer Grossman
James J. McGarry
John H. Merrell

Nominating Committee

The Nominating Committee is a standing committee of the Board. The Nominating Committee's principal purposes are to identify persons qualified to become Board members and to recommend to the Board individuals to be selected as director nominees for the next annual meeting of stockholders or for appointment to vacancies on the Board.

During fiscal 2010, the Nominating Committee met once to nominate directors for election at the 2009 Annual Meeting. Jeanne Farmer Grossman, Martin A. Lynch, James J. McGarry, Thomas A. Maloof and John H. Merrell currently serve as members of the Nominating Committee. The Board has determined that all Nominating Committee members are independent under the Nasdaq listing standards.

Director Qualifications and Board Diversity

The Nominating Committee is responsible for determining Board of Director membership qualifications and selects, evaluates and recommends to the Board nominees to fill vacancies as they arise. The Nominating Committee maintains, with the approval of the Board, guidelines for selecting nominees to serve on the Board and considering stockholder recommendations for nominees. The Nominating Committee believes that its slate of nominees should include: the Chief Executive Officer of the Company; one or more nominees with upper management experience with the Company, in the coffee industry, in a complementary industry or who have desired professional expertise; three nominees who are independent and have the requisite accounting or financial qualifications to serve on the Audit Committee; and at least three nominees who are independent and have executive compensation experience to serve on the Compensation Committee. All nominees should contribute substantially to the Board's oversight responsibilities and reflect the needs of the Company's business. Additionally, the Nominating Committee believes that a member of the Farmer family, founding and substantial stockholders of the Company, or their representative should serve on the Board of Directors. The Nominating Committee believes that diversity has a place when choosing among candidates who otherwise meet the selection criteria, but the Company has not established a policy concerning diversity in Board composition. The Nominating Committee is responsible for evaluating and recommending to the Board the total size and composition of the Board. In connection with the annual nomination of directors, the Nominating Committee reviews with the Board the composition of the Board as a whole and recommends, if necessary, measures to be taken so that the Board reflects the appropriate balance of knowledge, experience, skills, background and diversity required for the Board as a whole. The background of each director and nominee is described above under "Item 1—Election of Directors."

For purposes of identifying nominees for the Board of Directors, the Nominating Committee relies on professional and personal contacts of the Board and senior management. The Nominating Committee will consider recommendations for director nominees from Company stockholders. Biographical information and contact information for proposed nominees should be sent to Farmer Bros. Co., 20333 South Normandie Avenue, Torrance, California 90502, Attention: Secretary, subject to the notice provisions described below under the heading "Other Matters—Stockholder Proposals and Nominations." The Nominating Committee will evaluate candidates proposed by stockholders using the following criteria: Board needs (see discussion of slate of nominees above); relevant business experience; time availability; absence of conflicts of interest; and perceived ability to contribute to the Company's success.

Board Leadership Structure

Under our Bylaws, the Board of Directors, in its discretion, may choose a Chairman of the Board of Directors. If there is a Chairman of the Board of Directors, such person may exercise such powers as provided in the Bylaws or assigned by the Board of Directors. Since 2007, Guenter W. Berger has served as Chairman of the Board of Directors. As described above under "Item 1—Election of Directors," Mr. Berger has served on our Board of Directors since 1980. He retired in 2007 as Chief Executive Officer after more than 47 years of service with our company in various capacities.

Notwithstanding the current separation of Chairman of the Board and Chief Executive Officer, our Chief Executive Officer is generally responsible for setting agenda items with input from the Board, and leading discussions during Board meetings. This structure allows for effective and efficient Board meetings and information flow on important matters affecting the Company. Other than Messrs. Laverty and Berger, all members of the Board are independent and all Board committees are comprised solely of independent directors. Due principally to the limited size of the Board and the long tenure of its members, the Board has not formally designated a lead independent director and believes that as a result thereof, executive sessions of the Board, which are attended solely by independent directors, result in an open and free flow of discussion of any and all matters that any director may believe relevant to the Company and/or its management.

Although the roles of Chairman and Chief Executive Officer are currently filled by different individuals, no single leadership model is right for all companies at all times, and the Company has no bylaw or policy in place that mandates this leadership structure. Accordingly, the Board of Directors periodically evaluates its leadership structure to ensure that it remains the optimal structure for the Company and its stockholders.

Board's Role in Risk Oversight

The Board of Directors recognizes that although risk management is primarily the responsibility of the Company's management team, the Board plays a critical role in the oversight of risk. The Board believes that an important part of its responsibilities is to assess the major risks which the Company faces and review the Company's options for monitoring and controlling these risks. The Board has delegated to the Audit Committee responsibility for oversight of risks associated with financial accounting and audits, internal control over financial reporting and the Company's major financial risk exposures, including risks relating to pension plan investments, commodity risk and hedging programs. The Compensation Committee oversees the risks relating to the Company's compensation policies and practices, as well as management development and leadership succession at the Company. At each regular meeting, or more frequently as needed, the Board of Directors considers reports from the Audit Committee and Compensation Committee which provide detail on risk management issues and management's response. The Board of Directors as a whole examines specific business risks in its periodic reviews of the individual business units and also on a company-wide basis as part of its regular reviews, including as part of the strategic planning process and annual budget review and approval. Outside of formal meetings, the Board and its committees have regular access to senior executives, including the Company's Chief Executive Officer and Chief Financial Officer. The Company believes that its leadership structure promotes effective Board oversight of risk management because the Board directly, and through its various committees, is regularly provided by management with the information necessary to appropriately monitor, evaluate and assess the Company's overall risk management, and all directors are actively involved in the risk oversight function.

Communication with the Board

The Company’s annual meeting of stockholders provides an opportunity each year for stockholders to ask questions of or otherwise communicate directly with members of the Board on appropriate matters. In addition, stockholders may communicate in writing with any particular director, any committee of the Board, or the directors as a group, by sending such written communication to the Secretary of the Company at the Company’s principal office, 20333 South Normandie Avenue, Torrance, California 90502. Copies of written communications received at such address will be collected and organized by the Secretary and provided to the Board or the relevant director unless such communications are considered, in the reasonable judgment of the Secretary, to be inappropriate for submission to the intended recipient(s). Examples of stockholder communications that would be considered inappropriate for submission to the Board include, without limitation, customer complaints, solicitations, communications that do not relate directly or indirectly to the Company’s business, or communications that relate to improper or irrelevant topics. The Secretary or his designee may analyze and prepare a response to the information contained in communications received and may deliver a copy of the communication to other Company employees or agents who are responsible for analyzing or responding to complaints or requests. Communications concerning possible director nominees submitted by any of our stockholders will be forwarded to the members of the Nominating Committee.

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis describes our compensation philosophy, objectives and policies with respect to our Named Executive Officers which includes, for fiscal 2010, three current and four former executive officers as set forth in the table below:

Current Executive Officers Included Among Fiscal 2010 Named Executive Officers	Former Executive Officers Included Among Fiscal 2010 Named Executive Officers
Roger M. Laverty III President and Chief Executive Officer	Peter B. Knepper(2) Former Chief Financial Officer (Interim)
Jeffrey A. Wahba(1) Treasurer and Chief Financial Officer	John E. Simmons(3) Former Treasurer and Chief Financial Officer
Hortensia R. Gómez Vice President and Controller	Drew H. Webb(4) Former Executive Vice President of Sales and Marketing
	Heidi L. Modaro(5) Former Vice President Sales and Operations, Coffee & Tea

(1) Mr. Wahba joined the Company as Treasurer and Chief Financial Officer on June 1, 2010.

(2) Mr. Knepper is a member of Tatum, an executive services firm which provides full-time, part-time, and interim executives for organizations. Pursuant to an Interim Services Agreement between the Company and Tatum, Mr. Knepper served as a financial consultant to the Company from December 18, 2009 to February 8, 2010, at which time he was appointed Chief Financial Officer (Interim). Mr. Knepper served in this capacity through May 31, 2010, and thereafter provided consulting services to the Company through June 30, 2010. As a consultant, he did not participate in the Incentive Plan, Omnibus Plan or ESOP, or receive any other Company benefits.

(3) Mr. Simmons resigned as Treasurer and Chief Financial Officer on December 14, 2009 and retired from the Company on February 28, 2010.

(4) Mr. Webb separated from the Company on September 17, 2010.

(5) Ms. Modaro separated from the Company on February 25, 2010.

Primary Elements of Executive Compensation

The primary elements of the Company's executive compensation program and the purpose of each element are as follows:

Compensation Element	Description	Purpose
Base Salary	Fixed pay element determined annually in the first quarter of the fiscal year, with any adjustments to base pay retroactive to the beginning of the applicable fiscal year. May be subject to adjustment in the event of a promotion or job change.	Attract and retain top talent and compensate for day-to-day job responsibilities performed at an acceptable level.

Compensation Element	Description	Purpose
Incentive Cash Bonus	Variable cash compensation based on the achievement of Company and individual annual performance objectives. May be subject to adjustment in the event of a promotion or job change.	Reward achievement of annual financial objectives as well as near term strategic objectives that will lead to the future success of the Company's business.
Long-Term Incentives	Variable equity-based compensation, typically consisting of a combination of stock options and restricted stock, however other forms of equity awards may be granted. May be subject to adjustment in the event of a promotion or job change.	Create a direct alignment with stockholder objectives, provide a focus on long-term value creation and potentially multi-year financial objectives, retain critical talent over extended timeframes, and enable key employees to share in value creation.
ESOP Allocation	Annual variable allocation of stock based on hours of service to the Company, subject to vesting after five years of service to the Company.	Enhance ownership interest and alignment with stockholders.
Welfare Benefits	General welfare benefits including medical, dental, life, disability and accident insurance, 401(k) plan and pension plan, as well as customary vacation, leave of absence and other similar policies.	Provide competitive welfare benefits generally consistent with those provided to all employees.
Perquisites	Fixed benefits consistent with practices among companies in our industry consisting of executive life insurance, use of a Company-owned automobile or automobile allowance, relocation assistance, and other similar personal benefits. May be subject to adjustment in the event of a promotion or job change.	Provide limited perquisites to facilitate the operation of the Company's business and assist the Company in recruiting and retaining key executives.

Executive Compensation Objectives

Our executive compensation program is based upon achieving the following objectives:

- Balancing compensation elements and levels that attract, motivate and retain talented executives with forms of compensation that are performance-based and/or aligned with stock performance and stockholder interests;
- Setting target total direct compensation (base salary, annual incentives and long-term incentives) for executive officers by reference to median compensation levels for comparable market reference points; and
- Appropriately adjusting total direct compensation to reflect the performance of the executive officer over time (as reflected in his or her goals under the Incentive Plan), as well as the Company's annual performance (as reflected in the financial performance goals established under the Incentive Plan), and the Company's long-term performance (as reflected by stock appreciation for equity-based awards granted under the Omnibus Plan).

Consistent with new SEC disclosure requirements, the Compensation Committee assessed the Company's compensation programs and concluded that the Company's compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the Company. This risk assessment process included a review of program policies and practices, the balance of potential risk to potential reward, and the support of the programs and their risks to Company strategy. Although we reviewed all compensation programs, we focused on the programs with the ability of a participant to directly affect payout and the controls on participant action and payout. The Company generally uses a combination of base salary, performance-based compensation, and retirement plans throughout the Company. In most cases, the compensation policies and practices are centrally designed and administered, and are substantially identical at each business unit. Route sales personnel are paid primarily on a sales commission basis, but all of our executive officers are paid under the programs and plans for non-sales employees. Certain departments have different or supplemental compensation programs tailored to their specific operations and goals. Based on the foregoing, the Compensation Committee determined that the Company's compensation programs are designed to reward actions and outcomes that are consistent with sound operation of our Company and are aligned with the creation of long-term stockholder value. To further align the interests of our executive officers with our stockholders, we have in place a clawback policy that requires the Board to consider recapturing past bonuses and other incentive and equity compensation awarded to executive officers if it is subsequently determined that the amounts of such compensation were determined based on financial results that are later restated. We also maintain stock ownership guidelines which require our executive officers to own and hold certain minimum levels of our Common Stock.

Oversight of the Executive Compensation Program

Compensation Committee

Under its charter, pursuant to the powers delegated by the Board, the Compensation Committee has the sole authority to determine and approve compensation for our Chief Executive Officer and each of our other executive officers, subject to Board review prior to approval in the case of equity compensation awards. In exercising this authority, the Compensation Committee evaluates the performance of the Chief Executive Officer within the context of the overall performance of the Company. The information considered includes a summary of the Company's performance compared to annual measures, a listing of accomplishments in addition to the areas covered by these measures, and a listing and analysis of challenges or issues encountered during the year. The Compensation Committee also reviews and discusses the Chief Executive Officer's assessment of the performance of our other executive officers. The Compensation Committee is comprised solely of independent directors and reports to the Board of Directors.

Compensation Committee Consultants

The Compensation Committee has the authority to retain the services of outside consultants to assist it in performing its responsibilities. During fiscal 2010, the Compensation Committee retained Mercer, a wholly-owned subsidiary of Marsh & McLennan Companies, Inc. ("MMC"), to assist the Compensation Committee with its responsibilities related to the Company's executive compensation programs. Mercer's fees for executive compensation consulting to the Compensation Committee in fiscal 2010 were $94,000.

Executive compensation consulting services provided by Mercer to the Compensation Committee during fiscal 2010 included analysis and advice related to the following:

- Executive compensation trends;
- Peer companies for competitive pay comparisons;
- Compensation levels and mix for the Company's executives;
- Design of short- and long-term incentives; and
- Incentive Plan financial goals.

During fiscal 2010, management retained Mercer and certain MMC affiliates to provide other services unrelated to executive compensation. The aggregate fees paid for these other services were $809,220, which generally consisted of non-executive benchmarking and compensation analysis and advisory services for the Company and its subsidiary, CBI, implementation and monthly subscription fees for compensation management software, and fees paid by insurance carriers to Mercer Health and Benefits and Marsh Risk and Insurance Services. While neither the Compensation Committee nor the Board has historically approved such other services, because of the policies and procedures Mercer and the Compensation Committee have in place, the Compensation Committee believes that the advice it receives from the individual executive compensation consultant is objective and not influenced by Mercer's or its affiliates' relationships with the Company. These policies and procedures include:

- The consultant receives no incentive or other compensation based on the fees charged to the Company for other services provided by Mercer or any of its affiliates;
- The consultant is not responsible for selling other Mercer or affiliate services to the Company;
- Mercer's professional standards prohibit the individual consultant from considering any other relationships Mercer or any of its affiliates may have with the Company in rendering his or her advice and recommendations;
- The Compensation Committee has the sole authority to retain and terminate the executive compensation consultant;
- The consultant has direct access to the Compensation Committee without management intervention;
- The Compensation Committee evaluates the quality and objectivity of the services provided by the consultant each year and determines whether to continue to retain the consultant; and
- The protocols for the engagement (described below) limit how the consultant may interact with management.

While it is necessary for the consultant to interact with management to gather information, the Compensation Committee has adopted protocols governing if and when the consultant's advice and recommendations can be shared with management. These protocols are included in the consultant's engagement letter. This approach protects the Compensation Committee's ability to receive objective advice from the consultant so that the Compensation Committee may make independent decisions about executive pay at the Company.

Management's Role in Establishing Compensation

There are no material differences in how the compensation policies or decisions are determined with respect to the Named Executive Officers, except that the compensation of the Named Executive Officers other than the Chief Executive Officer is determined by the Compensation Committee taking into account the input and recommendations of the Chief Executive Officer with respect to compensation for those executive officers reporting to him. In the case of the Chief Executive Officer, the Compensation Committee may also solicit input from other disinterested Board members. No executive officer has any role in approving his or her own compensation, and the Chief Executive Officer is not present during the portion of the meeting at which the Compensation Committee considers his compensation. The Chief Executive Officer routinely attends the meetings of the Compensation Committee. Other members of the Company's management may attend Compensation Committee meetings for the purpose of making presentations at the invitation of the Compensation Committee.

Peer Group Market Information

The Compensation Committee compares the pay levels and programs for the Company's executive officers to compensation information from a relevant peer group as well as information from published survey sources. The Compensation Committee uses this comparative data as a reference in its review and determination of executive compensation.

Compensation decisions for fiscal 2007 through fiscal 2009 were based in part on Mercer's study conducted in 2007. That study was based on published survey data for similarly sized companies as well as the following seventeen-company peer group, which was developed based on industry, annual revenue and business characteristics that were similar to those of the Company at the time of the study:

- Bridgford Foods Corporation
- Calavo Growers, Inc.
- Cal-Maine Foods, Inc.
- Caribou Coffee Company, Inc.
- Coffee Holding Co., Inc.
- Cuisine Solutions, Inc.
- Diamond Foods, Inc.
- Diedrich Coffee, Inc.
- Golden Enterprises, Inc.
- Green Mountain Coffee, Inc.
- J & J Snack Foods Corp.
- Monterey Gourmet Foods, Inc.
- Overhill Farms, Inc.
- Peet's Coffee & Tea, Inc.
- Reddy Ice Holdings, Inc.
- John B. Sanfilippo & Son, Inc.
- Vita Food Products, Inc.

In August 2009, the members of the peer group were adjusted in light of the Company's increased size and operations following the DSD Acquisition. Mercer selected the following fourteen-company peer group (the "2009 Peer Group") using a similar screening process to that used for the 2007 peer group, including the consideration of industry, annual revenue and business characteristics:

- B&G Foods, Inc.
- Calavo Growers, Inc.
- Cal-Maine Foods, Inc.
- Caribou Coffee Company, Inc.
- Diamond Foods, Inc.
- Green Mountain Coffee Roasters, Inc.
- Hansen Natural Corporation
- Imperial Sugar Company
- J & J Snack Foods Corp.
- Lance, Inc.
- Overhill Farms, Inc.
- Peet's Coffee & Tea, Inc.
- Reddy Ice Holdings, Inc.
- John B. Sanfilippo & Son, Inc.

The 2009 Peer Group is considered appropriate by the Compensation Committee because it represents a meaningful sample of comparable companies in terms of industry, annual revenue and business characteristics following the DSD Acquisition. Mercer combined data from the above peer companies with data from published survey sources to establish the market reference information. The survey data is derived from manufacturing companies with comparable revenue size.

The Compensation Committee used data based on the 2009 Peer Group and the published surveys as a reference point in evaluating fiscal 2010 executive officer compensation. The Compensation Committee's approach also considers competitive compensation practices and other relevant factors in setting pay rather than establishing compensation at very specific benchmark percentiles.

Base Salary

Consistent with the compensation philosophy and objectives described above, and based in part on the benchmarking comparisons provided by Mercer in their 2009 study, the Compensation Committee set fiscal 2010 base salaries for the Named Executive Officers as follows:

Name	Fiscal 2010 Annual Base Salary	Fiscal 2009 Annual Base Salary	Fiscal 2010 Annual Base Salary Percentage Change
Roger M. Laverty III	$425,000	$390,000	9%
Jeffrey A. Wahba	$305,000	—	—
Peter B. Knepper(1)	—	—	—
John E. Simmons(2)	$299,000	$299,000	0%
Drew H. Webb	$314,000	$314,000	0%
Hortensia R. Gómez(3)	$180,000	$162,000	10%
Heidi L. Modaro(2)	$250,000	—	—

(1) Mr. Knepper served as a financial consultant to the Company from December 18, 2009 to February 8, 2010, at which time he was appointed Chief Financial Officer (Interim). Mr. Knepper served in this capacity through May 31, 2010, and thereafter provided consulting services to the Company through June 30, 2010. The Company paid Tatum $55,000 per month for services provided by Mr. Knepper, plus a 5% administrative fee. Total fees and expenses paid to Mr. Knepper and Tatum under this arrangement during fiscal 2010 were $239,750 and $135,625, respectively.

(2) Actual base salaries for Mr. Simmons and Ms. Modaro were prorated through their respective separation dates.

(3) Ms. Gómez's base salary increased effective March 17, 2009 in connection with her promotion to Vice President and Controller.

The fiscal 2010 annual base salaries shown in the table above were at or below the median base salary of the 2009 Peer Group for comparable positions.

Incentive Cash Bonus

Under the Incentive Plan, at the beginning of each fiscal year, the Compensation Committee, as administrator, determines who will participate in the Incentive Plan, establishes a target bonus for each participant, and establishes both Company financial performance criteria and individual participant goals for the ensuing year. The Compensation Committee also determines the weighting to be assigned to the Company's financial performance criteria and the individual goals as a whole, which may differ among the executive officers. A threshold level for the Company's financial performance may also be established which, if not met, may preclude the award of bonuses.

After the end of the fiscal year and promptly upon availability of the Company's audited financial statements, the Compensation Committee will determine the Company's level of achievement of its financial performance criteria. At such time, the Compensation Committee will also determine for each executive officer the percentage of achievement of assigned individual goals. The level of achievement will be multiplied by the assigned weighting to determine the weighted achievement percentage for each of the executive officer's assigned individual goals. The weighted achievement percentages for the Company's financial performance criteria and each individual assigned goal will be added up, and multiplied by the executive officer's target bonus percentage. The resulting percentage will be multiplied by the executive officer's base salary. The result will be the amount of the executive officer's preliminary bonus award. The preliminary bonus award is subject to adjustment, upward or downward, by the Compensation Committee in its discretion. The Compensation

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 Compensation 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 Compensation Committee after year-end.

It is the Compensation Committee's intent to achieve median target cash compensation (comprised of base salary and target annual cash incentive award) positioning over time, however the Compensation Committee may take other factors into consideration in establishing pay levels, including the amount of the increase in target cash compensation over the prior year, the performance of the executive, the performance of the Company, and the pay levels among the senior executive team. The Compensation Committee believes that the target levels of corporate and individual performance in any given year should not be easily achievable, and typically would not be achieved all of the time.

In 2009, the Compensation Committee established fiscal 2010 target bonus amounts for our executive officers equal to a percentage of their annual base salary. Individual target amounts were determined by the Compensation Committee based on the 2009 Peer Group median for comparable positions, as well as expected total compensation, job responsibilities, expected job performance, and, in the case of certain executive officers, the terms of their employment agreements with the Company. When combined with fiscal 2010 base salaries, the target awards resulted in total cash compensation between the 25th percentile and median of the 2009 Peer Group for comparable positions, with the exception of Mr. Laverty, whose total cash compensation for fiscal 2010 remained below the 25th percentile of the 2009 Peer Group for his position. Each executive officer's target bonus was also weighted between corporate and individual performance as set forth in the table below. Fiscal 2010 bonus information for the Named Executive Officers is as follows:

Name	Fiscal 2010 Target Bonus	Fiscal 2010 Target Bonus as Percentage of Fiscal 2010 Base Salary	Corporate Performance Goals (Weight)	Individual Performance Goals (Weight)	Fiscal 2010 Actual Bonus Award
Roger M. Laverty III	$318,750	75%	70%	30%	$ 0
Jeffrey A. Wahba(1)	—	—	—	—	—
Peter B. Knepper (2)	—	—	—	—	—
John E. Simmons(3)	$164,450	55%	—	—	$ 0
Drew H. Webb	$172,700	55%	65%	35%	$ 0
Hortensia R. Gómez	$ 45,000	25%	40%	60%	$ 0
Heidi L. Modaro(4)	$112,500	45%	30%	70%	$75,004

(1) Mr. Wahba joined the Company in June 2010, and therefore did not participate in the Incentive Plan for fiscal 2010.

(2) As a consultant, Mr. Knepper did not participate in the Incentive Plan.

(3) Although the Compensation Committee initially assigned a target bonus to Mr. Simmons, the Compensation Committee did not assign Company and individual goals to Mr. Simmons and determined that he would not participate in the Incentive Plan for fiscal 2010 due to his resignation as Treasurer and Chief Financial Officer on December 14, 2009.

(4) Pursuant to the terms of her Employment Agreement with the Company, Ms. Modaro was entitled to receive a bonus equal to her target award prorated through her effective separation date, February 25, 2010.

With the exception of Ms. Modaro, for fiscal 2010, actual bonus awards were based on the Company's financial performance and the level achievement of individual goals assigned by the Compensation Committee to each executive officer. The Company's financial performance was gauged by the level of operating cash flow (weighted at 70%) and net sales (weighted at 30%) as determined from the Company's audited financial statements. For this purpose, "operating cash flow" is defined as income from operations, after bonus accruals and excluding non-recurring items such as income from the sale of capital assets, plus depreciation and ESOP compensation expense. Subject to the Compensation Committee's discretion under the Incentive Plan, threshold operating cash flow of $22.35 million had to be achieved in fiscal 2010 to earn any bonus payout under the Incentive Plan. Assuming this threshold is achieved, a multiplier ranging from 0.0x to 1.5x would be assigned depending upon the level of achievement of operating cash flow and net sales, as follows:

Performance Measure	Weighting	Below Threshold (0.0x)	Threshold (0.5x)	Target (1.0x)	Maximum (1.5x)
Operating Cash Flow	70%	< $22.35 million	$22.35 million	$29.80 million	$37.25 million
Net Sales	30%	< $463 million	$463 million	$502 million	$515 million

PROXY STATEMENT

The Compensation Committee also assigned individual weighted goals for fiscal 2010 to each of the executive officers, which are generally subjective and qualitative.

Because the Company did not achieve threshold operating cash flow of $22.35 million, no bonuses were awarded to the Named Executive Officers in fiscal 2010, with the exception of Ms. Modaro who was entitled to receive a prorated bonus under the terms of her Employment Agreement with the Company as described above.

Long-Term Incentives

At the 2007 Annual Meeting of Stockholders, the stockholders of the Company approved the Omnibus Plan. The Omnibus Plan provides for the grant or issuance of long-term incentive awards including stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, performance-based awards, stock payments, cash-based awards or other incentives payable in cash or shares of stock, or any combination thereof. Each award is set forth in a separate agreement with the person receiving the award and indicates the type, terms and conditions of the award. The total number of shares available for issuance under the Omnibus Plan is 1,000,000, and no individual may be granted awards representing more than 250,000 shares in any calendar year, in each case, subject to adjustment as provided in the Omnibus Plan.

The Omnibus Plan is administered by the Compensation Committee. Subject to the terms and conditions of the Omnibus Plan, the Compensation Committee has the authority to select the persons to whom awards are to be made, to determine the number of shares to be subject thereto and the terms and conditions thereof, and to make all other determinations and to take all other actions necessary or advisable for the administration of the Omnibus Plan. Grants to executive officers are subject to Board review prior to approval. The Compensation Committee is also authorized to adopt, establish or revise rules relating to administration of the Omnibus Plan. The full Board administers the Omnibus Plan with respect to awards to non-employee directors.

Awards under the Omnibus Plan may be granted to individuals who are then Company officers or employees or are officers or employees of any of the Company's subsidiaries. Such awards, other than performance-based awards, may also be granted to the Company's directors and consultants. Only employees may be granted incentive stock options.

Based on Mercer's recommendations, the Company generally expects to make annual long-term incentive awards under the Omnibus Plan to our executive officers. Since adoption of the Omnibus Plan, grants to executive officers have consisted of stock options and restricted stock, with the number of shares underlying the stock options and shares of restricted stock determined based on the closing price of the Common Stock on the date of grant. Stock options are rights to purchase Common Stock at a pre-determined price (the closing price of the Common Stock on the date of grant), after the stock options have vested. Stock options are designed to create incentives for executives by providing them with an opportunity to share, along with stockholders, in the long-term performance of the Common Stock. The stock options have a seven-year term and generally vest ratably over three to five years. The Compensation Committee believes a seven-year option term provides a reasonable time frame within which the executive's contributions to corporate performance can align with stock appreciation. In addition, as compared with a ten-year option term typical at other companies, a seven-year option term allows the Company to more effectively manage the number of unexercised options that are outstanding. Restricted stock are shares that are subject to certain forfeiture restrictions. Restricted stock is designed as a retention device and to directly align the interests of the recipient and the Company's stockholders. The restricted stock is expected generally to vest at the end of three to five years.

In making long-term incentive awards, the general intent is to have a majority of the award be performance based and a minority of the award be retention based. In the case of awards made to our executive officers during fiscal 2010, generally two-thirds of the value of each award consisted of stock options and one-third of the value of each award consisted of restricted stock. The Compensation Committee considers options to be an appropriate performance based vehicle given that the stock options have no value unless the stock increases above the price on the date of grant.

In light of Mercer's conclusions in fiscal 2010 that long-term incentives for the Company's executive officers are significantly below the 25th percentile of the 2009 Peer Group for comparable positions, on December 10, 2009, the Compensation Committee made the following grants of non-qualified stock options and restricted stock under the Omnibus Plan:

Name	Fiscal 2010 Stock Option Grant (# of Shares of Common Stock Issuable Upon Exercise)	Fiscal 2010 Restricted Stock Grant (# of Shares)
Roger M. Laverty III	72,828	11,172
Drew H. Webb(1)	22,542	3,458
Hortensia R. Gómez	3,468	532
Heidi L. Modaro(2)	12,138	1,862

(1) Unvested and forfeited upon Mr. Webb's separation from the Company on September 17, 2010.

(2) Unvested and forfeited upon Ms. Modaro's separation from the Company on February 25, 2010.

The stock options shown above have an exercise price per share of $18.41, which was the closing price of the Common Stock as reported on Nasdaq on the date of grant. The stock options have a seven-year term expiring on December 10, 2016 and vest in one-third increments on each anniversary of the date of grant. The shares of restricted stock vest on December 10, 2012. The Compensation Committee did not grant any equity to Mr. Simmons in fiscal 2010 due to his resignation as an executive officer of the Company in December 2009. As a consultant, Mr. Knepper did not participate in the Omnibus Plan.

On June 1, 2010, the Compensation Committee granted stock options exercisable for 22,000 shares of Common Stock and 3,000 shares of restricted stock to Mr. Wahba in connection with his initial hire. The stock options have an exercise price equal to $16.78 per share, which was the closing price of the Common Stock as reported on Nasdaq on the date of grant. The stock options have a seven-year term expiring on June 1, 2017 and vest in one-third increments on each anniversary of the date of grant. The shares of restricted stock vest on June 1, 2013.

ESOP Allocation

In 2000, the Company adopted the ESOP. ESOP assets are allocated in accordance with a formula based on participant compensation. In order to participate in the ESOP, a participant must complete at least one thousand hours of service to the Company within twelve consecutive months. A participant's interest in the ESOP becomes one hundred percent vested after five years of service to the Company. Benefits are distributed from the ESOP at such time as a participant retires, dies or terminates service with the Company in accordance with the terms and conditions of the ESOP. Benefits may be distributed in cash or in shares of Common Stock. No participant contributions are allowed to be made to the ESOP.

Company contributions to the ESOP may be in the form of Common Stock or cash. Alternatively, the ESOP can borrow money from the Company or an outside lender and use the proceeds to purchase Common Stock. Shares acquired with loan proceeds are held in a suspense account and are released from the suspense account as the loan is repaid. The loan is repaid from the Company's annual contribution to the ESOP. The shares of Common Stock that are released are then allocated to participants' accounts in the same manner as if they had been contributed to the ESOP by the Company. The allocation of ESOP assets is determined by a formula based on participant compensation during the calendar year. The ESOP is intended to satisfy applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the Employee Retirement and Income Security Act of 1974. As of October 15, 2010, the ESOP owned of record 2,834,060 shares of Common Stock, including 1,550,341 allocated shares and 1,283,719 shares as yet unallocated to plan participants. An unaffiliated bank is trustee of the ESOP. The present members of the ESOP Administrative Committee are Roger M. Laverty III, Martin A. Lynch and John H. Merrell.

Our executive officers participate in the ESOP in the same manner as all other participants. In calendar 2010, the Company's Named Executive Officers received the following ESOP allocations based on compensation earned during calendar 2009:

Name	2010 ESOP Allocation (# of Shares)
Roger M. Laverty III	684
Jeffrey A. Wahba	—(1)
Peter B. Knepper	—(2)
John E. Simmons	785
Drew H. Webb	664(3)
Hortensia R. Gómez	610
Heidi L. Modaro	648(4)

(1) Mr. Wahba joined the Company in June 2010, and therefore did not receive an ESOP allocation.

(2) As a consultant, Mr. Knepper did not participate in the ESOP.

(3) Unvested and forfeited upon Mr. Webb's separation from the Company on September 17, 2010.

(4) Unvested and forfeited upon Ms. Modaro's separation from the Company on February 25, 2010.

Welfare Benefits

The welfare benefits received by employee executive officers are the same as received by other employees, including medical, dental, life, disability and accident insurance. The Company also offers a supplemental disability plan to higher income staff members, including our executive officers, which allows them to buy an additional amount of disability coverage at their own expense. Employee executive officers are eligible on the same basis as other employees for participation in a pension plan, a 401(k) plan and the ESOP. The Company does not contribute or match any participant contributions under the 401(k) plan. The value of the employee executive officer's 401(k) plan balances depends solely on the performance of investment alternatives selected by the employee executive officer from among the alternatives offered to all participants. All investment options in the 401(k) plan are market-based, meaning there are no "above-market" or guaranteed rates of return. Upon retirement, employee executive officers receive benefits, such as a pension and retiree life and medical insurance benefits, under the same terms as other retirees.

Perquisites

Perquisites are limited at the Company; however we believe that offering our executive officers certain perquisites facilitates the operation of our business, allows our executive officers to better focus their time, attention and capabilities on our business, and assists the Company in recruiting and retaining key executives. We also believe that the perquisites offered to our executive officers are generally consistent with practices among companies in our relevant industry.

The perquisites available only to employee executive officers are: (i) in the case of certain employee executive officers, benefits under an executive life insurance plan; (ii) in the case of certain employee executive officers, use of a Company-owned automobile; and (iii) in the case of one former employee executive officer, tuition reimbursement benefits, coaching and payment of disability premiums. Term life insurance premiums paid by the Company under the Company's executive life insurance plan are shown in the Summary Compensation Table below under the heading "All Other Compensation." During fiscal 2010, we provided Messrs. Laverty and Webb and Ms. Modaro with automobiles owned by the Company and paid the associated maintenance and operating costs. The aggregate incremental cost associated with personal use of these automobiles is shown in the Summary Compensation Table below under the heading "All Other Compensation." In fiscal 2010, the Company gave Ms. Modaro the Company-owned automobile that she was using valued at $11,600. This amount is also shown in the Summary Compensation Table below under the heading "All Other Compensation." Additionally, during fiscal 2010, the Audit Committee approved a relocation payment to Mr. Webb of $250,000, less $32,500 in rent and travel expenses previously paid by the Company during fiscal 2010, and a temporary housing allowance of $3,500 per month ($42,000 total), as shown in the Summary Compensation Table below under the heading "All Other Compensation."

It is the Company's intention to continually assess business needs and evolving practices to ensure that perquisite offerings are competitive and reasonable.

Change in Control and Termination Arrangements

Change in Control Severance Agreements; Employment Agreements

The Company has entered into agreements with each of its current Named Executive Officers (other than Ms. Gómez who elected not to enter into such agreement) pursuant to which they will be entitled to receive severance benefits upon the occurrence of certain enumerated events in connection with a change in control or threatened change in control. The events that trigger payment are generally those related to (i) termination of employment other than for cause, disability or death, or (ii) resignation for good reason. The payments and benefit levels under these agreements do not influence and were not influenced by other elements of compensation. These agreements were adopted, and are continued, to help: (i) assure the executives' full attention and dedication to the Company, free from distractions caused by personal uncertainties and risks related to a pending or threatened change in control; (ii) assure the executives' objectivity for stockholders' interests; (iii) assure the executives of fair treatment in case of involuntary termination following a change in control or in connection with a threatened change in control; and (iv) attract and retain key talent during uncertain times. The agreements are structured so that payments and benefits are provided only if there is both a change in control or threatened change in control and a termination of employment, either by us (other than for "Cause," "Disability" or death), or by the participant for "Good Reason" (as each is defined in the agreement). This is sometimes referred to as a "double-trigger" because the intent of the agreement is to provide appropriate severance benefits in the event of a termination following a change in control, rather than to provide a change in control bonus. A more detailed description of the severance benefits to which our current Named Executive Officers are entitled in connection with a change in control or threatened change in control is set forth below under the heading "Executive Compensation—Change in Control and Termination Arrangements."

The change in control agreements with Mr. Simmons, Ms. Modaro and Mr. Webb automatically expired in connection with their retirement or separation, as applicable, from the Company. The Company did not enter into a change in control agreement with Mr. Knepper since he was a consultant. In connection with his employment by the Company, the Company and Mr. Wahba entered into a change in control agreement effective February 25, 2010.

Pursuant to the terms of their Employment Agreements, Mr. Laverty, Mr. Wahba, Mr. Webb and Ms. Modaro are entitled to receive certain benefits upon their termination without cause or resignation with good reason. The Company believes such benefits were necessary to attract and retain these executive officers with demonstrated leadership abilities and to secure the services of these executive officers at agreed upon terms. A more detailed description of the benefits to which these officers are entitled in connection with their termination, including the benefits paid to Ms. Modaro and Mr. Webb in connection with their separation from the Company, is set forth below under the heading "Executive Compensation—Change in Control and Termination Arrangements."

Equity Awards

Under the terms of the stock option and restricted stock awards, in the event of death or disability a prorata portion (determined based on the actual number of service days during the vesting period divided by the total number of days during the vesting period) of any unvested stock options and restricted stock will be deemed to have vested immediately prior to the date of death or disability and, in the case of the restricted stock, will no longer be subject to forfeiture. Additionally, under the Omnibus Plan, the plan administrator has discretionary authority regarding accelerated vesting upon termination other than by reason of death or disability, or in connection with a change in control.

Compensation Policies and Practices

Stock Ownership Guidelines

The Board has adopted Stock Ownership Guidelines to further align the interests of the Company's executive officers and non-employee directors with the interests of the Company's stockholders. Under these guidelines, executive officers are expected to own and hold a number of shares of Common Stock based on the following guidelines:

Officer	Value of Shares Owned
Chief Executive Officer	$450,000
Other Executive Officers	$100,000 - $250,000, as determined by the Board in its discretion

Non-employee directors are expected to own and hold during their service as a Board member a number of shares of Common Stock with a value equal to at least three (3) times the amount of the non-employee director annual stock-based award, as the same may be adjusted from time to time, under the Omnibus Plan.

Stock that counts toward satisfaction of these guidelines includes: (i) shares of Common Stock owned outright by the officer or non-employee director and his or her immediate family members who share the same household, whether held individually or jointly; (ii) restricted stock or restricted stock units (whether or not the restrictions have lapsed); (iii) ESOP shares; and (iv) shares of Common Stock held in trust for the benefit of the officer or non-employee director or his or her family.

Until the applicable guideline is achieved, each officer and non-employee director is required to retain all "profit shares," which are those shares remaining after payment of taxes on earned equity awards under the Omnibus Plan, such as shares granted pursuant to the exercise of vested options and restricted stock that has vested. Officers and non-employee directors are expected to continuously own sufficient shares to meet these guidelines once attained.

The guidelines may be waived at the discretion of the Board if compliance would create severe hardship or prevent an officer or non-employee director from complying with a court order. It is expected that these instances will be rare.

Insider Trading Policy

Our insider trading policy prohibits all employees, officers, directors, consultants and other associates of the Company and certain of their family members from, among other things, purchasing or selling any type of security, whether the issuer of that security is the Company or any other company, while aware of material, non-public information relating to the issuer of the security or from providing such material, non-public information to any person who may trade while aware of such information. The insider trading policy also prohibits employees from engaging in short sales with respect to our securities, purchasing or pledging Company stock on margin and entering into derivative or similar transactions (i.e., puts, calls, options, forward contracts, collars, swaps or exchange agreements) with respect to our securities. We also have procedures that require trades by certain insiders, including our directors and executive officers, to be pre-cleared by appropriate Company personnel. Additionally, such insiders are prohibited from conducting transactions involving the purchase or sale of the Company's securities from 12:01 a.m. New York City time on the 15th calendar day before the end of each of the Company's four fiscal quarters (including fiscal year end) through 11:59 p.m. New York City time on the second business day following the date of the public release containing the Company's quarterly (including annual) results of operations.

Policy on Executive Compensation in Restatement Situations

In the event of a material restatement of the financial results of the Company, the Board of Directors, or the appropriate committee thereof, will review all bonuses and other incentive and equity compensation awarded to the Company's executive officers on the basis of having met or exceeded performance targets for performance periods that occurred during the restatement period. If such bonuses and other incentive and equity compensation would have been lower had they been calculated based on such restated results, the Board of Directors, or the appropriate committee thereof, will, to the extent permitted by governing law and as appropriate under the circumstances, seek to recover for the benefit of the Company all or a portion of such bonuses and incentive and equity compensation awarded to executive officers whose fraud or misconduct caused or partially caused such restatement, as determined by the Board of Directors, or the appropriate committee thereof.

Equity Award Grants

Our current and historical practice is to grant long-term incentive awards to our executive officers on the date of the regularly scheduled meeting of the Board of Directors in December of each year, with grants to executive officers hired or promoted since that grant date to receive an interim grant reviewed by the Board and approved by the Compensation Committee outside any blackout period under our insider trading policy described above.

Taxes and Accounting Standards

Tax Deductibility Under Section 162(m) of the Internal Revenue Code

Section 162(m) of the Code places a $1 million limit on the amount of compensation the Company may deduct for tax purposes in any year with respect to each of the Named Executive Officers, except that performance-based compensation that meets applicable requirements is excluded from the $1 million limit. The Company's executive compensation program is designed to maximize the deductibility of compensation. However, when warranted due to competitive or other factors, the Compensation Committee may decide in certain circumstances to exceed the deductibility limit under Section 162(m) or to otherwise pay non-deductible compensation. There were no such circumstances in fiscal 2010.

Section 409A of the Internal Revenue Code

Section 409A of the Code requires programs that allow executives to defer a portion of their current income to meet certain requirements regarding risk of forfeiture and election and distribution timing (among other considerations). With respect to our compensation and benefit plans that are subject to Section 409A of the Code, in accordance with Section 409A of the Code and regulatory guidance issued by the Internal Revenue Service, we are currently operating such plans in compliance with Section 409A of the Code based upon our good faith, reasonable interpretation of the statute and the Internal Revenue Service's regulatory guidance.

Accounting Standards

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718 requires us to recognize an expense for the fair value of equity-based compensation awards. Grants of stock options and restricted stock, under our Omnibus Plan are accounted for under FASB ASC Topic 718. The Compensation Committee considers the accounting implications of significant compensation decisions, especially in connection with decisions that relate to our equity award program. As accounting standards change, the Company may revise certain programs to appropriately align accounting expenses of our equity awards with our overall executive compensation philosophy and objectives.

EXECUTIVE OFFICERS

The following table sets forth the executive officers of the Company as of the date hereof. All executive officers are elected annually by the Board of Directors and serve at the pleasure of the Board. No executive officer has any family relationship with any director or any other executive officer.

Name	Age	Title	Executive Officer Since
Roger M. Laverty III	63	President and Chief Executive Officer	2006
Jeffrey A. Wahba	54	Treasurer and Chief Financial Officer	2010
Mark A. Harding	50	Senior Vice President of Operations	2010
Hortensia R. Gómez	53	Vice President and Controller	2009
John M. Anglin	63	Secretary	2003

Roger M. Laverty III joined Farmer Bros. in 2006, as the fifth chief executive to lead the Company since its founding in 1912. Under Mr. Laverty's leadership, the Company has positioned itself as one of the nation's largest direct-store delivery (DSD) businesses for coffee, tea and culinary products, including the acquisition of the DSD Coffee Business from Sara Lee in 2009, and the acquisition of CBI, one of the nation's leading roasters and wholesalers of specialty coffee, in 2007. Since joining Farmer Bros., Mr. Laverty has also focused on operational improvements through programs intended to enhance the efficiency and flexibility of the Company's manufacturing processes and supply chain, and initiatives intended to strengthen sales and branding. From 2003 to 2005, Mr. Laverty served as President and CEO of Diedrich Coffee, Inc., a diversified operator of coffee houses and franchises that was known for its expertise and traditions in specialty coffee. Earlier, Mr. Laverty served 20 years with retailer Smart & Final, Inc., an operator of non-membership grocery warehouse stores for food and foodservice supplies, playing key roles in the growth of its sales from $200 million to more than $1.4 billion. He served as President and CEO of Smart & Final from 1993 to 1998. Mr. Laverty received his undergraduate and law degrees from Stanford University.

Jeffrey A. Wahba was appointed to the position of Treasurer and Chief Financial Officer in June 2010. Prior to joining Farmer Bros., Mr. Wahba served as Chief Financial Officer of Nero AG, a digital-media software provider based in Glendale, California and Karlsbad, Germany. Earlier, Mr. Wahba served as Chief Financial Officer of HireRight, Inc., a global leader in employment background screening solutions, based in Irvine, California, which he helped lead through its initial public offering in 2007. From 1986 to 2006, he served as Chief Financial Officer of the Henry Group of Companies, an international manufacturer of building products and a distributor of premium wines. He also served as Chief Financial Officer of Vault Corp., a software security firm, and as international controller of Max Factor and Co., a cosmetics manufacturer. Mr. Wahba graduated from Stanford University with a B.S. and M.S. in Industrial Engineering and Engineering Management and earned an M.B.A. degree from the University of Southern California.

Mark A. Harding joined the Company in March 2008 as Vice President of Operations, responsible for warehousing, transportation, manufacturing, fleet operations, purchasing and Brewmatic manufacturing. He was promoted to Senior Vice President of Operations in March 2010, responsible for route sales, branch operations, warehousing, transportation, manufacturing, fleet operations, purchasing, the National Equipment Service Organization, and Brewmatic refurbishment centers. Prior to joining the Company, Mr. Harding was Vice President of Operations of Intercontinental Art, Inc., a producer and importer of home decor, from March 2002 to March 2008, where his responsibilities included warehousing, transportation, quality control, domestic manufacturing and China manufacturing. Mr. Harding attended the University of Phoenix, where he received a B.A. in Business Administration.

Hortensia R. Gómez joined the Company in 2005 as Controller after serving as Chief Financial Officer at Barco Uniforms Inc., a professional apparel company, from 1992 to 2005. Ms. Gómez has more than 28 years of experience in management, accounting and finance positions. Ms. Gómez graduated from the University of California at Los Angeles.

John M. Anglin has served as Secretary of Farmer Bros. since 2003. He served as a member of the Company's Board of Directors from 1985 until 2003. In addition to his role at Farmer Bros., Mr. Anglin is a partner in the Pasadena-based law firm of Anglin, Flewelling, Rasmussen, Campbell & Trytten LLP ("AFRCT"), where his practice is concentrated in the corporate and real estate areas. Prior to this, Mr. Anglin was a partner of Walker Wright Tyler & Ward, LLP, Los Angeles, California from 1978 to 2002 (managing partner from 1994 to 2000). Mr. Anglin received his undergraduate and law degrees from the University of Southern California. AFRCT provided legal services to the Company in fiscal 2010 as discussed below under the heading "Certain Relationships and Related Person Transactions." We expect to continue to engage AFRCT to perform legal services in fiscal 2011.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth summary information concerning compensation awarded to, earned by, or paid to each of our Named Executive Officers for all services rendered in all capacities to the Company and its subsidiaries in the last three fiscal years. For a complete understanding of the table, please read the footnotes and narrative disclosures that follow the table.

SUMMARY COMPENSATION TABLE

A	B	C	D	E	F	G	H	I	J
Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value ($)	All Other Compensation ($)	Total ($)
Roger M. Laverty III(1)	2010	424,077	—	205,677	447,164	0	37,445	27,675	1,142,038
President and CEO	2009	389,654	234,000	143,616	267,200	—	27,445	32,969	1,094,884
	2008	350,038	—	149,820	244,800	175,000	22,229	33,419	975,306
Jeffrey A. Wahba(2)	2010	47,939	—	50,340	124,080	—	—	—	222,359
Treasurer and CFO									
Peter B. Knepper(3)	2010	239,750	—	—	—	—	—	—	239,750
Former CFO (Interim)									
John E. Simmons(4)	2010	207,618	—	—	—	—	109,027	124,821	441,466
Former Treasurer and CFO	2009	298,103	135,000	32,640	60,120	—	163,796	44,712	734,371
	2008	287,375	—	34,050	55,080	100,000	31,983	41,390	549,878
Drew H. Webb(5)	2010	314,001	—	63,662	138,408	—	—	305,720	821,791
Former Executive VP Sales	2009	313,909	140,000	32,640	60,120	—	7,582	67,792	622,043
and Marketing	2008	143,613	58,000	33,165	55,080	—	—	23,703	313,561
Hortensia R. Gómez(6)	2010	180,073	—	9,794	21,294	—	29,263	11,269	251,693
Vice President and Controller	2009	166,465	40,000	6,528	20,040	—	17,045	16,265	266,343
Heidi L. Modaro(7)	2010	173,076	—	34,279	74,527	75,004	14,740	536,128	907,754
Former Vice President Sales	2009	76,923	30,000	15,449	46,760	—	3,991	51,300	224,423
and Operations, Coffee & Tea									

(1) Mr. Laverty was promoted to Chief Executive Officer on December 6, 2007. The amounts shown in the table for fiscal 2008 reflect Mr. Laverty's compensation in all capacities for the full fiscal year. The amount reported in column I for fiscal 2010 includes life insurance premiums, dividends paid on restricted stock awards and an ESOP allocation ($10,324). The total value of all perquisites and other personal benefits did not exceed $10,000 in fiscal 2010 and has been excluded from the table.

(2) Mr. Wahba joined the Company as Treasurer and Chief Financial Officer on June 1, 2010. Mr. Wahba received no perquisites or other personal benefits in fiscal 2010.

(3) Mr. Knepper is a member of Tatum. Pursuant to an Interim Services Agreement between the Company and Tatum, Mr. Knepper served as a financial consultant to the Company from December 18, 2009 to February 8, 2010, at which time he was appointed Chief Financial Officer (Interim). Mr. Knepper served in this capacity through May 31, 2010, and thereafter provided consulting services to the Company through June 30, 2010. As a consultant, he did not participate in the Incentive Plan, Omnibus Plan or ESOP, or receive any other Company benefits. In addition to Mr. Knepper's compensation shown in the table above, Tatum received $135,625 associated with Mr. Knepper's services to the Company.

(4) Mr. Simmons resigned as Treasurer and Chief Financial Officer on December 14, 2009 and retired from the Company on February 28, 2010. The amount reported in column C for fiscal 2010 reflects Mr. Simmons' prorated annual base salary through his retirement date. The amount reported in column I for fiscal 2010

includes life insurance premiums, dividends paid on restricted stock awards, an ESOP allocation ($11,841), and sick days paid over the maximum accumulation amount and accrued vacation ($106,234). The total value of all perquisites and other personal benefits did not exceed $10,000 in fiscal 2010 and has been excluded from the table.

(5) Mr. Webb became Executive Vice President of Sales and Marketing on February 25, 2010, prior to which time he served as Executive Vice President and Chief Operating Officer. Mr. Webb separated from the Company on September 17, 2010. The amounts shown in the table for fiscal 2010 reflect Mr. Webb's compensation in all capacities for the full fiscal year. The amount reported in column C for fiscal 2008 includes $48,229 in consulting fees and expenses paid to Mr. Webb from January 3, 2008 to March 3, 2008, when he was hired as Executive Vice President and Chief Operating Officer of the Company. The amount reported in column I for fiscal 2010 includes dividends paid on restricted stock awards, an ESOP allocation ($10,022), and perquisites and other personal benefits in the amount of $295,698, consisting of personal use of a Company-owned automobile calculated based on the aggregate incremental cost to the Company and relocation assistance ($292,000). The cost for personal use of a Company-owned automobile is calculated by allocating the costs of operating the car between personal and business use. The cost of operating the car is allocated to personal use on the basis of miles driven for personal use to total miles driven. Mr. Webb's accumulated ESOP allocation was unvested and forfeited upon Mr. Webb's separation from the Company.

(6) Ms. Gómez was promoted to Vice President and Controller on March 17, 2009. Prior to her promotion, Ms. Gómez was Controller of the Company. The amounts shown in the table for fiscal 2009 reflect Ms. Gómez's compensation in all capacities for the full fiscal year. The amount reported in column I for fiscal 2010 includes life insurance premiums, dividends paid on restricted stock awards and an ESOP allocation. The total value of all perquisites and other personal benefits did not exceed $10,000 in fiscal 2010 and has been excluded from the table.

(7) Ms. Modaro separated from the Company on February 25, 2010. The amount reported in column C for fiscal 2010 reflects Ms. Modaro's prorated annual base salary through her separation date. The amount reported in column C for fiscal 2009 represents Ms. Modaro's prorated annual base salary from March 1, 2009 through June 30, 2009. The amount reported in column G for fiscal 2010 reflects a prorated bonus paid to Ms. Modaro based on her target award for fiscal 2010 pursuant to the terms of her Employment Agreement. The amount reported in column I for fiscal 2010 includes (a) amounts paid in connection with Ms. Modaro's separation pursuant to the terms of her Employment Agreement, consisting of outplacement services ($10,000), severance payments made in fiscal 2010 ($76,923), severance payments to be made in fiscal 2011 ($174,037), and other amounts relating to her separation ($235,000); (b) accrued vacation ($14,718); (c) an ESOP allocation; (d) dividends paid on restricted stock awards; (e) short- and long-term disability premiums in lieu of healthcare benefits; and (f) perquisites and other personal benefits in the amount of $12,876, consisting of personal use of a Company-owned automobile calculated based on the aggregate incremental cost to the Company and transfer of title to such automobile to Ms. Modaro. The cost for personal use of a Company-owned automobile is calculated by allocating the costs of operating the car between personal and business use. The cost of operating the car is allocated to personal use on the basis of miles driven for personal use to total miles driven. Ms. Modaro's ESOP allocation was unvested and forfeited upon Ms. Modaro's separation from the Company.

Salary (Column C)

The amounts reported in column C represent base salaries earned by each of the Named Executive Officers for the fiscal year indicated.

Bonus (Column D)

The amounts reported in column D for fiscal 2009 reflect non-recurring bonuses paid to the Company's executive officers. In light of the then pending DSD Acquisition, the Compensation Committee determined not to establish bonus targets under the Incentive Plan for fiscal 2009 during the first quarter of fiscal 2009. Instead, upon completion of the DSD Acquisition, the Compensation Committee determined that it was advisable to award discretionary bonuses to the Company's executive officers outside the Incentive Plan for fiscal 2009 in recognition of their efforts in the successful consummation of the DSD Acquisition and related integration efforts, and their respective contributions to the Company's fiscal 2009 organic growth after taking into account certain non-recurring expenses associated with the DSD Acquisition and the relocation of the Company's specialty coffee operations to a new facility in Portland, Oregon. In addition to the foregoing executive officer bonuses, Ms. Modaro also received a discretionary bonus of $30,000 for fiscal 2009 in lieu of any bonus under the Incentive Plan.

Ms. Gómez was not a participant in the Incentive Plan for fiscal 2009. In light of her promotion and contributions to the success of the Company during fiscal 2009, the Compensation Committee awarded her a discretionary bonus for fiscal 2009 of $40,000.

The amount reported in column D for fiscal 2008 for Mr. Webb represents a non-recurring bonus paid to Mr. Webb reflecting his contribution to the Company from March 3, 2008, the date he joined the Company, through the end of fiscal 2008. Mr. Webb did not participate in the Incentive Plan in fiscal 2008.

All non-equity incentive plan compensation paid to the Named Executive Officers under the Incentive Plan is shown in column G.

Stock Awards (Column E)

The amounts reported in column E represent the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. The amounts previously reported have been restated in accordance with new SEC rules relating to executive compensation. A discussion of the assumptions used in calculating the amounts in this column may be found in Note 11 to our audited consolidated financial statements for the fiscal year ended June 30, 2010 included in our Annual Report on Form 10-K, as amended, filed with the SEC on September 14, 2010, except that, as required by applicable SEC rules, we did not reduce the amounts in this column for any forfeitures relating to service-based (time-based) vesting conditions.

Option Awards (Column F)

The amounts reported in column F represent the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. The amounts previously reported have been restated in accordance with new SEC rules relating to executive compensation. A discussion of the assumptions used in calculating the amounts in this column may be found in Note 11 to our audited consolidated financial statements for the fiscal year ended June 30, 2010 included in our Annual Report on Form 10-K, as amended, filed with the SEC on September 14, 2010, except that, as required by applicable SEC rules, we did not reduce the amounts in this column for any forfeitures relating to service-based (time-based) vesting conditions.

Non-Equity Incentive Plan Compensation (Column G)

The amounts reported in column G represent the aggregate dollar value for each of the Named Executive Officers of the annual performance bonus under the Incentive Plan for the fiscal years indicated. Annual bonuses under the Incentive Plan were approved by the Compensation Committee and paid to the Named Executive Officers in the first quarter of the subsequent fiscal year consistent with past practice.

As described above under "Compensation Discussion and Analysis," because the Company did not achieve threshold operating cash flow of $22.35 million for fiscal 2010, no bonuses were awarded to the Company's current Named Executive Officers in fiscal 2010, with the exception of Ms. Modaro who received a prorated bonus based on her target award under the terms of her Employment Agreement with the Company. Mr. Wahba joined the Company in June 2010, and therefore did not participate in the Incentive Plan for fiscal 2010. As a consultant, Mr. Knepper did not participate in the Incentive Plan.

Change in Pension Value (Column H)

The amounts representing the change in pension value reported in column H were generated by the combination of increases in the accrued pension benefit and change in conversion of that benefit to a present value. Accrued pension benefits for each of the Named Executive Officers were calculated based on the final average pay times years of service as of the end of the fiscal year. Except in the case of Mr. Simmons who began receiving benefits upon his retirement in fiscal 2010, accrued benefits as of the end of each fiscal year increased over accrued benefits as of the end of the prior fiscal year because an additional year of service was included and because the averages of the most recent five years of pay were greater than the averages as of one year earlier. The conversion to a present value produced a further increase because normal retirement age, the assumed commencement of benefits, was one year closer. The present value conversion can also cause an increase or decrease in value due to changes in actuarial assumptions. The discount rate used to calculate present values decreased from 6.25% as of the end of fiscal 2009 to 5.60% as of the end of fiscal 2010, producing an increase in the present value. The discount rate used to calculate present values decreased from 6.80% as of the end of fiscal 2008 to 6.25% as of the end of fiscal 2009, producing an increase in the present value. The discount rate used to calculate present values increased from 6.00% as of the end of fiscal 2007 to 6.80% as of the end of fiscal 2008, producing a decrease in the present value. No other actuarial assumptions changed between the end of fiscal 2007 and the end of fiscal 2010.

All Other Compensation (Column I)

The amounts reported in column I represent the aggregate dollar amount for each Named Executive Officer for perquisites and other personal benefits; term life insurance premiums paid by the Company under the Company's executive life insurance plan; allocations under the ESOP; payment for sick time accrued above the maximum accumulation amount and accrued vacation; and certain other compensation described in the footnotes to the Summary Compensation Table above.

Total Compensation (Column J)

The amounts reported in column J are the sum of columns C through I for each of the Named Executive Officers. All compensation amounts reported in column J include amounts paid and amounts deferred.

Grants of Plan-Based Awards

The following table sets forth summary information regarding all grants of plan-based awards made to our Named Executive Officers for fiscal 2010.

GRANTS OF PLAN-BASED AWARDS

Name	Grant Date	Approval Date(1)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(2) Threshold ($)	Target ($)	Maximum ($)	All Other Stock Awards: Number of Shares of Stock or Units (#)(3)	All Other Option Awards: Number of Securities Underlying Options (#)(4)	Exercise or Base Price of Option Awards ($/Sh)(5)	Grant Date Fair Value of Stock and Option Awards ($)(6)
Roger M. Laverty III									
Annual Cash Incentive Bonus	—	—	—	318,750	—	—	—	—	—
Time Based	12/10/09	12/10/09	—	—	—	11,172	72,828	18.41	652,840
Jeffrey A. Wahba									
Annual Cash Incentive Bonus	—	—	—	—	—	—	—	—	—
Time Based	6/1/10	5/27/10	—	—	—	3,000	22,000	16.78	174,420
Peter B. Knepper									
Annual Cash Incentive Bonus	—	—	—	—	—	—	—	—	—
Time Based	—	—	—	—	—	—	—	—	—
John E. Simmons(7)									
Annual Cash Incentive Bonus	—	—	—	164,450	—	—	—	—	—
Time Based	—	—	—	—	—	—	—	—	—
Drew H. Webb									
Annual Cash Incentive Bonus	—	—	—	172,700	—	—	—	—	—
Time Based	12/10/09	12/10/09	—	—	—	3,458	22,542	18.41	202,070
Hortensia R. Gómez									
Annual Cash Incentive Bonus	—	—	—	40,000	—	—	—	—	—
Time Based	12/10/09	12/10/09	—	—	—	532	3,468	18.41	31,088
Heidi L. Modaro									
Annual Cash Incentive Bonus	—	—	—	112,500	—	—	—	—	—
Time Based	12/10/09	12/10/09	—	—	—	1,862	12,138	18.41	108,807

(1) Reflects the date on which the grants were approved by the Compensation Committee.

(2) Represents annual cash incentive opportunities based on fiscal 2010 performance under the Incentive Plan. There are no thresholds or maximums under the Incentive Plan. The targets are set each fiscal year by the Compensation Committee. The bonus amounts are based on the Company's financial performance and satisfaction of individual participant goals. The Compensation Committee has discretion to increase, decrease or entirely eliminate the bonus amount derived from the Incentive Plan's formula. The maximum amount that can be awarded under the Incentive Plan is within the discretion of the Compensation Committee.

(3) Restricted stock for the Named Executive Officers cliff vests on the third anniversary of the date of grant, subject to the acceleration provisions contained in the Omnibus Plan. The restricted stock shown in the table granted to Ms. Modaro and Mr. Webb was unvested and forfeited upon their respective separation from the Company. The Compensation Committee did not grant any equity to Mr. Simmons in fiscal 2010 due to his resignation as an executive officer of the Company in December 2009. As a consultant, Mr. Knepper did not participate in the Omnibus Plan.

(4) Stock options vest in one-third (1/3) increments on each anniversary of the date of grant, subject to the acceleration provisions contained in the Omnibus Plan. The stock options shown in the table granted to Ms. Modaro and Mr. Webb were unvested and forfeited upon their respective separation from the Company. The Compensation Committee did not grant any equity to Mr. Simmons in fiscal 2010 due to his resignation as an executive officer of the Company in December 2009. As a consultant, Mr. Knepper did not participate in the Omnibus Plan.

(5) Exercise price of stock option awards is equal to the closing market price on the date of grant.

(6) Reflects the grant date fair value of restricted stock and stock option awards computed in accordance with FASB ASC Topic 718. A discussion of the assumptions used in calculating the amounts in this column may be found in Note 11 to our audited consolidated financial statements for the fiscal year ended June 30, 2010 included in our Annual Report on Form 10-K, as amended, filed with the SEC on September 14, 2010, except that, as required by applicable SEC rules, we did not reduce the amounts in these columns for any forfeitures relating to service-based (time-based) vesting conditions.

(7) Although the Compensation Committee initially assigned a target bonus to Mr. Simmons, the Compensation Committee did not assign Company and individual goals to Mr. Simmons and determined that he would not participate in the Incentive Plan for fiscal 2010 due to his resignation as Treasurer and Chief Financial Officer on December 14, 2009.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth summary information regarding the outstanding equity awards at June 30, 2010 granted to each of our Named Executive Officers.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable(1)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) (2)	Market Value of Shares or Units of Stock That Have Not Vested ($) (3)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Roger M. Laverty III	—	72,828	—	18.41	12/10/16	11,172	168,585		
	13,333	26,667	—	21.76	12/11/15	6,600	99,594	—	—
	26,667	13,333	—	22.70	2/20/15	6,600	99,594	—	—
Jeffrey A. Wahba	—	22,000	—	16.78	6/1/17	3,000	45,270	—	—
Peter B. Knepper	—	—	—	—	—	—	—	—	—
John E. Simmons(4)	3,000	—	—	21.76	12/11/15	—	—	—	—
	6,000	—	—	22.70	2/20/15	—	—	—	—
Drew H. Webb(5)	—	22,542	—	18.41	12/10/16	3,458	52,181		
	3,000	6,000	—	21.76	12/11/15	1,500	22,635	—	—
	6,000	3,000	—	22.11	3/3/15	1,500	22,635	—	—
Hortensia R. Gómez	—	3,468	—	18.41	12/10/16	532	8,028		
	1,000	2,000	—	21.76	12/11/15	300	4,527	—	—
	2,000	1,000	—	22.70	2/20/15	300	4,527	—	—
Heidi L. Modaro(6)	—	—	—	—	—	—	—	—	—

(1) Stock options vest in one-third (1/3) increments on each anniversary of the date of grant, subject to the acceleration provisions contained in the Omnibus Plan.

(2) Restricted stock for the Named Executive Officers cliff vests on the third anniversary of the date of grant, subject to the acceleration provisions contained in the Omnibus Plan.

(3) The market value was calculated by multiplying the closing price of our Common Stock on June 30, 2010 ($15.09) by the number of shares of unvested restricted stock.

(4) Excludes 3,000 shares of restricted stock and 9,000 shares subject to unvested stock options previously granted to Mr. Simmons which were forfeited upon Mr. Simmons' retirement from the Company on February 28, 2010.

(5) Includes 6,458 shares of restricted stock and 31,542 shares subject to unvested stock options which were forfeited upon Mr. Webb's separation from the Company on September 17, 2010.

(6) Excludes 2,562 shares of restricted stock and 19,138 shares subject to unvested stock options previously granted to Ms. Modaro which were forfeited upon Ms. Modaro's separation from the Company on February 25, 2010.

Option Exercises and Stock Vested

No stock options were exercised by our Named Executive Officers and no shares of restricted stock held by our Named Executive Officers vested in fiscal 2010.

Employment Agreements and Arrangements

Laverty Employment Agreement

The Company has entered into an Employment Agreement, as amended, with Roger M. Laverty III (the "Laverty Employment Agreement"). The Laverty Employment Agreement provides that Mr. Laverty will serve as Chief Executive Officer and President of the Company, with the powers, general duties and responsibilities typically vested in a chief executive officer. Mr. Laverty's annual base salary is subject to annual review and may be adjusted upward or downward by the Company from time to time but may not be reduced below $320,000 per annum. Mr. Laverty is entitled to participate in the Incentive Plan (or any successor plan), with the amount of any target award thereunder to be set by the Compensation Committee. Mr. Laverty is entitled to use of a Company car or an equivalent car allowance, paid vacation of twenty-five (25) days per year, group health insurance, life insurance, business travel insurance, qualified retirement plan, 401(k) plan, employee stock ownership plan, cell phone, Company credit card, and business expense reimbursement. Mr. Laverty is entitled to participate in the Omnibus Plan in accordance with the provisions thereof. Mr. Laverty's employment may be terminated by the Company at any time with or without Cause (as defined in the Laverty Employment Agreement). Mr. Laverty's employment also will terminate upon his resignation, with or without Good Reason (as defined in the Laverty Employment Agreement), death or permanent incapacity. Upon certain events of termination, Mr. Laverty is entitled to the benefits described below under the heading "—Change in Control and Termination Arrangements."

Wahba Employment Agreement

On February 25, 2010, the Company entered into an Employment Agreement with Jeffrey A. Wahba (the "Wahba Employment Agreement"). The Wahba Employment Agreement provides that Mr. Wahba will serve as Treasurer and Chief Financial Officer of the Company, with oversight responsibility for all financial (including treasury functions), accounting and compliance functions of the Company. Mr. Wahba's initial annual base salary is $305,000. Mr. Wahba is entitled to participate in the Incentive Plan (or any successor plan), with the amount of any target award thereunder to be equal to 55% of his base salary. Mr. Wahba is entitled to all benefits and perquisites provided by the Company to its senior executives, including paid vacation, group health insurance, business travel insurance, retirement plan, 401(k) plan, employee stock ownership plan, cell phone, Company credit card, and business expense reimbursement. An automobile benefit may also be provided. Mr. Wahba is entitled to participate in the Omnibus Plan in accordance with the provisions thereof. Mr. Wahba's employment may be terminated by the Company at any time with or without Cause (as defined in the Wahba Employment Agreement). Mr. Wahba's employment also will terminate upon his resignation, with or without Good Reason (as defined in the Wahba Employment Agreement), death or permanent incapacity. Upon certain events of termination, Mr. Wahba is entitled to the benefits described below under the heading "—Change in Control and Termination Arrangements."

Webb Employment Agreement

The Company entered into an Employment Agreement, as amended, with Drew H. Webb (the "Webb Employment Agreement"). The Webb Employment Agreement provided that Mr. Webb would serve as Executive Vice President of Sales and Marketing of the Company, with oversight responsibility for the Company's sales, marketing, strategic planning and corporate development. On September 17, 2010, Mr. Webb separated from the Company. As a result, Mr. Webb may be entitled to certain severance payments and benefits described below under the heading "—Change in Control and Termination Arrangements."

Modaro Employment Agreement

The Company entered into an Employment Agreement with Heidi L. Modaro (the "Modaro Employment Agreement"). The Modaro Employment Agreement provided that Ms. Modaro would serve as Vice President Sales and Operations, Coffee & Tea of the Company, with oversight responsibility for the Company's direct store delivery sales and operations. On February 25, 2010, Ms. Modaro separated from the Company. As a result, Ms. Modaro has received and will continue to receive certain severance payments and benefits described below under the heading "—Change in Control and Termination Arrangements."

Pension Benefits

The following table provides information as of the end of fiscal 2010 with respect to the Farmer Bros. Plan, a defined benefit plan for the majority of the Company's employees who are not covered under a collective bargaining agreement, for each of the Named Executive Officers. For a complete understanding of the table, please read the narrative disclosures that follow the table.

PENSION BENEFITS

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit ($)	Payments During Last Fiscal Year ($)
Roger M. Laverty III	Farmer Bros. Plan	2.92	87,119	—
Jeffrey A. Wahba	Farmer Bros. Plan	—	—	—
Peter B. Knepper	Farmer Bros. Plan	—	—	—
John E. Simmons	Farmer Bros. Plan	27.92	995,713	22,518
Drew H. Webb	Farmer Bros. Plan	—	—	—
Hortensia R. Gómez	Farmer Bros. Plan	3.42	55,791	—
Heidi L. Modaro	Farmer Bros. Plan	—	—	—

Annuity benefits payable monthly under the Farmer Bros. Plan are calculated as 1.50% of average compensation multiplied by the number of years of credited service, but not less than $60 per month for the first 20 years of credited service plus $80 per month for each year of credited service in excess of 20 years. For this formula, average compensation is defined as the monthly average of total pay received for the 60 consecutive months out of the 120 latest months before the retirement date which gives the highest average. The formula above produces the amount payable as a monthly annuity for the life of the Named Executive Officer beginning as early as age 62. Benefits can begin as early as age 55 upon retirement, but are subject to a 4% per year reduction for the number of years before age 62 when benefits began. Benefits under a predecessor plan are included in the figures shown in the table above for Mr. Simmons. Maximum annual combined benefits under both plans generally cannot exceed the lesser of $195,000 or the average of the employee's highest three years of compensation.

While a present value is shown in the table, benefits are not available as a lump sum and must be taken in the form of an annuity. Present values were calculated using the same actuarial assumptions applied in the calculation of pension liabilities reported in Note 8 to our audited consolidated financial statements for the fiscal year ended June 30, 2010 included in our Annual Report on Form 10-K, as amended, filed with the SEC on September 14, 2010.

Mr. Webb opted not to participate in the Farmer Bros. Plan. Ms. Modaro did not complete the required five years of service prior to separation from the Company on February 25, 2010 and, therefore, forfeited the unvested present value of her accumulated pension benefit in the amount of $18,731.

Change in Control and Termination Arrangements

Change in Control Agreements

The Company has entered into a Change in Control Severance Agreement (“Severance Agreement”) with each of its current Named Executive Officers (other than Ms. Gómez who elected not to enter into such agreement) which provides certain severance benefits to such persons in the event of a Change in Control (as generally defined below). Each Severance Agreement expires at the close of business on December 31, 2010, subject to automatic one year extensions unless the Company or such executive officer notified the other no later than September 30, 2010 that the term would not be extended. Neither the Company nor any executive officer notified the other that the term would not be extended, so the term of each Severance Agreement has been extended to December 31, 2011, subject to possible further extensions. Notwithstanding the foregoing, if prior to a Change in Control, an executive officer ceases to be an employee of the Company, his or her Severance Agreement will be deemed to have expired. The Severance Agreements with Mr. Simmons, Ms. Modaro and Mr. Webb automatically expired in connection with their retirement or separation, as applicable, from the Company. The Company did not enter into a Severance Agreement with Mr. Knepper since he was a consultant.

Under each of the Severance Agreements, a Change in Control generally will be deemed to have occurred at any of the following times: (i) upon the acquisition by any person, entity or group of beneficial ownership of 50% or more of either the then outstanding Common Stock or the combined voting power of the Company’s then outstanding securities entitled to vote generally in the election of directors; (ii) at the time individuals making up the Incumbent Board (as defined in the Severance Agreements) cease for any reason to constitute at least a majority of the Board; or (iii) the approval of the stockholders of the Company of a reorganization, merger, consolidation, complete liquidation, or dissolution of the Company, the sale or disposition of all or substantially all of the assets of the Company or any similar corporate transaction (other than any transaction with respect to which persons who were the stockholders of the Company immediately prior to such transaction continue to represent at least 50% of the outstanding Common Stock of the Company or such surviving entity or parent or affiliate thereof immediately after such transaction). In the event of certain termination events in connection with a Change in Control or Threatened Change in Control (as defined in the Severance Agreements), the current Named Executive Officers will be entitled to certain payments and benefits shown in the tables below.

Each Severance Agreement provides that while such executive officer is receiving compensation and benefits thereunder, such executive officer will not in any manner attempt to induce or assist others to attempt to induce any officer, employee, customer or client of the Company to terminate its association with the Company, nor do anything directly or indirectly to interfere with the relationship between the Company and any such persons or concerns. In the event such executive officer breaches this provision, all compensation and benefits under the Severance Agreement will immediately cease.

Employment Agreements

Under the Employment Agreements with Mr. Laverty and Mr. Wahba, upon termination for any reason, the Company will pay such officer his accrued base salary and accrued but unused vacation. In addition, if such termination occurs at the election of the Company without Cause (as defined in the Employment Agreements) or by such officer’s resignation with Good Reason (as defined in the Employment Agreements), such officer will be entitled to certain payments and benefits shown in the tables below. Receipt of any severance amounts under any Employment Agreement is conditioned upon execution of a general release of claims against the Company. Notwithstanding the foregoing, if the officer becomes eligible for severance benefits under the Severance Agreement described above, the benefits provided under that agreement will be in lieu of, and not in addition to, the severance benefits under his Employment Agreement.

Equity Awards

Under the terms of the stock option and restricted stock awards, in the event of death or disability a prorata portion (determined based on the actual number of service days during the vesting period divided by the total number of days during the vesting period) of any unvested stock options and restricted stock will be deemed to have vested immediately prior to the date of death or disability and, in the case of the restricted stock, will no longer be subject to forfeiture. Additionally, under the Omnibus Plan, the plan administrator has discretionary authority regarding accelerated vesting upon termination other than by reason of death or disability, or in connection with a change in control.

Potential Payments Upon Termination or Change in Control

The following tables describe potential payments and benefits upon termination, including resignation, severance, retirement or a constructive termination, or a change in control, including under the agreements described above, to which our current Named Executive Officers would be entitled. The estimated amount of compensation payable to each such Named Executive Officer in each situation is listed in the tables below assuming that the termination and/or change in control of the Company occurred at June 30, 2010. The actual amount of payments and benefits can only be determined at the time of such a termination or change in control and therefore the actual amounts will vary from the estimated amounts in the tables below. Descriptions of how such payments and benefits are determined under the circumstances, material conditions and obligations applicable to the receipt of payments or benefits and other material factors regarding such agreements, as well as other material assumptions that we have made in calculating the estimated compensation, follow these tables.

The tables and discussion below do not reflect (i) payments that would be provided to each Named Executive Officer under the Farmer Bros. Plan following termination of employment on the last business day of the fiscal year end; and (ii) the value of retiree medical and life insurance benefits, if any, that would be provided to each Named Executive Officer following such termination of employment, because, in each case, these benefits are generally available to all regular Company employees similarly situated in age, years of service and date of hire and do not discriminate in favor of executive officers.

The tables exclude Mr. Simmons who retired from the Company on February 28, 2010, Mr. Webb who separated from the Company on September 17, 2010, and Ms. Modaro who separated from the Company on February 25, 2010. Pursuant to the terms of the Modaro Employment Agreement, Ms. Modaro will continue to receive her base salary for a period of one (1) year from the effective termination date, such payment to be made in installments in accordance with the Company's standard payroll practices. In addition, Ms. Modaro received $75,004 representing the prorated amount of her target award under the Incentive Plan for fiscal 2010. As further required under the Modaro Employment Agreement, the Company paid Ms. Modaro a $200,000 retention bonus and $35,000 representing a prorated bonus payment for fiscal 2009, and paid a third party $10,000 for executive outplacement services. In exchange for the foregoing payments, Ms. Modaro provided the Company a general release of claims as required under the Modaro Employment Agreement. Under certain circumstances, Mr. Webb may be entitled to salary and benefit continuation and certain other severance payments and benefits as provided in the Webb Employment Agreement.

ROGER M. LAVERTY III	Death	Disability	Retirement	Change in Control and Involuntarily Terminated or Resignation for Good Reason within 24 Months of Change in Control	Threatened Change in Control and Involuntarily Terminated or Resignation for Good Reason	Termination Without Cause or Resignation With Good Reason
Base Salary Continuation	$ —	$ —	$—	$ 850,000	$ 850,000	$425,000
Bonus Payments	$ 318,750	$318,750	$—	$ 318,750	$ 318,750	$318,750
Value of Accelerated Stock Options	$ —	$ —	$—	$ —	$ —	$ —
Value of Accelerated Restricted Stock	$ 130,724	$130,724	$—	$ —	$ —	$ —
Qualified and Non-Qualified Plans	$ —	$ —	$—	$ 162,100	$ 162,100	$ —
ESOP	$ 38,600	$ 38,600	$—	$ 61,312	$ 61,312	$ —
Health and Dental Insurance	$ —	$ 18,401	$—	$ 36,802	$ 36,802	$ 18,401
Outplacement Services	$ —	$ —	$—	$ 25,000	$ 25,000	$ —
Life Insurance Proceeds	$ 725,000	$ —	$—	$ —	$ —	$ —
Total Pre-Tax Benefit	$1,213,074	$506,475	$—	$1,453,964	$1,453,964	$762,151

JEFFREY A. WAHBA	Death	Disability	Retirement	Change in Control and Involuntarily Terminated or Resignation for Good Reason within 24 Months of Change in Control	Threatened Change in Control and Involuntarily Terminated or Resignation for Good Reason	Termination Without Cause or Resignation With Good Reason
Base Salary Continuation	$ —	$ —	$—	$610,000	$610,000	$305,000
Bonus Payments	$167,750	$167,750	$—	$167,750	$167,750	$167,750
Value of Accelerated Stock Options	$ —	$ —	$—	$ —	$ —	$ —
Value of Accelerated Restricted Stock	$ 1,199	$ 1,199	$—	$ —	$ —	$ —
Qualified and Non-Qualified Plans	$ —	$ —	$—	$ —	$ —	$ —
ESOP	$ —	$ —	$—	$ —	$ —	$ —
Health and Dental Insurance	$ —	$ 1,533	$—	$ 36,802	$ 36,802	$ 18,401
Outplacement Services	$ —	$ —	$—	$ 25,000	$ 25,000	$ —
Life Insurance Proceeds	$ —	$ —	$—	$ —	$ —	$ —
Total Pre-Tax Benefit	$168,949	$170,482	$—	$839,552	$839,552	$491,151

HORTENSIA R. GÓMEZ	Death	Disability	Retirement	Change in Control and Involuntarily Terminated or Resignation for Good Reason within 24 Months of Change in Control	Threatened Change in Control and Involuntarily Terminated or Resignation for Good Reason	Termination Without Cause or Resignation With Good Reason
Base Salary Continuation	$ —	$ —	$—	$—	$—	$—
Bonus Payments	$ —	$ —	$—	$—	$—	$—
Value of Accelerated Stock Options	$ —	$ —	$—	$—	$—	$—
Value of Accelerated Restricted Stock	$ 6,009	$ 6,009	$—	$—	$—	$—
Qualified and Non-Qualified Plans	$ —	$ —	$—	$—	$—	$—
ESOP	$ 39,596	$39,596	$—	$—	$—	$—
Health and Dental Insurance	$ —	$ 7,274	$—	$—	$—	$—
Outplacement Services	$ —	$ —	$—	$—	$—	$—
Life Insurance Proceeds	$280,000	$ —	$—	$—	$—	$—
Total Pre-Tax Benefit	$325,605	$52,879	$—	$—	$—	$—

PROXY STATEMENT

Base Salary Continuation

Severance Agreements

Under each Severance Agreement, if (i) a Change in Control occurs and the executive officer's employment is terminated within the two years following the occurrence of the Change in Control by the Company other than for Cause, Disability (each as defined in the Severance Agreements) or death, or by Resignation for Good Reason (as defined in the Severance Agreements), or (ii) a Threatened Change in Control (as defined in the Severance Agreements) occurs and the executive officer's employment is terminated during the Threatened Change in Control Period (as defined in the Severance Agreements) by the Company other than for Cause, Disability or death, or there is a Resignation for Good Reason by the executive officer (a "Change in Control Event"), such executive officer will be entitled to receive his or her base salary, excluding bonuses, at the rate in effect on the date of termination for a period of twenty-four (24) months, such payment to be made in installments in accordance with the Company's standard payroll practices, commencing in the month following the month in which the executive officer's Separation from Service (as defined in the Severance Agreements) occurs, subject to the payment limitations with respect to "specified employees" under Section 409A of the Code.

Employment Agreements

Under the Employment Agreements, if Mr. Laverty's or Mr. Wahba's termination occurs at the election of the Company without Cause (as defined in the Employment Agreements) or by Mr. Laverty's or Mr. Wahba's resignation with Good Reason (as defined in the Employment Agreements), Mr. Laverty or Mr. Wahba, as the case may be, will continue to receive his base salary for a period of one (1) year from the effective termination date, such payment to be made in installments in accordance with the Company's standard payroll practices, commencing in the month following the month in which the executive officer's Separation from Service (as defined in the Employment Agreements) occurs, subject to the payment limitations with respect to "specified employees" under Section 409A of the Code.

Bonus Payments

Severance Agreements

Under each Severance Agreement, if a Change in Control Event occurs, the Named Executive Officer will receive a payment equal to one hundred percent (100%) of the Named Executive Officer's target bonus for the fiscal year in which the date of termination occurs (or, if no target bonus has been assigned as of the date of termination, the average bonus paid to such Named Executive Officer for the last three (3) completed fiscal years or for the number of completed fiscal years such person has been in the employ of the Company if fewer than three (3)), such payment to be made in a lump sum, subject to the payment limitations with respect to "specified employees" under Section 409A of the Code. Because Mr. Wahba joined the Company in June 2010 and no target award has been assigned and no bonus has been paid, the amount shown in the table above is based on Mr. Wahba's fiscal 2011 target bonus of $167,750.

Employment Agreements

Under the Employment Agreements, if Mr. Laverty's or Mr. Wahba's termination occurs at the election of the Company without Cause (as defined in the Employment Agreements) or by Mr. Laverty's or Mr. Wahba's resignation with Good Reason (as defined in the Employment Agreements), Mr. Laverty or Mr. Wahba, as the case may be, will continue to receive an amount equal to his target award under the Incentive Plan for the fiscal year in which such termination is effective (or, if no target bonus has been assigned as of the date of termination, the average bonus paid by the Company to the executive officer for the last three (3) completed fiscal years or for the number of completed fiscal years such person has been in the employ of the Company if fewer than three (3)), prorated through the effective termination date. Payment of such amount will be made in a lump sum within thirty (30) days after the end of the Company's fiscal year in which the executive officer's Separation from Service (as defined in the Employment Agreements) occurs, subject to the payment limitations with respect to "specified employees" under Section 409A of the Code. The Company will also pay a prorated portion of the target award under the Incentive Plan in the event of Mr. Laverty's or Mr. Wahba's death or disability.

Value of Accelerated Stock Options and Restricted Stock

Under the terms of the stock option and restricted stock awards, in the event of death or disability a prorata portion (determined based on the actual number of service days during the vesting period divided by the total number of days during the vesting period) of any unvested stock options and restricted stock will be deemed to have vested immediately prior to the date of death or disability and, in the case of the restricted stock, will no longer be subject to forfeiture. The value of accelerated equity awards shown in the tables above was calculated using the closing price of our Common Stock on June 30, 2010 ($15.09). The value of options is the aggregate spread between $15.09 and the exercise price of the accelerated options, if less than $15.09, while $15.09 is the intrinsic value of the restricted stock grants.

Under the Omnibus Plan, the plan administrator has discretionary authority regarding accelerated vesting upon termination other than by reason of death or disability, or in connection with a change in control. The numbers in the tables above assume such discretionary authority was not exercised.

Qualified and Non-Qualified Plans; ESOP

Under each Severance Agreement, if a Change in Control Event occurs, subject to eligibility provisions of the plans, the Named Executive Officer will continue to participate in the tax-qualified and non-qualified retirement, savings and employee stock ownership plans of the Company during the twenty-four (24) month period following the Named Executive Officer's date of termination unless he or she commences other employment prior to the end of the twenty-four (24) month period, in which case, such participation will end on the date of his or her new employment. In addition, upon termination of employment for any reason, including death, disability, retirement or other termination, the Named Executive Officer will be entitled to his or her vested benefits under the Farmer Bros. Plan and the ESOP. Estimated qualified and non-qualified plan benefits shown in the tables above reflect the present value of the vested accumulated benefits under the Farmer Bros. Plan plus, in the case of a Change in Control Event, the annual change in pension value (estimated to be $37,445 per year in the case of Mr. Laverty). Amounts shown in the tables above exclude vested employee contributions under the Farmer Bros. Plan. Mr. Wahba is not eligible to participate in the Farmer Bros. Plan until June 2011. Estimated ESOP benefits shown in the tables above reflect the value of vested allocated shares in the ESOP plus, in the case of a Change in Control Event, an annual allocation of ESOP shares to qualified employees (estimated to be $11,356 for Mr. Laverty). The estimated value of the ESOP shares is based on the closing price of our Common Stock on June 30, 2010 ($15.09). Participants become 100% vested under the ESOP upon death, disability and, subject to certain eligibility requirements, retirement.

Health, Dental and Life Insurance

Severance Agreements

Under each Severance Agreement, if a Change in Control Event occurs, the health, dental and life insurance benefits coverage provided to the Named Executive Officer at his date of termination will be continued by the Company during the twenty-four (24) month period following the Named Executive Officer's date of termination unless he commences employment prior to the end of the twenty-four (24) month period and qualifies for substantially equivalent insurance benefits with his new employer, in which case such insurance coverages will end on the date of qualification. The Company will provide for such insurance coverages at its expense at the same level and in the same manner as if the Named Executive Officer's employment had not terminated (subject to the customary changes in such coverages if the Named Executive Officer retires under a Company retirement plan, reaches age 65, or similar events and subject to the Named Executive Officer's right to make any changes in such coverages that an active employee is permitted to make). Any additional coverages the Named Executive Officer had at termination, including dependent coverage, will also be continued for such period on the same terms, to the extent permitted by the applicable policies or contracts. Any costs the Named Executive Officer was paying for such coverages at the time of termination will be paid by the Named Executive Officer. If the terms of any benefit plan do not permit continued participation, the Company will arrange for other coverage at its expense providing substantially similar benefits. Estimated payments shown in the tables above represent the current net annual cost to the Company of the employee's participation in the Company's medical insurance program offered to all non-union employees. In the event of death, the insurance may be continued for the surviving spouse.

Employment Agreements

Under the Employment Agreements, if Mr. Laverty's or Mr. Wahba's termination occurs at the election of the Company without Cause (as defined in the Employment Agreements) or by Mr. Laverty's or Mr. Wahba's resignation with Good Reason (as defined in the Employment Agreements), Mr. Laverty or Mr. Wahba, as the case may be, will continue to receive partially Company-paid COBRA coverage under the Company's health care plan for a period of one (1) year after the effective termination date.

Company Benefit Plans

Under the Company's group health plan, an employee who becomes totally disabled and his or her covered dependents will be eligible for coverage one year from the date disability began or a period equal to the time the employee was enrolled under the plan, whichever is less.

Outplacement Services

Under each Severance Agreement, if a Change in Control Event occurs, the Company will provide the Named Executive Officer with outplacement services at the expense of the Company, in an amount up to $25,000.

Indemnification

The Company has entered into the same form of Indemnification Agreement with each Named Executive Officer as is described below under the heading "Director Compensation—Director Indemnification." The Indemnification Agreements do not exclude any other rights to indemnification or advancement of expenses to which the indemnitee may be entitled, including any rights arising under the Certificate of Incorporation or Bylaws of the Company, or the Delaware General Corporation Law.

DIRECTOR COMPENSATION

The compensation program for our non-employee directors is intended to fairly compensate them for the time and effort required of a director given the size and complexity of the Company's operations. Portions of the compensation program utilize our stock in order to further align the interests of the directors with all other stockholders of the Company and to motivate the directors to focus on the long-term financial interest of the Company.

Non-employee members of the Board receive a combination of cash and stock-based incentive compensation. Directors who are Company employees are not paid any fees for serving on the Board or for attending Board meetings.

Cash Compensation

Each non-employee director receives an annual retainer of $30,000, payable quarterly in advance, and meeting fees of $1,500 for each Board meeting, $2,500 for each Compensation Committee or Audit Committee meeting, and $1,500 for each Nominating Committee meeting attended; provided if more than one meeting (Board or committee) is held and attended on the same date, maximum meeting fees are $4,000. In addition, the following committee chairs receive additional annual retainers, as follows: (i) Audit Committee, $15,000; and (ii) Compensation Committee, $7,500. Board members are also entitled to reimbursement of reasonable travel expenses from outside the greater Los Angeles area, in accordance with Company policy, incurred in connection with attendance at Board and committee meetings.

Equity Compensation

Each non-employee director receives an annual grant of restricted stock under the Omnibus Plan having a value equal to $40,000, each such grant to vest over three years in equal annual installments, subject to the non-employee director's continued service to the Company through each vesting date. The annual grant of restricted stock is made on the date on which the Company holds its annual meeting of stockholders or such other date as the Board may determine. The number of shares of Common Stock to be received in the grant of restricted stock is based on the closing price per share of our Common Stock on the date such grant is made.

Stock Ownership Guidelines

Under the Stock Ownership Guidelines adopted by the Board, non-employee directors are expected to own and hold during their service as a Board member a number of shares of Common Stock with a value equal to at least three (3) times the amount of the non-employee director annual stock-based award, as the same may be adjusted from time to time, under the Omnibus Plan. Stock that counts toward satisfaction of these guidelines includes: (i) shares of Common Stock owned outright by the non-employee director and his or her immediate family members who share the same household, whether held individually or jointly; (ii) restricted stock or restricted stock units (whether or not the restrictions have lapsed); (iii) ESOP shares; and (iv) shares of Common Stock held in trust for the benefit of the non-employee director or his or her family.

Until the applicable guideline is achieved, each non-employee director is required to retain all "profit shares," which are those shares remaining after payment of taxes on earned equity awards under the Omnibus Plan, such as shares granted pursuant to the exercise of vested options and restricted stock that has vested. Non-employee directors are expected to continuously own sufficient shares to meet these guidelines once attained. The guidelines may be waived at the discretion of the Board if compliance would create severe hardship or prevent a non-employee director from complying with a court order. It is expected that these instances will be rare.

Director Compensation Table

The following table shows fiscal 2010 non-employee director compensation:

Director(1)	Fees Earned or Paid in Cash ($)	Stock Awards ($)(2)	All Other Compensation ($)(3)	Total ($)
Guenter W. Berger(4)	37,500	7,380	17,845	62,725
Jeanne Farmer Grossman(5)(6)	27,000	7,380	500	34,880
Martin A. Lynch(6)(7)	56,500	7,380	1,742	65,622
Thomas A. Maloof(5)(6)(7)(8)	75,500	7,380	1,742	84,622
James J. McGarry(5)(6)	51,500	7,380	1,742	60,622
John H. Merrell(5)(6)(7)(9)	83,000	7,380	1,742	92,122
Carol Farmer Waite(6)	12,000	—	621	12,621

(1) Mr. Laverty, the Company's Chief Executive Officer and President, is not included in this table as he is an employee of the Company and thus receives no compensation for his service as a director.

(2) Represents the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. Each non-employee director received a grant on December 10, 2009 of 2,173 shares of restricted stock, which generally vest over three years in equal annual installments, with a grant date fair value under FASB ASC Topic 718 of $18.41 per share, based on the closing price of our Common Stock on that date of $18.41. The aggregate number of restricted stock awards outstanding at June 30, 2010 for each non-employee director is 3,542, with the exception of Ms. Grossman who was elected to the Board at the 2009 Annual Meeting and has an aggregate of 2,173 shares of restricted stock. Ms. Waite forfeited 1,800 shares of restricted stock previously granted to her as director compensation upon her discontinuing to serve as a director beyond the 2009 Annual Meeting.

(3) Includes cash dividends on restricted stock ($1,742) for all directors other than Ms. Grossman ($500) and Ms. Waite ($621).

(4) All Other Compensation for Mr. Berger includes life insurance premiums ($16,103).

(5) Member, Compensation Committee. Ms. Grossman was appointed to the Compensation Committee upon her election as a director at the 2009 Annual Meeting.

(6) Member, Nominating Committee. Ms. Waite served as a member of the Nominating Committee through the 2009 Annual Meeting, at which time Ms. Grossman was elected as a director and appointed to the Nominating Committee.

(7) Member, Audit Committee.

(8) Compensation Committee Chairman.

(9) Audit Committee Chairman.

Director Indemnification

Under Farmer Bros.' Certificate of Incorporation and Bylaws, the directors are entitled to indemnification from Farmer Bros. to the fullest extent permitted by Delaware corporate law. Following approval by the Compensation Committee and review by independent counsel on behalf of the Compensation Committee, the Board of Directors has approved a form of Indemnification Agreement ("Indemnification Agreement") to be entered into between the Company and its directors and officers. The Company's Board of Directors may from time to time authorize the Company to enter into additional indemnification agreements with future directors and officers of the Company.

The Indemnification Agreements provide, among other things, that the Company will, to the extent permitted by applicable law, indemnify and hold harmless each indemnitee if, by reason of his or her status as a director, officer, trustee, general partner, managing member, fiduciary, employee or agent of the Company or of any other enterprise which such person is or was serving at the request of the Company, such indemnitee was, is or is threatened to be made, a party to or a participant (as a witness or otherwise) in any threatened, pending or completed proceeding, whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative or investigative nature, against all expenses, judgments, fines, penalties and amounts paid in settlement actually and reasonably incurred by him or her or on his or her behalf in connection with such proceeding. In addition, the Indemnification Agreements provide for the advancement of expenses incurred by the indemnitee in connection with any such proceeding to the fullest extent permitted by applicable law. The Indemnification Agreements also provide that, in the event of a Potential Change in Control (as defined in the Indemnification Agreements), the Company will, upon request by the indemnitee, create a trust for the benefit of the indemnitee and fund such trust in an amount sufficient to satisfy expenses reasonably anticipated to be incurred in connection with investigating, preparing for, participating in or defending any proceedings, and any judgments, fines, penalties and amounts paid in settlement in connection with any proceedings. The Indemnification Agreements do not exclude any other rights to indemnification or advancement of expenses to which the indemnitee may be entitled, including any rights arising under the Certificate of Incorporation or Bylaws of the Company, or the Delaware General Corporation Law.

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

Review and Approval of Related Person Transactions

Under the Company's written Policies and Procedures for the Review, Approval or Ratification of Related Person Transactions, a related person transaction may be consummated or may continue only if the Audit Committee approves or ratifies the transaction in accordance with the guidelines set forth in the policy. The policy applies to: (i) any person who is, or at any time since the beginning of the Company's last fiscal year was, a director, nominee for director or executive officer of the Company; (ii) any person who is known to be the beneficial owner of more than five percent (5%) of any class of the Company's voting securities; and (iii) any immediate family member, as defined in the policy, of, or sharing a household with, any of the foregoing persons. For purposes of the policy, a related person transaction includes, but is not limited to, any financial transaction, arrangement or relationship or any series of similar transactions, arrangements or relationships, specifically including indebtedness and guarantees of indebtedness, between the Company and any of the foregoing persons since the beginning of the Company's last fiscal year, or any currently proposed transaction in which the Company was or is to be a participant or a party, in which the amount involved exceeds $120,000, and in which any of the foregoing persons had or will have a direct or indirect material interest.

Under the policy, upon referral by the Chief Financial Officer or Secretary of the Company, any proposed related person transaction will be reviewed by the Audit Committee for approval or disapproval based on the following:

- The materiality of the related person's interest, including the relationship of the related person to the Company, the importance of the interest to the related person and the amount involved in the transaction;
- Whether the terms of the transaction, in the aggregate, are comparable to those that would have been reached by unrelated parties in an arm's length transaction;
- The availability of alternative transactions, including whether there is another person or entity that could accomplish the same purposes as the transaction and, if alternative transactions are available, there must be a clear and articulable reason for the transaction with the related person;
- Whether the transaction is proposed to be undertaken in the ordinary course of the Company's business, on the same terms that the Company offers generally in transactions with persons who are not related persons; and
- Such additional factors as the Audit Committee determines relevant.

The Audit Committee will direct the Company's executive officers to disclose all related person transactions approved by the Audit Committee to the extent required under applicable accounting rules, Federal securities laws, SEC rules and regulations, and Nasdaq rules.

Related Person Transactions

Since the beginning of fiscal 2010, related person transactions reviewed and approved by the Audit Committee include the following:

John M. Anglin, the Company's Secretary, is a Partner in the law firm of AFRCT, which provides legal services to the Company. During fiscal 2010, we paid AFRCT $447,188 for such services. We expect to continue to engage AFRCT to perform legal services in fiscal 2011.

The son of Carol Farmer Waite, the beneficial owner of more than five percent (5%) of the Company's voting securities, is a non-executive employee of the Company acting as Vice President of Green Coffee. Mr. Waite's fiscal 2010 compensation (including salary, bonus, stock based compensation, dividends payable on restricted stock and ESOP allocation) was $154,072. Additionally, Mr. Waite's fiscal 2011 compensation is expected to exceed $120,000.

In August 2010, the Audit Committee approved a relocation payment to Drew H. Webb, our former Executive Vice President of Sales and Marketing, in the amount of $250,000, less $32,500 in rent and travel expenses previously paid by the Company during fiscal 2010.

Pursuant to an Interim Services Agreement between the Company and Tatum, Peter B. Knepper served as a financial consultant to the Company from December 18, 2009 to February 8, 2010, at which time he was appointed Chief Financial Officer (Interim). Mr. Knepper served in this capacity through May 31, 2010, and thereafter provided consulting services to the Company through June 30, 2010. The Company paid Tatum $55,000 per month for services provided by Mr. Knepper, plus a 5% administrative fee. Total fees and expenses paid to Mr. Knepper and Tatum under this arrangement during fiscal 2010 were $239,750 and $135,625, respectively.

AUDIT MATTERS

Audit Committee Report

The Audit Committee has reviewed and discussed with management the Company's audited consolidated financial statements as of and for the fiscal year ended June 30, 2010.

The Audit Committee has also discussed with EY the matters required to be discussed by the Statement on Auditing Standards No. 61, *Communications with Audit Committees* (SAS 61), as amended and as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Audit Committee has received the written disclosures and the letter from EY required by applicable requirements of the Public Company Accounting Oversight Board regarding EY's communications with the Audit Committee concerning independence, and has discussed with EY that firm's independence.

Based on the reviews and discussions referred to above, the Audit Committee has recommended to the Board that the audited consolidated financial statements referred to above be included in the Company's Annual Report on Form 10-K, as amended, for the fiscal year ended June 30, 2010 filed with the SEC.

Audit Committee of the Board of Directors

John H. Merrell, Chairman
Martin A. Lynch
Thomas A. Maloof

Independent Registered Public Accounting Firm

From and after the effective date of the SEC rule requiring Audit Committee pre-approval of all audit and permissible non-audit services provided by independent registered public accounting firms, the Audit Committee has pre-approved all audit and permissible non-audit services provided by EY in accordance with the pre-approval policies and procedures described below.

The following table sets forth the aggregate fees billed by EY for fiscal 2010 and fiscal 2009 for audit and non-audit services (as well as all "out-of-pocket" costs incurred in connection with these services) and are categorized as Audit Fees, Audit-Related Fees, Tax Fees and All Other Fees. The nature of the services provided in each such category is described following the table.

Type of Fees	2010	2009
Audit Fees	$540,000	$ 730,000
Audit-Related Fees	—	11,500
Tax Fees	160,560	68,600
All Other Fees	—	586,400
Total Fees	$700,560	$1,396,500

Audit Fees

In the above table, in accordance with the SEC's definitions and rules, "Audit Fees" are fees that the Company paid to EY for the audit of the Company's annual consolidated financial statements included in the Form 10-K and review of financial statements included in the Form 10-Qs; for the audit of the Company's internal control over financial reporting; and for services that are normally provided by the auditor in connection with statutory and regulatory filings or engagements.

Audit-Related Fees

"Audit-Related Fees" are fees for assurance and related services and various filings that are reasonably related to the performance of the audit or review of the Company's financial statements and internal control over financial reporting, including services in connection with assisting the Company in its compliance under Section 303 of the Sarbanes-Oxley Act of 2002 and related regulations.

Tax Fees

"Tax Fees" are fees for tax compliance, tax advice and tax planning, including state tax representation and miscellaneous consulting on federal and state taxation matters. All Tax Fees in the last two fiscal years were related to tax compliance (review and preparation of corporate tax returns, assistance with tax audits and review of the tax treatment for certain expenses) and tax advice (tax expense deductions).

All Other Fees

"All Other Fees" are fees for any services not included in the first three categories. There were no such fees in fiscal 2010. For fiscal 2009, All Other Fees included fees for strategic projects, including acquisition integration planning.

Pre-Approval of Audit and Non-Audit Services

Under the Farmer Bros. Co. Audit and Non-Audit Services Pre-Approval Policy, the Audit Committee must pre-approve all audit and non-audit services provided by the independent auditor. The policy, as described below, sets forth the procedures and conditions for such pre-approval of services to be performed by the independent auditor. The policy utilizes both a framework of general pre-approval for certain specified services and specific pre-approval for all other services. Unless a type of service has received general pre-approval, it will require specific pre-approval by the Audit Committee if it is to be provided by the independent auditor. Any proposed services exceeding pre-approved cost levels or budgeted amounts will also require specific pre-approval by the Audit Committee.

In the first quarter of each year, the Audit Committee is asked to pre-approve the engagement of the independent auditor and the projected fees for audit services for the current fiscal year. The Audit Committee is also asked to provide general pre-approval for certain audit-related services (assurance and related services that are reasonably related to the performance of the auditor's review of the financial statements or that are traditionally performed by the independent auditor) and tax services (such as tax compliance, tax planning and tax advice) for the current fiscal year consistent with the SEC's rules on auditor independence. If the Company wishes to engage the independent auditor for additional services that have not been generally pre-approved as described above, then such engagement will be presented to the Audit Committee for pre-approval at its next regularly scheduled meeting. Pre-approval of any engagement by the Audit Committee is required before the independent auditor may commence any engagement.

In fiscal 2010, there were no fees paid to EY under a de minimis exception to the rules that waive pre-approval for certain non-audit services.

OTHER MATTERS

Annual Report and Form 10-K

The 2010 Annual Report to Stockholders (which includes the Company's Annual Report on Form 10-K, as amended, as filed with the SEC for the fiscal year ended June 30, 2010) accompanies this Proxy Statement. The 2010 Annual Report is neither incorporated by reference in this Proxy Statement nor part of the proxy soliciting material. **Stockholders may obtain, without charge, a copy of the Company's Annual Report on Form 10-K, as amended, for the fiscal year ended June 30, 2010, filed with the SEC, including the financial statements and financial statement schedules thereto, without the accompanying exhibits, by writing to: Farmer Bros. Co., 20333 South Normandie Avenue, Torrance, California 90502, Attention: Chief Financial Officer. The Company's Form 10-K, as amended, is also available online at the Company's website, *www.farmerbros.com*. A list of exhibits is included in the Form 10-K, as amended, and exhibits are available from the Company upon the payment of the Company's reasonable expenses in furnishing them.**

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's executive officers and directors, and persons who own more than 10% of a registered class of the Company's equity securities (collectively, "Reporting Persons"), to file reports of ownership and changes in ownership with the SEC. Reporting Persons are required by SEC regulations to furnish the Company with copies of all forms they file pursuant to Section 16(a). As a practical matter, the Company assists its directors and executive officers by monitoring transactions and completing and filing Section 16 reports on their behalf. Based solely on the Company's review of the reports filed by Reporting Persons, and written representations from certain Reporting Persons that no other reports were required for those persons, the Company believes that, during the fiscal year ended June 30, 2010, the Reporting Persons met all applicable Section 16(a) filing requirements.

Stockholder Proposals and Nominations

Proposals Pursuant to Rule 14a-8

Pursuant to Rule 14a-8 under the Exchange Act, stockholders may present proper proposals for inclusion in the Company's proxy statement and form of proxy for consideration at the Company's next annual meeting of stockholders. To be eligible for inclusion in the Company's 2011 proxy statement, stockholder proposals must be received by the Company no later than June 30, 2011, and must otherwise comply with Rule 14a-8. While the Board will consider stockholder proposals, the Company reserves the right to omit from the Company's proxy statement stockholder proposals that it is not required to include under the Exchange Act, including Rule 14a-8.

Proposals and Nominations Pursuant to the Company's Bylaws

The Company's Bylaws contain an advance notice provision with respect to matters to be brought at an annual meeting of stockholders, including nominations, and not included in the Company's proxy statement. A stockholder who desires to nominate a director or bring any other business before the stockholders at the 2011 Annual Meeting must notify the Company in writing, must cause such notice to be delivered to or received by the Secretary of the Company no earlier than August 12, 2011, and no later than September 11, 2011, and must comply with the other Bylaw provisions summarized below; provided, however, that in the event that the 2011 Annual Meeting is called for a date that is not within thirty (30) days before or after December 9, 2011, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the 2011 Annual Meeting was mailed or such public disclosure of the date of the 2011 Annual Meeting was made, whichever first occurs.

The Bylaws provide that nominations may be made by the Board, by a committee appointed by the Board or any stockholder entitled to vote in the election of directors generally. Stockholders must provide actual written notice of their intent to make nomination(s) to the Secretary of the Company within the timeframes described above. Each such notice must set forth (a) as to each person whom the stockholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by the person, and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act; and (b) as to the stockholder giving notice (i) the name and record address of such stockholder, (ii) the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by such stockholder, (iii) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder, (iv) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice, and (v) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with the solicitation of proxies for election of directors pursuant to Section 14 of the Exchange Act. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

The notice given by a stockholder regarding other business to be brought before an annual meeting of stockholders must be provided within the timeframes described above and set forth (a) a brief description of the business desired to be brought before the annual meeting and the reason for conducting such business at the annual meeting, (b) the name and record address of such stockholder, (c) the class and number of shares of stock of the Company which are owned beneficially or of record by such stockholder, (d) a description of all arrangements or understandings between such stockholder and any other persons (including their names) in connection with the proposal and any material interest of such stockholder in such business, and (e) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

You may write to the Secretary of the Company at the Company's principal office, 20333 South Normandie Avenue, Torrance, California 90502, to deliver the notices discussed above and for a copy of the relevant Bylaw provisions regarding the requirements for making stockholder proposals and nominating director candidates.

Householding of Proxy Materials

The SEC has adopted rules that permit companies and intermediaries (such as banks and brokers) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, which is commonly referred to as "householding," potentially means extra convenience for stockholders and cost savings for companies.

This year, a number of banks and brokers with account holders who are Company stockholders will be "householding" the Company's proxy materials and annual report. A single proxy statement and annual report will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your bank or broker that it will be "householding" communications to your address, "householding" will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in "householding" and would prefer to receive a separate proxy statement and annual report, please notify your bank or broker, or direct your written request to Farmer Bros. Co., 20333 South Normandie Avenue, Torrance, California 90502, Attention: Chief Financial Officer, or contact the Company's Chief Financial Officer by telephone at (310) 787-5200, and the Company will deliver a separate copy of the annual report or proxy statement upon request. Stockholders who currently receive multiple copies of the proxy statement and annual report at their address and would like to request "householding" of their communications should contact their bank or broker.

By Order of the Board of Directors

John M. Anglin

October 28, 2010

John M. Anglin
Secretary

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

FORM 10-K/A
Amendment No. 1

(Mark One)

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

For the fiscal year ended June 30, 2010

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: 001-34249

FARMER BROS. CO.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**95-0725980**
(State of Incorporation)	**(I.R.S. Employer Identification No.)**

20333 South Normandie Avenue, Torrance, California 90502
(Address of Principal Executive Offices; Zip Code)

Registrant's telephone number, including area code 310-787-5200
Securities registered pursuant to Section 12(g) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $1.00 par value	**NASDAQ**

10-K

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☑ NO ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ☐ NO ☑

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☐ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

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 ☑

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the closing price at which the Farmer Bros. Co. common stock was sold on December 31, 2009 was approximately $158 million.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference into Part III of this Form 10-K: certain portions of the definitive proxy statement for the fiscal year ended June 30, 2010 that is expected to be filed with the U.S. Securities and Exchange Commission on or before October 28, 2010.

On September 10, 2010 the registrant had 16,164,019 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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EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (this “Amendment”) amends the original Annual Report on Form 10-K for the year ended June 30, 2010 of Farmer Bros. Co. (the “Company”) that was filed with the Securities and Exchange Commission (the “SEC”) on September 13, 2010 (the “Original Form 10-K”). This Amendment is being filed for the purpose of correcting certain typographical errors.

1. In “Management’s Discussion and Analysis of Results of Operations and Financial Condition” on page 25 of the Original Form 10-K under the heading “Total other income (expense),” the offsetting change in interest expense was reported to be $1.5 million; however the correct amount is $0.7 million.
2. The Company’s “Consolidated Statements of Operations” on page 31 of the Original Form 10-K contained a typographical error relating to the amount shown for “Loss from operations” for the year ended June 30, 2010. The amount shown in the Original Form 10-K was $(39,692,000). The correct amount is $(39,192,000). This typographical error did not affect any of the other amounts reported in the Company’s consolidated financial statements.
3. In the Company’s Consolidated Financial Statements, Note 12 – Other Current Liabilities on page 60 of the Original Form 10-K, the amounts shown for the year ended June 30, 2009 for “Accrued workers’ compensation liabilities” and the total of all other current liabilities were $1,657,000 and $10,227,000, respectively. The correct amounts are $1,348,000 and $9,918,000, respectively.
4. In the Company’s Consolidated Financial Statements, Note 16 – Quarterly Financial Data (Unaudited) on page 65 of the Original Form 10-K, the amounts shown for “Income (loss) from operations” for the fiscal quarters ended September 30, 2009 and June 30, 2010 were $2,595,000 and $(27,397,000), respectively. The correct amounts are $(2,499,000) and $(22,303,000), respectively.

Additionally, pursuant to the rules of the SEC, Part IV of the Original Form 10-K has been amended to contain currently dated certifications of the Company’s Chief Executive Officer and Chief Financial Officer. As required by Section 302 and 906 of the Sarbanes-Oxley Act of 2002, the certifications of our Chief Executive Officer and Chief Financial Officer are attached to this Amendment as Exhibits 31.1, 31.2, 32.1 and 32.2.

Except as described above, no other amendments have been made to the Original Form 10-K. All other Items of the Original Form 10-K are unaffected by this Amendment but have been included in this Amendment solely to provide investors with one complete amended filing. This Amendment does not reflect events occurring after September 13, 2010 or modify or update the disclosure contained in the Original Form 10-K in any way other than as required to reflect the revisions discussed above.

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PART I

Item 1. Business

Overview

Farmer Bros. Co., a Delaware corporation (including its consolidated subsidiaries unless the context otherwise requires, the "Company," "we," "our" or "Farmer Bros.") is a manufacturer, wholesaler and distributor of coffee, tea and culinary products to institutional food service establishments including restaurants, hotels, casinos, hospitals and food service providers, as well as retailers such as convenience stores, coffee houses, general merchandisers, private-label retailers and grocery stores. We were incorporated in California in 1923, and reincorporated in Delaware in 2004. We operate in one business segment and are in the business of roasting, packaging, and distributing coffee, tea and culinary products through direct and brokered sales to our customers throughout the contiguous United States.

Business Strategy

On April 27, 2007, to enhance our product offerings to include specialty coffee products, we completed the acquisition of Coffee Bean Holding Co., Inc., a Delaware corporation ("CBH"), the parent company of Coffee Bean International, Inc., an Oregon corporation ("CBI"), a specialty coffee manufacturer and wholesaler headquartered in Portland, Oregon (the "CBI Acquisition"). To expand our national presence and improve our channel penetration, on February 28, 2009, we completed the acquisition from Sara Lee Corporation, a Maryland corporation ("Sara Lee"), and Saramar, L.L.C., a Delaware limited liability company ("Saramar" and collectively with Sara Lee, "Seller Parties") of certain assets used in connection with Seller Parties' direct store delivery coffee business in the United States (the "DSD Coffee Business"). The acquired business also included the distribution, sale and service of brewed and liquid coffee equipment, as well as the right to distribute sauces and dressings to customers of the DSD Coffee Business.

Our mission is to "sell great coffee, tea and culinary products and provide superior service—one customer at a time." The acquisition of the DSD Coffee Business in fiscal 2009 furthered our efforts to achieve this mission. As a primary result of this acquisition, our sales grew to $450.3 million in fiscal 2010 from $266.5 million in fiscal 2008, and we acquired over 2,000 new SKU's and over 60 trademarks, tradenames and service marks including the major regional brands MCGARVEY®, CAIN'S®, IRELAND®, JUSTIN LLOYD®, METROPOLITAN®, PREBICA®, WECHSLER®, WORLD'S FINEST® and CAFÉ ROYAL®, and the national brand SUPERIOR®, broadened and diversified our customer base to include a major presence in the gaming industry as well as significant national chain accounts, and expanded geographically from our previous 28 state marketing area into all 48 contiguous states. In fiscal 2010 we completed the post-acquisition integration of the DSD Coffee Business in an effort to realize the selling and operating efficiencies of the combined organization through consolidation of product offerings and SKU's, streamlining of routes and distribution logistics, and consolidation of warehouses and distribution centers, with an expanded, customer-focused organization enabled by enhanced information management tools and training.

Business Operations

Our product line is specifically focused on the needs of our market segment: institutional food service establishments including restaurants, hotels, casinos, hospitals and food service providers, as well as retailers such as convenience stores, coffee houses, general merchandisers, private-label retailers and grocery stores. Our product line includes roasted coffee, liquid coffee, coffee related products such as coffee filters, sugar and creamers, assorted teas, cappuccino, cocoa, spices, gelatins and puddings, soup, gravy and sauce mixes, pancake and biscuit mixes, and jellies and preserves. Our product line presently includes over 400 core product offerings. For the past three fiscal years, sales of roasted coffee products represented approximately 50% of our total sales and no single product other than roasted coffee accounted for more than 10% of our total sales. Coffee purchasing, roasting and packaging takes place at our Torrance, California; Portland, Oregon; and Houston, Texas plants. Spice blending and packaging takes place at our Torrance, California and Oklahoma City, Oklahoma plants. Our distribution centers include our Torrance, Houston, and Portland plants, and distribution centers in Fridley, Minnesota; Northlake, Illinois; Oklahoma City, Oklahoma; and Moonachie, New Jersey.

Raw Materials and Supplies

Our primary raw material is green coffee, an agricultural commodity. Green coffee is mainly grown outside the United States and can be subject to volatile price fluctuations. Weather, real or perceived shortages, political unrest, labor actions, currency fluctuations, armed conflict in coffee producing nations, and government actions, including treaties and trade controls between the U.S. and coffee producing nations, can affect the price of green coffee. Green specialty coffees sell at a premium to other green coffees due to the inability of producers to increase supply in the short run to meet rising demand. As a result, the price spread between specialty coffee and non-specialty coffee is likely to widen as demand continues to increase.

Producer organizations can also affect green coffee prices. The most prominent of these are the Colombian Coffee Federation, Inc. (CCF) and the International Coffee Organization (ICO). These organizations seek to increase green coffee prices largely by attempting to restrict supplies, thereby limiting the availability of green coffee to coffee consuming nations.

Other raw materials used in the manufacture of our tea and culinary products include a wide variety of spices, such as pepper, chilies, oregano and thyme, as well as cocoa, dehydrated milk products, salt and sugar. These raw materials are agricultural products and can be subject to wide cost fluctuations. Such fluctuations, however, historically have not had a material effect on our operating results.

Trademarks and Licenses

We own 120 registered trademarks which are integral to customer identification of our products. It is not possible to assess the impact of the loss of such identification. The Company and Sara Lee have entered into certain operational agreements that include trademark and formula license agreements.

Seasonality

We experience some seasonal influences. The winter months are generally the best sales months. However, our product line and geographic diversity provide some sales stability during the warmer months when coffee consumption ordinarily decreases. Additionally, we usually experience an increase in sales during the summer months from seasonal businesses located in vacation areas.

Distribution

Most sales are made “off-truck” to our customers at their places of business by our sales representatives who are responsible for soliciting, selling and collecting from and otherwise maintaining our customer accounts. We serve our customers from seven distribution centers strategically located for national coverage. Our distribution trucks are replenished from 115 branch warehouses located throughout the contiguous United States. We operate our own trucking fleet to support our long-haul distribution requirements. A portion of our products are distributed by third parties or are direct shipped via common carrier. We maintain inventory levels at each branch warehouse to allow for minimal interruption in supply.

Customers

We serve a wide variety of customers, from small restaurants and donut shops to large institutional buyers like restaurant chains, hotels, casinos, hospitals, food service providers and convenience stores. As a result of the CBI Acquisition we added additional customer categories including gourmet coffee houses, private-label retailers, national mass market merchandisers and other national accounts, and grocery stores. We believe customer contact, our distribution network and our service quality, are integral to our sales effort. No single customer represents a significant concentration of sales. As a result, the loss of one or more of our larger customer accounts is not likely to have a material adverse effect on our results of operations.

Competition

We face competition from many sources, including the institutional food service divisions of multi-national manufacturers of retail products such as The J.M. Smucker Company (Folgers Coffee), Kraft Foods Inc. (Maxwell House Coffee) and Sara Lee Corporation, wholesale grocery distributors such as Sysco Corporation and U.S. Food Service, regional institutional coffee roasters such as S & D Coffee, Inc. and Boyd Coffee Company, and specialty coffee suppliers such as Green Mountain Coffee Roasters, Inc. and Peet's Coffee & Tea, Inc. We believe our longevity, the quality of our products, our national distribution network and our superior customer service are the major factors that differentiate us from our competitors.

Competition is robust and is primarily based on products and price, with distribution often a major factor. Most of our customers rely on us for distribution; however, some of our customers use third party distribution or conduct their own distribution. Some of our customers are "price" buyers, seeking the low cost provider with little concern about service, while others find great value in the service programs we provide. We compete well when service and distribution are valued by our customers, and are less effective when only price matters. Our customer base is price sensitive, and we are often faced with price competition.

Working Capital

We finance our operations internally and through borrowings under our $50.0 million senior secured revolving credit facility with Wells Fargo Bank, National Association, successor by merger to Wachovia Bank, National Association ("Wells Fargo"). We believe this credit facility, to the extent available, in addition to our other liquid assets, provides sufficient capital resources and flexibility for the next twelve months to allow us to meet necessary working capital requirements and implement our business plan without relying solely on cash flow from operations.

Foreign Operations

We have no material revenues from foreign operations.

Other

On June 30, 2010 we employed 2,030 employees, 692 of whom are subject to collective bargaining agreements. Compliance with government regulations relating to the discharge of materials into the environment has not had a material effect on our financial condition or results of operations. The nature of our business does not provide for maintenance of or reliance upon a sales backlog. None of our business is subject to renegotiation of profits or termination of contracts or subcontracts at the election of the government.

Available Information

Our Internet website address is http://www.farmerbros.com (the website address is not intended to function as a hyperlink, and the information contained in our website is not intended to be part of this filing), where we make available, free of charge, copies of our annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K including amendments thereto as soon as reasonably practicable after filing such material electronically or otherwise furnishing it to the Securities and Exchange Commission ("SEC").

Item 1A. Risk Factors

Certain statements contained in this annual report on Form 10-K are not based on historical fact and are forward-looking statements within the meaning of federal securities laws and regulations. These statements are based on management's current expectations, assumptions, estimates and observations of future events and include any statements that do not directly relate to any historical or current fact. These forward-looking statements can be identified by the use of words like "anticipates," "estimates," "projects," "expects," "plans," "believes," "intends," "will," "assumes" and other words of similar meaning. Owing to the uncertainties inherent in forward-looking statements, actual results could differ materially from those set forth in forward-looking statements. We intend these forward-looking statements to speak only at the time of this report and do not undertake to update or revise these statements as more information becomes available except as required under federal securities laws and the rules and regulations of the SEC. Factors that could cause actual results to differ materially from those in forward-looking statements include, but are not limited to, fluctuations in availability and cost of green coffee, competition, organizational changes, our ability to successfully integrate the CBI and DSD Coffee Business acquisitions, the impact of a weaker economy, business conditions in the coffee industry and food industry in general, our continued success in attracting new customers, variances from budgeted sales mix and growth rates, weather and special or unusual events, changes in the quality or dividend stream of third parties' securities and other investment vehicles in which we have invested our assets, as well as other risks described in this report and other factors described from time to time in our filings with the SEC.

You should consider each of the following factors as well as the other information in this report, including our financial statements and the related notes, in evaluating our business and our prospects. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also negatively affect our business operations. If any of the following risks actually occurs, our business and financial results could be harmed. In that case, the trading price of our common stock could decline.

INCREASES IN THE COST OF GREEN COFFEE COULD REDUCE OUR GROSS MARGIN AND PROFIT.

Our primary raw material is green coffee, an agricultural commodity. Green coffee is mainly grown outside the United States and can be subject to volatile price fluctuations. Weather, real or perceived shortages, political unrest, labor actions, currency fluctuations, armed conflict in coffee producing nations, and government actions, including treaties and trade controls between the U.S. and coffee producing nations, can affect the price of green coffee. Green specialty coffees sell at a premium to other green coffees due to the inability of producers to increase supply in the short run to meet rising demand. As a result, the price spread between specialty coffee and non-specialty coffee is likely to widen as demand continues to increase.

Green coffee prices can also be affected by the actions of producer organizations. The most prominent of these are the Colombian Coffee Federation, Inc. (CCF) and the International Coffee Organization (ICO). These organizations seek to increase green coffee prices largely by attempting to restrict supplies, thereby limiting the availability of green coffee to coffee consuming nations. As a result these organizations or others may succeed in raising green coffee prices.

In the past, we generally have been able to pass on increases in green coffee costs to our customers. However, there can be no assurance that we will be successful in passing such fluctuations on to our customers without losses in sales volume or gross margin in the future. Similarly, rapid, sharp decreases in the cost of green coffee could also force us to lower sales prices before realizing cost reductions in our green coffee inventory. Additionally, if green coffee beans from a region become unavailable or prohibitively expensive, we could be forced to use alternative coffee beans or discontinue certain blends, which could adversely impact our sales.

Some of the Arabica coffee beans of the quality we purchase do not trade directly on the commodity markets. Rather, we purchase the high-end Arabica coffee beans that we use on a negotiated basis. We depend on our relationships with coffee brokers, exporters and growers for the supply of our primary raw material, high quality Arabica coffee beans. If any of our relationships with coffee brokers, exporters or growers deteriorate, we may be unable to procure a sufficient quantity of high quality coffee beans at prices acceptable to us or at all. In such case, we may not be able to fulfill the demand of our existing customers, supply new customers or expand other channels of distribution. A raw material shortage could result in a deterioration of our relationship with our customers, decreased revenues or could impair our ability to expand our business.

OUR EFFORTS TO SECURE AN ADEQUATE SUPPLY OF QUALITY COFFEES MAY BE UNSUCCESSFUL AND EXPOSE US TO COMMODITY PRICE RISK.

Maintaining a steady supply of green coffee is essential to keep inventory levels low and secure sufficient stock to meet customer needs. To help ensure future supplies, we may purchase coffee on forward contracts for delivery as long as twelve months in the future. Non-performance by suppliers could expose us to credit and supply risk. Additionally, entering into such future commitments exposes us to purchase price risk. Because we are not always able to pass price changes through to our customers due to competitive pressures, unpredictable price changes can have an immediate effect on operating results that cannot be corrected in the short run. To reduce our potential price risk exposure we have, from time to time, entered into futures contracts to hedge coffee purchase commitments. Open contracts associated with these hedging activities are described in Item 7A. "Quantitative and Qualitative Disclosures About Market Risk."

WE RELY ON INFORMATION TECHNOLOGY AND ARE DEPENDENT ON ENTERPRISE RESOURCE PLANNING SOFTWARE IN OUR OPERATIONS. ANY MATERIAL FAILURE, INADEQUACY, INTERRUPTION OR SECURITY FAILURE OF THAT TECHNOLOGY COULD AFFECT OUR ABILITY TO EFFECTIVELY OPERATE OUR BUSINESS.

We rely on information technology systems across our operations, including management of our supply chain, point-of-sale processing, and various other processes and transactions. Our ability to effectively manage our business and coordinate the production, distribution and sale of our products depends significantly on the reliability and capacity of these systems. The failure of these systems to operate effectively, problems with transitioning to upgraded or replacement systems, or a breach in security of these systems could result in delays in processing replenishment orders from our branches, our inability to record product sales and reduced operational efficiency. Significant capital investments could be required to remediate any potential problems.

We rely on WTS, a company affiliated with Oracle, and its employees, in connection with the hosting of our integrated management information system. This system is essential to our operations and currently includes all accounting and production software applications. WTS also hosts our route sales application software. If WTS were to experience financial, operational or quality assurance difficulties, or if there were any other disruption in our relationship with WTS, we might be unable to produce financial statements, fill replenishment orders for our branch warehouses, issue payroll checks, process payments to our vendors or bill customers. Any of these items could have a material adverse effect on the Company.

OUR LEVEL OF INDEBTEDNESS COULD ADVERSELY AFFECT OUR ABILITY TO RAISE ADDITIONAL CAPITAL TO FUND OUR OPERATIONS, AND LIMIT OUR ABILITY TO REACT TO CHANGES IN THE ECONOMY OR OUR INDUSTRY.

We have a $50 million senior secured revolving credit facility. As of September 9 , 2010, approximately $32.5 million was outstanding under this credit facility. Maintaining a large loan balance under our credit facility could adversely affect our business and limit our ability to plan for or respond to changes in our business. Additionally, our borrowings under the credit facility are at variable rates of interest, exposing us to the risk of interest rate volatility, which could lead to a decrease in our net income. Our debt obligations could also:

- increase our vulnerability to general adverse economic and industry conditions;

- require us to dedicate a portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow for other purposes, including the payment of dividends, funding daily operations, investing in future business opportunities and capital expenditures;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate thereby placing us at a competitive disadvantage compared to our competitors that may have less debt or debt with less restrictive debt covenants;
- limit, by the financial and other restrictive covenants in our loan agreement, our ability to borrow additional funds; and
- have a material adverse effect on us if we fail to comply with the covenants in our loan agreement because such failure could result in an event of default which, if not cured or waived, could result in our indebtedness becoming immediately due and payable.

OUR BUSINESS IS SUBJECT TO RISKS ASSOCIATED WITH THE CURRENT ECONOMIC CLIMATE.

Our success depends to a significant extent on a number of factors that affect discretionary consumer spending, including economic conditions, disposable consumer income and consumer confidence, which have deteriorated due to current economic conditions. In a slow economy, businesses and individuals scale back their discretionary spending on travel and entertainment, including "dining out" as well as the purchase of high-end consumables like specialty coffee. Economic conditions may also cause businesses to reduce travel and entertainment expenses, and may even cause office coffee benefits to be eliminated. The current economic downturn and decrease in consumer spending may continue to adversely impact our revenues, and may affect our ability to market our products or otherwise implement our business strategy. Additionally, many of the effects and consequences of the global financial crisis and a broader global economic downturn are currently unknown; any one or all of them could potentially have a material adverse effect on our liquidity and capital resources, including our ability to sell third party securities in which we have invested some of our short-term assets or raise additional capital, if needed, or the ability of our lender to honor draws on our credit facility, or otherwise negatively affect our business, financial condition, operating results and cash flows.

WE ARE LARGELY RELIANT ON MAJOR FACILITIES IN CALIFORNIA, TEXAS AND OREGON FOR PRODUCTION OF OUR PRODUCT LINE.

A significant interruption in operations at our manufacturing facilities in Torrance, California (our largest facility); Houston, Texas; or Portland, Oregon, whether as a result of an earthquake, hurricane, natural disaster, terrorism or other causes, could significantly impair our ability to operate our business. The majority of our green coffee comes through the Ports of Los Angeles, Long Beach, Houston, San Francisco and Portland. Any interruption to port operations, highway arteries, gas mains or electrical service in these areas could restrict our ability to supply our branches with product and would adversely impact our business.

WE MAY NOT BE SUCCESSFUL IN REALIZING THE EXPECTED SYNERGIES AND OTHER BENEFITS OF THE INTEGRATION OF THE DSD COFFEE BUSINESS, WHICH COULD ADVERSELY AFFECT OUR FUTURE RESULTS.

In fiscal 2010, we completed the integration of the DSD Coffee Business into our existing business. This was a complex, costly and time-consuming process which presented significant challenges and risks to our business, including:

- distraction of management from ongoing business concerns;
- assimilation and retention of employees and customers of the DSD Coffee Business;
- differences in the culture of the DSD Coffee Business and the Company's culture;

- unforeseen difficulties in integrating the DSD Coffee Business, including information systems and accounting controls;
- failure of the DSD Coffee Business to continue to generate income at the levels upon which we based our acquisition decision;
- managing the DSD Coffee Business operations through offices in Downers Grove, Illinois, which is distant from the Company's headquarters in Torrance, California;
- expansion into new geographical markets in which we have limited or no experience;
- integration of technologies, services and products; and
- achievement of appropriate internal control over financial reporting.

We may fail to realize the operating efficiencies, synergies, economies of scale, cost savings and other benefits expected from the acquisition. We may fail to grow and build profits in the DSD Coffee Business or achieve sufficient cost savings through the integration of customers or administrative and other operational activities. Furthermore, we must achieve these objectives without adversely affecting our revenues. If we are not able to successfully achieve these objectives, the anticipated benefits of the acquisition may not be realized fully or at all, or it may take longer to realize them than expected, and our results of operations could be adversely affected.

INCREASED SEVERE WEATHER PATTERNS MAY INCREASE COMMODITY COSTS, DAMAGE OUR FACILITIES, AND IMPACT OR DISRUPT OUR PRODUCTION CAPABILITIES AND SUPPLY CHAIN.

There is increasing concern that a gradual increase in global average temperatures due to increased concentration of carbon dioxide and other greenhouse gases in the atmosphere have caused and will continue to cause significant changes in weather patterns around the globe and an increase in the frequency and severity of extreme weather events. Major weather phenomena like El Niño and La Niña are dramatically affecting coffee growing countries. The wet and dry seasons are becoming unpredictable in timing and duration causing improper development of the coffee cherries. Decreased agricultural productivity in certain regions as a result of changing weather patterns may affect the quality, limit availability or increase the cost of key agricultural commodities, such as green coffee, sugar and tea, which are important ingredients for our products. Increased frequency or duration of extreme weather conditions could also damage our facilities, impair production capabilities, disrupt our supply chain or impact demand for our products. As a result, the effects of climate change could have a long-term adverse impact on our business and results of operations.

RESTRICTIVE COVENANTS IN OUR CREDIT FACILITY MAY RESTRICT OUR ABILITY TO PURSUE OUR BUSINESS STRATEGIES.

Our senior secured revolving credit facility contains various covenants that limit our ability and/or our subsidiaries' ability to, among other things:

- incur additional indebtedness;
- pay dividends on or make distributions in respect of capital stock or make certain other restricted payments or investments;
- sell assets;
- create liens on certain assets to secure debt; and
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets.

Our credit facility also contains restrictive covenants that require the Company and its subsidiaries to satisfy financial condition and liquidity tests. Our ability to meet those tests may be affected by events beyond our control, and there can be no assurance that we will meet those tests. The breach of any of these covenants or our failure to meet the financial condition or liquidity tests could result in a default under the credit facility, and the lender could elect to declare all amounts borrowed thereunder, together with accrued interest, to be due and payable and could proceed against the collateral securing that indebtedness.

OUR INDUSTRY IS HIGHLY COMPETITIVE AND WE MAY NOT HAVE THE RESOURCES TO COMPETE EFFECTIVELY.

We primarily compete with other coffee companies, including multi-national firms with substantially greater financial, marketing and operating resources than the Company. We face competition from many sources including the food service divisions of multi-national manufacturers of retail products such as The J.M. Smucker Company (Folgers Coffee), Kraft Foods Inc. (Maxwell House Coffee) and Sara Lee Corporation, wholesale grocery distributors such as Sysco Corporation and U.S. Food Service, regional coffee roasters such as S & D Coffee, Inc. and Boyd Coffee Company, and specialty coffee suppliers such as Green Mountain Coffee Roasters, Inc. and Peet's Coffee & Tea, Inc. If we do not succeed in differentiating ourselves from our competitors or our competitors adopt our strategies, then our competitive position may be weakened. In addition, from time to time, we may need to reduce our prices in response to competitive and customer pressures and to maintain our market share. Competition and customer pressures, however, also may restrict our ability to increase prices in response to commodity and other cost increases. Our results of operations will be adversely affected if our profit margins decrease, as a result of a reduction in prices or an increase in costs, and if we are unable to increase sales volumes to offset those profit margin decreases.

VOLATILITY IN THE EQUITY MARKETS OR INTEREST RATE FLUCTUATIONS COULD SUBSTANTIALLY INCREASE OUR PENSION COSTS AND NEGATIVELY IMPACT OUR OPERATING RESULTS.

At the end of fiscal 2010, the projected benefit obligation of our defined benefit pension plans was $114.7 million and assets were $66.0 million. The difference between plan obligations and assets, or the funded status of the plans, significantly affects the net periodic benefit costs of our pension plans and the ongoing funding requirements of those plans. Among other factors, changes in interest rates, mortality rates, early retirement rates, investment returns and the market value of plan assets can affect the level of plan funding, cause volatility in the net periodic pension costs, and increase our future funding requirements. We expect to make approximately $4.9 million in contributions to our pension plans in fiscal 2011 and record an accrued expense of approximately $9.8 million per year beginning in fiscal 2011. These payments are expected to continue at this level for several years, and the current economic environment increases the risk that we may be required to make even larger contributions in the future.

OUR SALES AND DISTRIBUTION NETWORK IS COSTLY TO MAINTAIN.

Our sales and distribution network requires a large investment to maintain and operate. Costs include the fluctuating cost of gasoline, diesel and oil, costs associated with managing, purchasing, leasing, maintaining and insuring a fleet of delivery vehicles, the cost of maintaining distribution centers and branch warehouses throughout the country, and the cost of hiring, training and managing our route sales professionals. Many of these costs are beyond our control, and others are fixed rather than variable. Some competitors use alternate methods of distribution that eliminate many of the costs associated with our method of distribution.

EMPLOYEE STRIKES AND OTHER LABOR-RELATED DISRUPTIONS MAY ADVERSELY AFFECT OUR OPERATIONS.

We have union contracts relating to a significant portion of our workforce. Although we believe union relations have been amicable in the past, there is no assurance that this will continue in the future. There are potential adverse effects of labor disputes with our own employees or by others who provide transportation (shipping lines, truck drivers) or cargo handling (longshoremen), both domestic and foreign, of our raw materials or other products. These actions could restrict our ability to obtain, process and/or distribute our products.

IMPAIRMENT CHARGES RELATED TO OUR GOODWILL OR LONG-LIVED ASSETS COULD ADVERSELY AFFECT OUR FUTURE OPERATING RESULTS.

We perform an analysis on our goodwill balances to test for impairment on an annual basis or whenever events occur that may indicate impairment possibly exists. Goodwill is deemed to be impaired if the net book value of a reporting unit exceeds the estimated fair value. A long-lived intangible asset (other than goodwill) is only deemed to have become impaired if the sum of the forecasted undiscounted future cash flows related to the asset are less than its carrying value. If the forecasted cash flows are less than the carrying value, then we must write down the carrying value to its estimated fair value.

For the purposes of analysis of our goodwill balances, our estimates of fair value were based on a combination of the income approach, which estimates the fair value of our reporting units based on the future discounted cash flows, and the market approach, which estimates the fair value of our reporting units based on comparable market prices. Our estimates of future cash flows included estimated growth rates and assumptions about the extent and duration of the current economic downturn and operating results of our subsidiary, CBI.

As of June 30, 2010, we had a goodwill balance of $5.3 million. Goodwill impairment analysis and measurement is a process that requires significant judgment and the use of significant estimates related to valuation such as discount rates, long term growth rates and the level and timing of future cash flows. As a result, several factors could result in impairment of a material amount of our $5.3 million goodwill balance in future periods, including, but not limited to:

- a decline in our stock price and resulting market capitalization, if we determine that the decline is sustained and is indicative of a reduction in the fair value of any of our reporting units below its carrying value; and
- further weakening of the economy or the failure of CBI to reach our internal forecasts thereby impacting our ability to achieve our forecasted levels of cash flows and reducing the estimated discounted cash flow value of our reporting units.

It is not possible at this time to determine if any such future impairment charge would result from these factors, or, if it does, whether such charge would be material. We will continue to review our goodwill and other intangible assets for possible impairment. We cannot be certain that a future downturn in CBI's business, changes in market conditions or a longer-term decline in the quoted market price of our stock will not result in an impairment of goodwill and the recognition of resulting expenses in future periods, which could adversely affect our results of operations for those periods.

We also test our other long-lived assets for impairment whenever events or changes in circumstances indicate that their carrying amount may be impaired. Failure to achieve our forecasted operating results, due to further weakness in the economic environment or other factors, could result in impairment of a significant amount of our long-lived intangible or tangible assets. As of June 30, 2010, we had $25.2 million of long-lived intangible assets, including $5.3 million of goodwill.

POSSIBLE LEGISLATION OR REGULATION INTENDED TO ADDRESS CONCERNS ABOUT CLIMATE CHANGE COULD ADVERSELY AFFECT OUR RESULTS OF OPERATIONS, CASH FLOWS AND FINANCIAL CONDITION.

Governmental agencies are evaluating changes in laws to address concerns about the possible effects of greenhouse gas emissions on climate. Increased public awareness and concern over climate change may increase the likelihood of more proposals to reduce or mitigate the emission of greenhouse gases. Laws enacted that directly or indirectly affect our suppliers (through an increase in the cost of production or their ability to produce satisfactory products) or our business (through an impact on our inventory availability, cost of goods sold, operations or demand for the products we sell) could adversely affect our business, financial condition, results of operations and cash flows. Compliance with any new or more stringent laws or regulations, or stricter interpretations of existing laws, including increased government regulations to limit carbon dioxide and other greenhouse gas emissions as a result of concern over climate change, could require us to reduce emissions and to incur compliance costs which could affect our profitability or impede the production or distribution of our products, which could affect our results of operations, cash flows and financial condition. In addition, public expectations for reductions in greenhouse gas emissions could result in increased energy, transportation and raw material costs and may require us and to make additional investments in facilities and equipment.

CHANGES IN CONSUMER PREFERENCES COULD ADVERSELY AFFECT OUR BUSINESS.

Our continued success depends, in part, upon the demand for coffee. We believe that competition from other beverages continues to dilute the demand for coffee. Consumers who choose soft drinks, juices, bottled water, teas and other beverages all reduce spending on coffee. Consumer trends away from coffee could negatively impact our business.

WE ARE SELF-INSURED. OUR RESERVES MAY NOT BE SUFFICIENT TO COVER FUTURE CLAIMS.

We are self-insured for many risks up to significant deductible amounts. The premiums associated with our insurance continue to increase. General liability, fire, workers' compensation, directors and officers liability, life, employee medical, dental and vision and automobile risks present a large potential liability. While we accrue for this liability based on historical experience, future claims may exceed claims we have incurred in the past. Should a different number of claims occur compared to what was estimated or the cost of the claims increase beyond what was anticipated, reserves recorded may not be sufficient and the accruals may need to be adjusted accordingly in future periods.

OUR ROASTING AND BLENDING METHODS ARE NOT PROPRIETARY, SO COMPETITORS MAY BE ABLE TO DUPLICATE THEM, WHICH COULD HARM OUR COMPETITIVE POSITION.

We consider our roasting and blending methods essential to the flavor and richness of our coffees and, therefore, essential to our brand. Because our roasting methods cannot be patented, we would be unable to prevent competitors from copying these methods if such methods became known. If our competitors copy our roasts or blends, the value of our brand may be diminished, and we may lose customers to our competitors. In addition, competitors may be able to develop roasting or blending methods that are more advanced than our production methods, which may also harm our competitive position.

OUR OPERATING RESULTS MAY HAVE SIGNIFICANT FLUCTUATIONS FROM QUARTER TO QUARTER WHICH COULD HAVE A NEGATIVE EFFECT ON OUR STOCK PRICE.

Our operating results may fluctuate from period to period or within certain periods as a result of a number of factors, including fluctuations in the price and supply of green coffee, fluctuations in the selling prices of our products, the success of our hedging strategy, competition from existing or new competitors in our industry, changes in consumer preferences, and our ability to manage inventory and fulfillment operations and maintain gross margins. Fluctuations in our operating results as a result of these factors or for any other reason, could cause our stock price to decline. Accordingly, we believe that period-to-period comparisons of our operating results are not necessarily meaningful, and such comparisons should not be relied upon as indicators of future performance.

OPERATING LOSSES MAY CONTINUE AND, AS A RESULT, THE PRICE OF OUR STOCK MAY BE NEGATIVELY AFFECTED.

We have incurred an operating loss and a net loss for each of the prior three fiscal years. If our current strategies are unsuccessful we may not achieve the levels of sales and earnings we expect. As a result, we could suffer additional losses in future years and our stock price could decline.

FUTURE FUNDING DEMANDS UNDER PENSION PLANS FOR CERTAIN UNION EMPLOYEES ARE UNKNOWN.

We participate in several multi-employer defined benefit plans for certain union employees. The management, funding status and future viability of these plans is not known at this time. The nature of the contract with these plans allows for future funding demands that are outside our control or ability to estimate.

WE DEPEND ON THE EXPERTISE OF KEY PERSONNEL. THE UNEXPECTED LOSS OF ONE OR MORE OF THESE KEY EMPLOYEES COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR OPERATIONS AND COMPETITIVE POSITION.

Our continued success largely depends on the efforts and abilities of our executive officers and other key personnel. There is limited management depth in certain key positions throughout the Company. We must continue to recruit, retain and motivate management and other employees sufficient to maintain our current business and support our projected growth. The loss of key employees could adversely affect our operations and competitive position. We do not maintain key person life insurance policies on any of our executive officers.

CONCENTRATION OF OWNERSHIP AMONG OUR PRINCIPAL STOCKHOLDERS MAY PREVENT NEW INVESTORS FROM INFLUENCING SIGNIFICANT CORPORATE DECISIONS AND MAY RESULT IN A LOWER TRADING PRICE FOR OUR STOCK THAN IF OWNERSHIP OF OUR STOCK WAS LESS CONCENTRATED.

As of August 31, 2010, members of the Farmer family or entities controlled by the Farmer family (including trusts and a family partnership) as a group beneficially owned approximately 40% of our outstanding common stock. As a result, these stockholders, acting together, may be able to influence the outcome of stockholder votes, including votes concerning the election and removal of directors and approval of significant corporate transactions. This level of concentrated ownership may have the effect of delaying or preventing a change in the management or voting control of the Company. In addition, this significant concentration of share ownership may adversely affect the trading price of our common stock if investors perceive disadvantages in owning stock in a company with such concentrated ownership.

FUTURE SALES OF SHARES BY EXISTING STOCKHOLDERS COULD CAUSE OUR STOCK PRICE TO DECLINE.

All of our outstanding shares are eligible for sale in the public market, subject in certain cases to limitations under Rule 144 of the Securities Act of 1933, as amended (the "Securities Act"). Also, shares subject to outstanding options and restricted stock under the Farmer Bros. Co. 2007 Omnibus Plan (the "Omnibus Plan") are eligible for sale in the public market to the extent permitted by the provisions of various vesting agreements, our stock ownership guidelines, and Rule 144 under the Securities Act. If these shares are sold, or if it is perceived that they will be sold in the public market, the trading price of our common stock could decline.

ANTI-TAKEOVER PROVISIONS COULD MAKE IT MORE DIFFICULT FOR A THIRD PARTY TO ACQUIRE US.

We have adopted a stockholder rights plan (the "Rights Plan") pursuant to which each share of our outstanding common stock is accompanied by one preferred share purchase right (a "Right"). Each Right, when exercisable, will entitle the registered holder to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Stock, $1.00 par value per share, at a purchase price of $112.50, subject to adjustment. The Rights expire on March 28, 2015, unless they are earlier redeemed, exchanged or terminated as provided in the Rights Plan. Because the Rights may substantially dilute the stock ownership of a person or group attempting to take us over without the approval of our Board of Directors, our Rights Plan could make it more difficult for a third party to acquire us (or a significant percentage of our outstanding capital stock) without first negotiating with our Board of Directors regarding such acquisition.

In addition, our Board of Directors has the authority to issue up to 500,000 shares of preferred stock (of which 200,000 shares have been designated as Series A Junior Participating Preferred Stock) and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without any further vote or action by stockholders. The rights of the holders of our common stock may be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. The issuance of preferred stock may have the effect of delaying, deterring or preventing a change of control of the Company without further action by stockholders and may adversely affect the voting and other rights of the holders of our common stock.

Further, certain provisions of our charter documents, including a classified board of directors, provisions eliminating the ability of stockholders to take action by written consent, and provisions limiting the ability of stockholders to raise matters at a meeting of stockholders without giving advance notice, may have the effect of delaying or preventing changes in control or management of the Company, which could have an adverse effect on the market price of our stock. In addition, our charter documents do not permit cumulative voting, which may make it more difficult for a third party to gain control of our Board of Directors. Further, we are subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law, which will prohibit us from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date of the transaction in which the person became an interested stockholder, even if such combination is favored by a majority of stockholders, unless the business combination is approved in a prescribed manner. The application of Section 203 also could have the effect of delaying or preventing a change of control or management.

VOLATILITY IN THE EQUITY MARKETS COULD REDUCE THE VALUE OF OUR INVESTMENT PORTFOLIO.

We maintain a significant portfolio of fixed-income based investments disclosed as cash equivalents and short term investments on our consolidated balance sheet. The value of our investments may be adversely affected by interest rate fluctuations, downgrades in credit ratings, illiquidity in the capital markets and other factors which may result in other than temporary declines in the value of our investments. Any of these events could cause us to record impairment charges with respect to our investment portfolio or to realize losses on the sale of investments. We seek to mitigate these risks with the help of our investment advisors by generally investing in high quality securities and continuously monitoring the overall risk of our portfolio. To date, we have not realized any material impairment within our investment portfolio.

QUALITY CONTROL PROBLEMS MAY ADVERSELY AFFECT OUR BRANDS THEREBY NEGATIVELY IMPACTING OUR SALES.

Our success depends on our ability to provide customers with high quality products and service. Although we take measures to ensure that we sell only fresh coffee, tea and culinary products, we have no control over our products once they are purchased by our customers. Accordingly, customers may store our products for longer periods of time, potentially affecting product quality. If consumers do not perceive our products and service to be of high quality, then the value of our brands may be diminished and, consequently, our operating results and sales may be adversely affected.

ADVERSE PUBLIC OR MEDICAL OPINIONS ABOUT CAFFEINE AND REPORTS OF INCIDENTS INVOLVING FOOD BORNE ILLNESS AND TAMPERING MAY HARM OUR BUSINESS.

Coffee contains significant amounts of caffeine and other active compounds, the health effects of some of which are not fully understood. A number of research studies conclude or suggest that excessive consumption of caffeine may lead to increased adverse health effects. An unfavorable report on the health effects of caffeine or other compounds present in coffee could significantly reduce the demand for coffee which could harm our business and reduce our sales.

Similarly, instances or reports, whether true or not, of unclean water supply, food-borne illnesses and food tampering have in the past severely injured the reputations of companies in the food processing sector and could in the future affect us as well. Any report linking us to the use of unclean water, food-borne illnesses or food tampering could damage the value of our brands, negatively impact sales of our products, and potentially lead to product liability claims. Clean water is critical to the preparation of coffee beverages. We have no ability to ensure that our customers use a clean water supply to prepare coffee beverages.

PRODUCT RECALLS AND INJURIES CAUSED BY PRODUCTS COULD REDUCE OUR SALES AND HARM OUR BUSINESS.

Selling products for human consumption involves inherent legal risks. We could be required to recall products due to product contamination, spoilage or other adulteration, product misbranding or product tampering. We may also suffer losses if our products or operations violate applicable laws or regulations, or if our products cause injury, illness or death. A significant product liability claim against us, whether or not successful, or a widespread product recall may reduce our sales and harm our business.

GOVERNMENT REGULATIONS COULD RESULT IN ADDITIONAL COSTS THEREBY AFFECTING OUR PROFITABILITY.

New laws and regulations may be introduced that could result in additional compliance costs, seizures, confiscations, recalls or monetary fines, any of which could prevent or inhibit the development, distribution and sale of our products. Legislation titled "The Food Safety and Enhancement Act of 2009" is currently being reviewed by the U.S. Senate which, if signed into law, may require certain food manufacturing and packaging facilities to adhere to stricter food safety standards than are currently required. We continually monitor and modify our packaging to be in compliance with applicable laws and regulations. Any change in labeling requirements for our products may lead to an increase in packaging costs or interruptions or delays in packaging deliveries. If we fail to comply with applicable laws and regulations, we may be subject to civil remedies, including fines, injunctions, recalls or seizures, as well as potential criminal sanctions, which could have a material adverse effect on our results of operations.

FAILURE TO MAINTAIN EFFECTIVE INTERNAL CONTROLS IN ACCORDANCE WITH SECTION 404 OF THE SARBANES OXLEY ACT OF 2002 COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS AND STOCK PRICE.

As directed by Section 404 of the Sarbanes Oxley Act of 2002 ("SOX"), the SEC adopted rules requiring us, as a public company, to include a report of management on our internal controls over financial reporting in our annual report on Form 10-K and quarterly reports on Form 10-Q that contains an assessment by management of the effectiveness of our internal controls over financial reporting. In addition, our independent auditors must attest to and report on management's assessment of the effectiveness of our internal controls over financial reporting as of the end of the fiscal year. Compliance with SOX Section 404 has been a challenge for many companies. Our ability to continue to comply is uncertain as we expect that our internal controls will continue to evolve as our business activities change. If, during any year, our independent auditors are not satisfied with our internal controls over financial reporting or the level at which these controls are documented, designed, operated, tested or assessed, or if the independent auditors interpret the requirements, rules or regulations differently than we do, then they may decline to attest to management's assessment or may issue a report that is qualified. In addition, if we fail to maintain the adequacy of our internal controls, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with SOX Section 404. Failure to maintain an effective internal control environment could have a material adverse effect on our stock price. In addition, there can be no assurance that we will be able to remediate material weaknesses, if any, which may be identified in future periods.

Item 1.B. Unresolved Staff Comments

None.

Item 2. Properties

Our largest and most significant facility consists of our roasting plant, warehouses and administrative offices in Torrance, California. This facility is our primary manufacturing facility and the distribution hub for our long-haul trucking fleet. Coffee purchasing, roasting and packaging takes place at our Torrance, California; Portland, Oregon; and Houston, Texas plants. Spice blending and packaging takes place at our Torrance, California and Oklahoma City, Oklahoma plants. Our distribution centers include our Torrance, Houston and Portland plants as well as distribution centers in Fridley, Minnesota; Northlake, Illinois; Oklahoma City, Oklahoma; and Moonachie, New Jersey.

During fiscal 2008 we completed improvements to a new 125,000 square foot leased manufacturing facility in Portland, Oregon that serves as the manufacturing and distribution point for our specialty coffee customers. CBI relocated to this new facility in August 2008.

We stage our products in 115 branch warehouses throughout the contiguous United States. These warehouses, and our seven distribution centers, taken together represent a vital part of our business, but no individual warehouse is material to the business as a whole. Our branch warehouses vary in size from approximately 2,500 to 50,000 square feet. Approximately 45% of our facilities are leased with a variety of expiration dates through 2018. The lease on the CBI facility expires in 2018 and has a 10 year renewal option.

We believe our plants, distribution centers and branch warehouses will continue to provide adequate capacity for the foreseeable future.

A complete list of properties and facilities operated by Farmer Bros. is attached hereto, and incorporated herein by reference, as Exhibit 99.1.

Item 3. Legal Proceedings

We are both defendant and plaintiff in various legal proceedings incidental to our business which are ordinary and routine. It is our opinion that the resolution of these lawsuits will not have a material impact on our financial condition or results of operations.

Item 4. [Removed and Reserved]

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

We have one class of common stock which is traded on the NASDAQ Global Market under the symbol "FARM." The following table sets forth, for the periods indicated, the cash dividends declared and the high and low sales prices of the shares of common stock of the Company as quoted on the NASDAQ Global Market.

	Fiscal year ended June 30, 2010			Fiscal year ended June 30, 2009		
	High	Low	Dividend	High	Low	Dividend
1st Quarter	$24.07	$18.55	$0.115	$28.49	$20.21	$0.115
2nd Quarter	$21.21	$16.31	$0.115	$25.46	$17.00	$0.115
3rd Quarter	$20.52	$16.36	$0.115	$25.49	$14.26	$0.115
4th Quarter	$19.49	$14.81	$0.115	$25.49	$17.31	$0.115

Holders

There were 2,292 holders of record on August 31, 2010. Determination of Holders of record is based upon the number of record holders and individual participants in security position listings.

Dividends

Dividends have been or will be funded through cash flow from operations and available cash on hand. The amount, if any, of the dividends to be paid in the future will depend upon our then available cash, anticipated cash needs, overall financial condition, loan agreement restrictions, future prospects for earnings and cash flows, as well as other relevant factors. For a description of the loan agreement restrictions on the payment of dividends, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" included in Part II, Item 7 of this Form 10-K and Note 9 "Bank Loans" to the consolidated financial statements included in Part II, Item 8 of this Form 10-K.

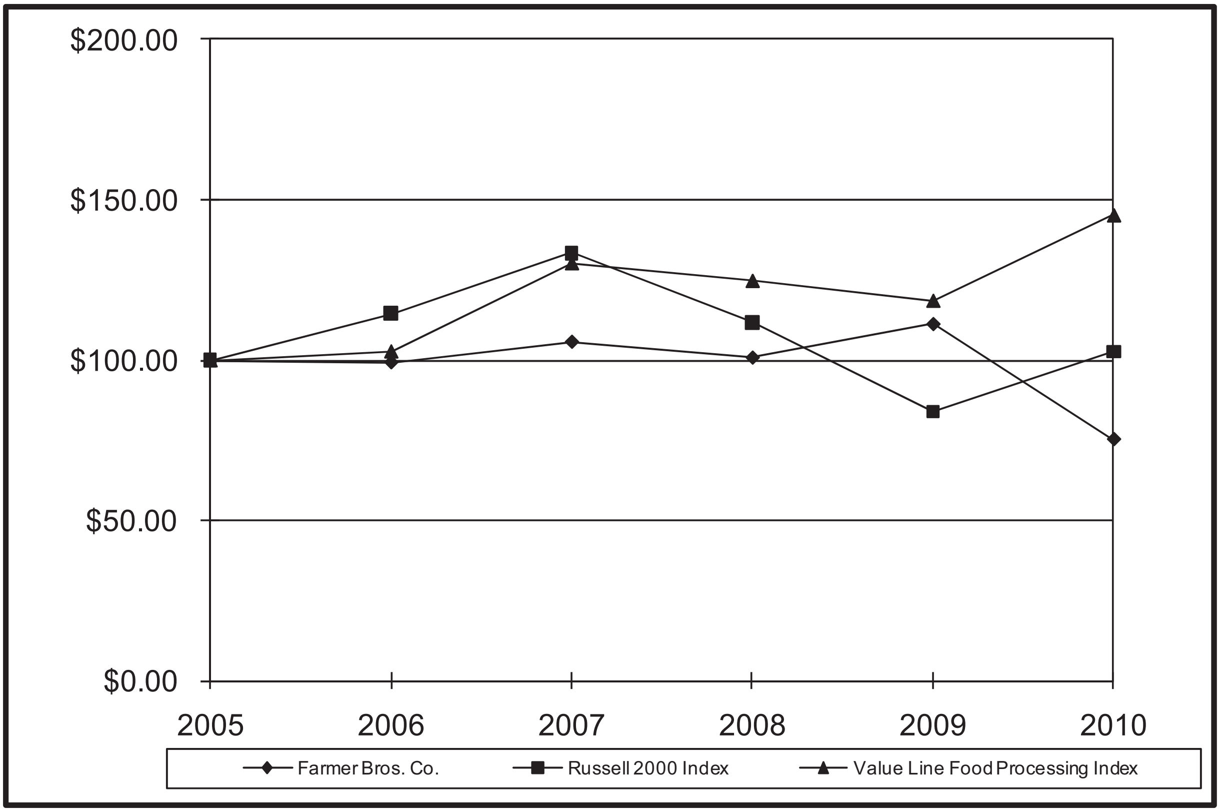
Equity Compensation Plan Information

This information appears in Part III, Item 12, hereof.

Performance Graph

The chart set forth below shows the value of an investment of $100 on June 30, 2005 in each of Farmer Bros. Co. common stock, the Russell 2000 Index and the Value Line Food Processing Index. All values assume reinvestment of the pre-tax value of dividends paid by companies included in these indices and are calculated as of June 30 of each year. The historical stock price performance of the Company's common stock shown in the performance graph below is not necessarily indicative of future stock price performance.

Comparison of Five-Year Cumulative Total Return
Farmer Bros. Co., Russell 2000 Index And Value Line Food Processing Index
(Performance Results Through 6/30/10)



	2005	2006	2007	2008	2009	2010
Farmer Bros Co.	$100.00	$ 99.28	$105.72	$100.75	$111.30	$ 75.09
Russell 2000 Index	$100.00	$114.58	$133.41	$111.81	$ 83.84	$102.67
Value Line Food Processing Index	$100.00	$102.76	$130.24	$124.76	$118.55	$145.17

Source: Value Line, Inc.

Item 6. Selected Financial Data

	Fiscal years ended June 30,				
	2010	2009(1)	2008(2)	2007	2006
	(In thousands, except per share data)				
Net sales	$450,318	$341,724	$266,485	$216,259	$207,453
Loss from operations	$ (39,192)	$ (15,203)	$ (10,644)	$ (4,076)	$ (2,965)
Net (loss) income(3)	$ (23,953)	$ (33,270)	$ (7,924)	$ 6,815	$ 4,756
Net (loss) income per common share	$ (1.61)	$ (2.29)	$ (0.55)	$ 0.48	$ 0.34
Total assets	$339,121	$330,017	$312,984	$337,609	$317,237
Capital lease obligations(4)	$ 3,861	$ 1,252	$ —	$ —	$ —
Cash dividends declared per common share	$ 0.46	$ 0.46	$ 0.46	$ 0.44	$ 0.42

(1) Includes the results of operations of the DSD Coffee Business since it was acquired by the Company on February 28, 2009.

(2) Includes the results of operations of CBH since it was acquired by the Company on April 27, 2007.

(3) Includes deferred tax asset valuation allowance in the amount of $19.7 million recorded as a tax expense in fiscal 2009.

(4) Excludes imputed interest.

The Notes to Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this report should be read in conjunction with the selected financial data in order to understand factors such as business combinations and unusual items which may affect the comparability of the information shown above.

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

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors. The results of operations for the fiscal years ended June 30, 2010, 2009 and 2008 are not necessarily indicative of the results that may be expected for any future period. The following discussion should be read in combination with the consolidated financial statements and the notes thereto included in Item 8 of this report and with the "Risk Factors" described in Item 1A of this report.

Overview

Farmer Bros. Co. is a manufacturer, wholesaler and distributor of coffee, tea and culinary products through direct and brokered sales to our customers throughout the contiguous United States. Our product line is specifically focused on the needs of our market segment: institutional food service establishments including restaurants, hotels, casinos, hospitals and food service providers, as well as retailers such as convenience stores, coffee houses, general merchandisers, private-label retailers and grocery stores. Our product line includes roasted coffee, liquid coffee, coffee related products such as coffee filters, sugar and creamers, assorted teas, cappuccino, cocoa, spices, gelatins and puddings, soup, gravy and sauce mixes, pancake and biscuit mixes, and jellies and preserves.

In April 2007, we acquired all of the outstanding shares of CBH for a purchase price of $23.6 million in cash, including transaction costs of approximately $1.4 million, net of the amount of all outstanding indebtedness of CBH and its subsidiaries. The results of operations of CBH have been included in our consolidated financial statements since April 27, 2007.

On February 28, 2009, we completed the acquisition of the DSD Coffee Business. The purchase price of $45.6 million was paid with approximately $16.1 million of Company cash and $29.5 million of proceeds from a bank loan. In addition, we paid approximately $2.7 million of acquisition related expenses in cash. At closing, we assumed certain liabilities, including obligations under contracts, environmental liabilities with respect to the transferred facilities, pension liabilities, advertising and trade promotion accruals, and accrued vacation as of the closing for hired personnel. As of June 30, 2010, these liabilities are estimated to be a total of $0.6 million consisting of estimated pension liabilities. The results of operations of the DSD Coffee Business have been included in our consolidated financial statements since March 1, 2009.

In connection with the closing, Seller Parties and the Company entered into certain operational agreements, including trademark and formula license agreements, co-pack agreements, a liquid coffee distribution agreement, a transition services agreement, and a green coffee and tea purchase agreement. One of the co-pack agreements provided that Sara Lee would manufacture branded products for us for a period of three years. Under this agreement, we had agreed to purchase certain minimum product quantities from Sara Lee subject to certain permitted reductions. This agreement was terminated effective June 30, 2010. Under the other co-pack agreement, we have agreed to perform co-packing services for Sara Lee as Sara Lee's agent. As a result, we recognize revenue from this arrangement on a net basis, net of direct costs of revenue. The transition services agreement pursuant to which Sara Lee agreed to provide a number of services for us on an interim basis, including hosting, maintaining and supporting IT infrastructure and communications, was scaled back in February 2010 to include only certain IT infrastructure support, and was terminated on August 31, 2010.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. Our significant accounting policies are discussed in Note 1 to our consolidated financial statements, included herein at Item 8. The preparation of these financial statements requires us to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to inventory valuation, including LIFO reserves, the allowance for doubtful accounts, deferred tax assets, liabilities relating to retirement benefits, liabilities resulting from self-insurance of our workers' compensation liabilities, tax liabilities and litigation. We base our estimates, judgments and assumptions on historical experience and other relevant factors that are believed to be reasonable based on information available to us at the time these estimates are made.

While we believe that the historical experience and other factors considered provide a meaningful basis for the accounting policies applied in the preparation of the consolidated financial statements, actual results may differ from these estimates, which could require us to make adjustments to these estimates in future periods.

We believe that the estimates, judgments and assumptions involved in the accounting policies described below require the most subjective judgment and have the greatest potential impact on our financial statements, so we consider these to be our critical accounting policies. Our senior management has reviewed the development and selection of these critical accounting policies and estimates, and their related disclosure in this report, with the Audit Committee of our Board of Directors.

Coffee Brewing Equipment and Service

Our expenses related to coffee brewing equipment provided to customers include the cost of the equipment as well as the cost of servicing that equipment (including service employees' salaries, the cost of transportation and the cost of supplies and parts). We capitalize coffee brewing equipment and depreciate it over a three year period; the depreciation expense is reported in cost of goods sold. Since we believe the costs of servicing the equipment are better characterized as direct costs of generating revenues from our customers, we have reported such costs as cost of goods sold in the accompanying financial statements.

Investments

Our investments consist of money market instruments, marketable debt and equity securities and various derivative instruments, primarily exchange traded treasury futures and options, green coffee forward purchase contracts and commodity purchase agreements. All derivative instruments not designated as accounting hedges are marked to market and changes are recognized in current earnings. At June 30, 2010 and 2009, no derivative instruments were designated as accounting hedges. The fair value of derivative instruments is based upon broker quotes. The cost of investments sold is determined on the specific identification method. Dividend and interest income is accrued as earned.

Allowance for Doubtful Accounts

We maintain an allowance for estimated losses resulting from the inability of our customers to meet their obligations. In fiscal 2010, based on a larger customer base due to the recent Company acquisitions and in response to slower collection of our accounts resulting from the impact of the economic downturn on our customers, we increased our allowance for doubtful accounts.

Inventories

Inventories are valued at the lower of cost or market. Costs of coffee, tea and culinary products are determined on the last in, first out (LIFO) basis. We account for the costs of coffee brewing equipment manufactured on the first in, first out (FIFO) basis. We regularly evaluate these inventories to determine whether market conditions are correctly reflected in the recorded carrying value.

Impairment of Goodwill and Intangible Assets

We perform our annual goodwill and indefinite-lived intangible assets impairment test as of June 30 of each fiscal year. Goodwill and other indefinite-lived intangible assets are not amortized but instead are reviewed for impairment annually and on an interim basis if events or changes in circumstances between annual tests indicate that an asset might be impaired. Indefinite-lived intangible assets are tested for impairment by comparing their fair values to their carrying values. Testing for impairment of goodwill is a two-step process. The first step requires us to compare the fair value of our reporting units to the carrying value of the net assets of the respective reporting units, including goodwill. If the fair value of the reporting unit is less than the carrying value, goodwill of the reporting unit is potentially impaired and we then complete step two to measure the impairment loss, if any. The second step requires the calculation of the implied fair value of goodwill by deducting the fair value of all tangible and intangible net assets of the reporting unit from the fair value of the reporting unit. If the implied fair value of goodwill is less than the carrying amount of goodwill, an impairment loss is recognized equal to the difference.

In addition to an annual test, goodwill and indefinite-lived intangible assets must also be tested on an interim basis if events or circumstances indicate that the estimated fair value of such assets has decreased below their carrying value. There were no such events or circumstances during the fiscal years ended June 30, 2010 or 2009.

Self-Insurance

We are self-insured for California workers' compensation insurance subject to specific retention levels and use historical analysis to determine and record the estimates of expected future expenses resulting from workers' compensation claims. The estimated outstanding losses are the accrued cost of unpaid claims valued as of June 30, 2010. The estimated outstanding losses, including allocated loss adjustment expenses ("ALAE"), include case reserves, the development on known claims and incurred but not reported (IBNR) claims. ALAE are the direct expenses for settling specific claims. The amounts reflect per occurrence and annual aggregate limits maintained by the Company. The analysis does not include estimating a provision for unallocated loss adjustment expenses.

Management believes that the amount accrued is adequate to cover all known claims at June 30, 2010. If the actual costs of such claims and related expenses exceed the amount estimated, additional reserves may be required which could have a material negative effect on operating results. If our estimate were off by as much as 15%, the reserve could be under or overstated by approximately $0.7 million as of June 30, 2010.

Estimated Company liability resulting from our general liability and automobile liability policies, within our deductible limits, is accounted for by specific identification. Large losses have historically been infrequent, and the lag between incurred but not reported claims has historically been short. Once a potential loss has been identified, the case is monitored by our risk manager to try and determine a likely outcome. Lawsuits arising from injury that are expected to reach our deductible are not reserved until we have consulted with legal counsel, become aware of the likely amount of loss and determined when payment is expected.

The estimated liability related to our self-insured group medical insurance is recorded on an incurred but not reported basis, within deductible limits, based on actual claims and the average lag time between the date insurance claims are filed and the date those claims are paid.

Retirement Plans

We have a defined benefit pension plan for the majority of our employees who are not covered under a collective bargaining agreement (Farmer Bros. Plan) and two defined benefit pension plans for certain hourly employees covered under a collective bargaining agreement (Brewmatic Plan and the Hourly Employees' Plan). In addition, we contribute to several multi-employer defined benefit pension plans for certain union employees.

We obtain actuarial valuations for our plans and at present we discount the pension obligations using a 5.60% discount rate and we estimate an 8.25% return on plan assets. The performance of the stock market and other investments as well as the overall health of the economy can have a material effect on pension investment returns and these assumptions. A change in these assumptions could affect our operating results.

At the end of fiscal 2010, the projected benefit obligation of our defined benefit pension plans was $114.7 million and the fair value of the plan assets was $66.0 million. The difference between the projected benefit obligation and fair value of plan assets is recognized as a decrease in other comprehensive income ("OCI") and an increase in pension liability and deferred tax assets. The difference between plan obligations and assets, or the funded status of the plans, significantly affects the net periodic benefit costs of our pension plans and the ongoing funding requirements of those plans. Among other factors, changes in interest rates, mortality rates, early retirement rates, investment returns and the market value of plan assets can affect the level of plan funding, cause volatility in the net periodic pension costs, and increase our future funding requirements. We expect to make approximately $4.9 million in contributions to our pension plans in fiscal 2011 and record an accrued expense of approximately $9.7 million per year beginning in fiscal 2011. These payments are expected to continue at this level for several years, and the current economic environment increases the risk that we may be required to make even larger contributions in the future.

The following chart quantifies the effect on the projected benefit obligation and the net periodic benefit cost of a change in the discount rate assumption and the impact on the net periodic benefit cost of a change in the assumed long term rate of return for fiscal 2011.

	(In thousands)		
Farmer Bros. Plan Discount Rate	**5.10%**	**Actual 5.60%**	**6.10%**
Net periodic benefit cost	$ 10,048	$ 9,022	$ 8,102
Projected benefit obligation	$118,327	$110,449	$103,373
Long Term Rate of Return	**7.75%**	**Actual 8.25%**	**8.75%**
Net periodic benefit cost	$ 9,342	$ 9,022	$ 8,703
Brewmatic Plan Discount Rate	**5.10%**	**Actual 5.60%**	**6.10%**
Net periodic benefit cost	$ 223	$ 214	$ 207
Projected benefit obligation	$ 3,888	$ 3,707	$ 3,541
Long Term Rate of Return	**7.75%**	**Actual 8.25%**	**8.75%**
Net periodic benefit cost	$ 226	$ 214	$ 203
Hourly Employees' Plan Discount Rate	**5.10%**	**Actual 5.60%**	**6.10%**
Net periodic benefit cost	$ 472	$ 432	$ 400
Projected benefit obligation	$ 629	$ 578	$ 533
Long Term Rate of Return	**7.75%**	**Actual 8.25%**	**8.75%**
Net periodic benefit cost	$ 433	$ 432	$ 431

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. Estimating our tax liabilities involves judgments related to uncertainties in the application of complex tax regulations. We make certain estimates and judgments to determine tax expense for financial statement purposes as we evaluate the effect of tax credits, tax benefits and deductions, some of which result from differences in timing of recognition of revenue or expense for tax and financial statement purposes.

Changes to these estimates may result in significant changes to our tax provision in future periods. Each fiscal quarter we reevaluate our tax provision and reconsider our estimates and our assumptions related to specific tax assets and liabilities, making adjustments as circumstances change.

Deferred Tax Asset Valuation Allowance

We assess whether a valuation allowance should be recorded against deferred tax assets based on the likelihood that the benefits of the deferred tax assets will or will not ultimately be realized in future periods. In making such assessment, significant weight is to be given to evidence that can be objectively verified such as recent operating results and less consideration is to be given to less objective indicators such as future earnings projections. We have evaluated our deferred tax assets in accordance with these requirements.

A significant negative factor was the Company's three-year historical cumulative loss as of the end of the fourth quarter of fiscal 2009, compared to the size of deferred tax assets. The deferred tax assets in fiscal 2010 increased to $53.7 million as compared to $41.4 million in fiscal 2009. In fiscal 2010, deferred tax assets increased primarily due to net loss carryovers and a decrease in pension asset values. In fiscal 2009, deferred tax assets increased primarily due to decreased pension asset values which in turn created increased pension plan contribution obligations. These considerations outweighed our ability to rely on projections of future taxable income and future appreciation of pension assets, and as a result, in fiscal 2009, we established a valuation allowance against the deferred tax assets in the amount of $33.3 million. Of this amount $19.7 million was recorded as a fiscal 2009 tax expense and $13.6 million was recorded as a reduction in other comprehensive income.

Postretirement Benefits

We sponsor a defined benefit postretirement medical and dental plan that covers non-union employees and retirees, and certain union locals. The plan is contributory and retiree contributions are fixed at a current level. Our retiree medical plan is not funded and its liability was calculated using an assumed discount rate of 6.61% at June 30, 2010. We project an initial medical trend rate of 8.0% ultimately reducing to 5.0% in 6 years.

Effective January 1, 2008, we adopted a new plan for retiree medical benefits. The new plan is a cost sharing approach between the Company and covered employees and dependents in which the Company subsidizes a larger proportion of covered expenses for retirees who were long-term employees, and provides less coverage for retirees who were short-term employees. Additionally, the plan establishes a maximum Company contribution.

The effect of adopting this new plan was recorded on the effective date of the plan, January 1, 2008, as an increase in accumulated other comprehensive income of $16.7 million (net of related tax effects of $10.6 million), and a reduction to the retiree medical liability of $27.3 million. The accumulated other comprehensive income amount is expected to be amortized as a reduction in expense over a period of 7 to 12 years. Amortization in fiscal 2010 and 2009 was $4.2 million and $0.7 million, respectively.

Share-based Compensation

We measure all share-based compensation cost at the grant date, based on the fair value of the award, and recognize such cost as an expense in our consolidated statement of operations over the requisite service period. The process of estimating the fair value of share-based compensation awards and recognizing share-based compensation cost over the requisite service period involves significant assumptions and judgments. We estimate the fair value of stock option awards on the date of grant using the Black-Scholes option valuation model which requires that we make certain assumptions regarding: (i) the expected volatility in the market price of our common stock; (ii) dividend yield; (iii) risk-free interest rates; and (iv) the period of time employees are expected to hold the award prior to exercise (referred to as the expected holding period). In addition, we estimate the expected impact of forfeited awards and recognize share-based compensation cost only for those awards expected to vest. If actual forfeiture rates differ materially from our estimates, share-based compensation expense could differ significantly from the amounts we have recorded in the current period. We will periodically review actual forfeiture experience and revise our estimates, as necessary. We will recognize as compensation cost the cumulative effect of the change in estimated forfeiture rates on current and prior periods in earnings of the period of revision. As a result, if we revise our assumptions and estimates, our share-based compensation expense could change materially in the future. In fiscal 2010, we used an estimated 6.5% forfeiture rate to calculate share-based compensation expense based on actual forfeiture experience from the inception of the Omnibus Plan.

Liquidity and Capital Resources

Credit Facility

On March 2, 2009, we entered into a Loan Agreement (the "Loan Agreement") with Wells Fargo, as Lender, providing for a $50 million senior secured revolving credit facility expiring in February 2012 to help finance the DSD Coffee Business acquisition and for general corporate purposes. The Loan Agreement contains a variety of restrictive covenants customary in an asset based lending facility, including a minimum excess availability requirement and a minimum total liquidity requirement, and it places limits on dividends. The Loan Agreement allows us to pay dividends at the current rate, subject to certain liquidity requirements.

All outstanding obligations under the Loan Agreement are collateralized by perfected security interests in our assets, excluding the preferred stock held in investment accounts. The revolving line provides for advances of 85% of eligible accounts receivable and 65% of eligible inventory, as defined. The Loan Agreement has an unused commitment fee of 0.375%. The interest rate varies based upon line usage, borrowing base availability and market conditions. The interest rate on the Company's outstanding borrowings was 3.75% at June 30, 2010. Due to the short-term nature of the credit facility and the variable interest rate, fair value of the balance outstanding approximates carrying value.

On August 31, 2010, we entered into Amendment No. 4 to Loan and Security Agreement with Wells Fargo (the "Amendment") pursuant to which effective March 31, 2010, certain collateral reporting, dividend payment, and financial covenants were modified. Effective September 1, 2010, the Amendment also amended the range of interest rates on the line usage based on modified Monthly Average Excess Availability levels. The range is PRIME + 0.25% to PRIME + 0.75% or Adjusted Eurodollar Rate + 2.5% to Adjusted Eurodollar Rate + 3.0% (also see Note 17 "Subsequent Event" to the consolidated financial statements included in Part II, Item 8 of this Form 10-K).

The foregoing description of the Amendment is not complete and is qualified in its entirety by the actual terms of the Amendment, a copy of which is incorporated herein by reference and attached hereto as Exhibit 10.9. There can be no assurance that our lender will issue a waiver or grant an amendment to the covenants in future periods, if we require one.

As of June 30, 2010, we were eligible to borrow up to a total of $50.0 million under the credit facility. As of June 30, 2010, we had borrowed $37.2 million, utilized $3.1 million of our letters of credit sub-limit, and had excess availability under the credit facility of $9.7 million. As of September 9, 2010, we had $32.5 million outstanding under the credit facility.

Liquidity

In fiscal 2010, we incurred significant costs related to the integration of the DSD Coffee Business into our existing operations. This broad based effort required SKU optimization, branch and route consolidation, conversion to the Company's IT systems, including implementation of our mobile sales software across the DSD Coffee Business sales network, and supply chain and manufacturing streamlining. During fiscal 2010, we incurred and charged to expense $10.1 million in integration costs related to the DSD Coffee Business acquisition and incurred and capitalized $5.0 million in property and equipment purchases related to the DSD Coffee Business acquisition. During the same period, we also incurred approximately $6.8 million in expenditures associated with the installation of two roasters and other production equipment at our Torrance facility and expenditures to replace normal wear and tear of coffee brewing equipment, vehicles, and machinery and equipment. Of the total capital expenditures in fiscal 2010 of approximately $28.5 million, $21.7 million was for machinery and equipment including $6.8 million in expenditures for the roasters and production equipment, including machinery and equipment for the DSD Coffee Business, and $1.0 million was for vehicles.

As described above, we maintain a $50 million senior secured revolving line of credit with Wells Fargo. Although we expect cost reductions and other positive synergies from integrating the DSD Coffee Business with our operations, the timing of these improvements is uncertain. We believe this credit facility, to the extent available, in addition to our other liquid assets, provides sufficient capital resources and flexibility for the next twelve months to allow us to meet necessary working capital requirements and implement our business plan without relying solely on cash flows from operations.

Our expected capital expenditures for fiscal 2011 include completion of the installation of the two roasters and other production equipment and expenditures to replace normal wear and tear of coffee brewing equipment, vehicles, and machinery and equipment.

Our working capital is comprised of the following:

	June 30,	
	2010	2009
	(In thousands)	
Current assets	$189,956	$186,546
Current liabilities	98,546	74,756
Working capital	$ 91,410	$111,790

Liquidity Information:

	June 30,		
	2010	2009	2008
		(In thousands)	
Capital expenditures	$28,483	$38,901	$24,852
Purchase of business	$ —	$48,287	$ —
Dividends paid	$ 6,938	$ 6,631	$ 6,670
Dividend payable	$ 1,849	$ 1,849	$ 1,849

Results of Operations

Fiscal Years Ended June 30, 2010 and 2009

Overview

Fiscal 2010 was a year in which we primarily focused on integrating the DSD Coffee Business into our existing operations. We streamlined our routes and distribution logistics and consolidated our warehouses and distribution centers from 179 to 115 locations. Our net sales grew $108.6 million, or 32%, to $450.3 million in fiscal 2010 from $341.7 million in fiscal 2009 primarily due to the acquisition of the DSD Coffee Business. Net sales from CBI also increased approximately 8% from the prior fiscal year. Although our net sales increased and our geographic reach widened in fiscal 2010, the weakness in the economy and reduced consumer spending negatively impacted our net sales.

Operations

Net sales in fiscal 2010 increased $108.6 million, or 32%, to $450.3 million from $341.7 million in fiscal 2009, primarily due to the addition of DSD Coffee Business net sales beginning on March 1, 2009. Cost of goods sold in fiscal 2010 increased $71.2 million, or 39%, to $252.8 million, or 56% of sales, from $181.5 million, or 53% of sales, in fiscal 2009 primarily due to the addition of the DSD Coffee Business beginning on March 1, 2009. Additionally, the cost of coffee brewing equipment and related service included in cost of goods sold also contributed to the increase in cost of goods sold. Cost of coffee brewing equipment and related service for the fiscal year ended June 30, 2010 was $21.5 million compared to $13.1 million for the fiscal year ended June 30, 2009.

Gross profit in fiscal 2010 increased $37.3 million, or 23%, to $197.6 million from $160.2 million in fiscal 2009. However, gross margin decreased to 44% in fiscal 2010 from 47% in the prior fiscal year. As with net sales, the increase in gross profit is directly attributable to the acquisition of the DSD Coffee Business. The decrease in gross margin is primarily due to the increase in coffee brewing equipment and related service cost in cost of goods sold in the amount of $21.5 million in fiscal 2010 from $13.1 million in the prior fiscal year, and the addition of a new class of DSD Coffee Business customers who require a different mix of products.

Operating expenses in fiscal 2010 increased $61.3 million, or 35%, to $236.8 million, or 52% of sales, from $175.4 million, or 51% of sales, in fiscal 2009. Operating expenses in fiscal 2010 consisted of a full year of expenses related to the DSD Coffee Business compared to fiscal 2009 which included only four months of expenses related to the DSD Coffee Business. Additionally, operating expenses included $10.1 million related to the integration of the DSD Coffee Business including expenses related to SKU optimization and streamlining of facilities and routes, $8.5 million in higher depreciation and amortization expense, $8.4 million in higher pension expense and $3.2 million in higher bad debt expense compared to the prior year.

For the reasons noted above, loss from operations in fiscal 2010 increased to $(39.2) million from $(15.2) million in fiscal 2009.

Total other income (expense)

Total other income in fiscal 2010 was $12.7 million compared to total other expense of $(3.8) million in fiscal 2009. This was primarily due to improved results from our preferred stock portfolio which recorded net realized and unrealized gains in fiscal 2010 compared to net realized and unrealized losses in fiscal 2009, partially offset by $0.7 million in higher interest expense related to borrowings under our revolving credit line.

Net Loss

As a result of the above operating factors, net loss decreased to $(24.0) million, or $(1.61) per common share, in fiscal 2010 compared to a net loss of $(33.3) million, or $(2.29) per common share, in fiscal 2009, which included the recognition of a valuation allowance for deferred tax assets of $(19.7) million, or $(1.35) per common share in fiscal 2009.

Fiscal Years Ended June 30, 2009 and 2008

Overview

Fiscal 2009 was another year of acquisition for us as we acquired the DSD Coffee Business in February 2009, and a year in which we continued integrating CBI (acquired in April 2007) and made extensive plans for integrating the DSD Coffee Business into our operations. Our sales revenue grew to $341.7 million in fiscal 2009 from $266.5 million in fiscal 2008, we acquired over 2,000 new SKU’s and over 60 trademarks, tradenames and service marks including the major regional brands MCGARVEY®, CAIN’S®, IRELAND®, JUSTIN LLOYD®, METROPOLITAN®, PREBICA®, WECHSLER®, WORLD’S FINEST® and CAFÉ ROYAL®, and the national brand SUPERIOR®, broadened and diversified our customer base to include a major presence in the gaming industry as well as significant national chain accounts, and expanded geographically from our old 28 state marketing area into all 48 contiguous states.

Operations

Net sales in fiscal 2009 increased $75.2 million, or 28%, to $341.7 million from $266.5 million in fiscal 2008. Approximately 81% of this increase resulted from the addition of DSD Coffee Business net sales beginning on March 1, 2009. Non-DSD net sales increased $14.5 million, or 5%, in fiscal 2009 as compared to fiscal 2008. Unit sales increased approximately 35% in fiscal 2009 as compared to fiscal 2008, and approximately 54% of this increase resulted from the addition of the DSD Coffee Business.

Cost of goods sold in fiscal 2009 increased $34.4 million, or 23%, to $181.5 million, or 53% of sales, from $147.1 million, or 55% of sales, in fiscal 2008. Approximately 87% of this increase resulted from the addition of the DSD Coffee Business. Our annual LIFO adjustment for inventory on hand at the end of fiscal 2009 increased cost of goods sold by $1.5 million compared to $5.8 million in fiscal 2008. In a rising market LIFO costs represent replacement costs of inventory, not actual cost, and in fiscal 2009 we added additional inventory with the purchase of the DSD Coffee Business. Cost of coffee brewing equipment included in cost of goods sold for the fiscal year ended June 30, 2009 was $13.1 million compared to $20.4 million for the fiscal year ended June 30, 2008. In years prior to fiscal 2007, these costs were presented as selling expenses. This change reduces reported gross profit in the years presented by these amounts but has no impact on net income, total assets, or cash flows in any year.

Gross profit in fiscal 2009 increased $40.8 million, or 34%, to $160.2 million from $119.4 million in fiscal 2008. Approximately 76% of this change resulted from the addition of the DSD Coffee Business.

Operating expenses in fiscal 2009 increased $45.4 million, or 35%, to $175.4 million, or 51% of sales, from $130.1 million, or 49% of sales, in fiscal 2008. Approximately 54% of this increase reflects the addition of the DSD Coffee Business, and approximately 16% of this increase reflects expenses associated with the relocation of CBI's operations to the new manufacturing facility in Portland, Oregon, together with associated start-up costs and related depreciation and amortization from the plant investment. Additional increases in operating expenses in fiscal 2009 include approximately $2.0 million of additional overhead associated with the operation of the DSD Coffee Business from March 1, 2009 through the end of fiscal 2009 and one-time costs of approximately $2.1 million related to CBI's move and plant start-up.

For the reasons noted above, loss from operations in fiscal 2009 increased to $(15.2) million from$(10.6) million in fiscal 2008.

Total other (expense) income

Total other (expense) income improved in fiscal 2009 to $(3.8) million from $(4.7) million in fiscal 2008. This is primarily the result of smaller realized and unrealized investment losses in fiscal 2009 compared to fiscal 2008, partially offset by lower dividend and interest income. Other, net (expense) income was $(8.2) million in fiscal 2009 as compared to $(12.3) million in fiscal 2008. Losses in other, net (expense) income incurred in fiscal 2009 are primarily the result of conditions in the U.S. financial markets which resulted in lower expense in fiscal 2009 compared to fiscal 2008.

Net Loss

As a result of the above operating factors, net loss increased to $(33.3) million, or $(2.29) per common share, including the reserve against deferred tax assets of $(19.7) million or $(1.35) in fiscal 2009, from $(7.9) million or $(0.55) per common share in fiscal 2008.

Contractual Obligations

The following table contains supplemental information regarding total contractual obligations as of June 30, 2010, including capital leases:

	Payment due by period (in thousands)				
	Total	Less Than One Year	2-3 Years	4-5 Years	More Than 5 Years
Operating lease obligations	$ 17,319	$ 4,725	$ 6,875	$ 4,483	$ 1,236
Capital lease obligations(a)	4,781	1,006	1,627	1,588	560
Pension plan obligations	68,790	5,285	11,208	12,397	39,900
Revolving credit facility	37,163	37,163	—	—	—
	$128,053	$48,179	$19,710	$18,468	$41,696

(a) Includes imputed interest of $920.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We are exposed to market value risk arising from changes in interest rates on our securities portfolio. Our portfolio of preferred securities has sometimes included investments in derivatives that provide a natural economic hedge of interest rate risk. We review the interest rate sensitivity of these securities and (a) may enter into "short positions" in futures contracts on U.S. Treasury securities or (b) may hold put options on such futures contracts in order to reduce the impact of certain interest rate changes on such preferred stocks. Specifically, we attempt to manage the risk arising from changes in the general level of interest rates. We do not transact in futures contracts or put options for speculative purposes.

The following table demonstrates the impact of varying interest rate changes based on the preferred stock holdings, futures and options positions, and market yield and price relationships at June 30, 2010. This table is predicated on an instantaneous change in the general level of interest rates and assumes predictable relationships between the prices of preferred securities holdings, the yields on U.S. Treasury securities, and related futures and options.

The number and type of futures and options contracts entered into depends on, among other items, the specific maturity and issuer redemption provisions for each preferred stock held, the slope of the Treasury yield curve, the expected volatility of U.S. Treasury yields, and the costs of using futures and/or options. At June 30, 2010, we had no futures contracts or put options designated as interest rate risk hedges.

	Market Value at June 30, 2010			
Interest Rate Changes	Preferred Securities	Futures and Options	Total Portfolio	Changes in Market Value of Total Portfolio
			(In thousands)	
–150 basis points	$51,593	$—	$51,593	$ 909
–100 basis points	$51,436	$—	$51,436	$ 751
Unchanged	$50,685	$—	$50,685	$ —
+100 basis points	$48,486	$—	$48,486	$(2,199)
+150 basis points	$47,052	$—	$47,052	$(3,633)

Our revolving line of credit with Wells Fargo is at a variable rate. The interest rate varies based upon line usage, borrowing base availability and market conditions. As of June 30, 2010, we had borrowed $37.2 million of this amount, utilized $3.1 million of our letters of credit sub-limit, and had excess availability of $9.7 million under the credit facility. The interest rate on the outstanding borrowings at June 30, 2010 was 3.75%. Effective September 1, 2010, the interest rate on the line usage was amended to a range of PRIME + 0.25% to PRIME + 0.75% or Adjusted Eurodollar Rate + 2.5% to Adjusted Eurodollar Rate + 3.0% based on modified Monthly Average Excess Availability levels.

The following table demonstrates the impact of interest rate changes on our interest expense on the revolving credit facility for a full year based on the outstanding balance and interest rate as of June 30, 2010:

Interest Rate Changes	Interest Rate	Annual Interest Expense
		(In thousands)
–150 basis points	2.25%	$ 907
–100 basis points	2.75%	$1,108
Unchanged	3.75%	$1,512
+100 basis points	4.75%	$1,915
+150 basis points	5.25%	$2,116

Commodity Price Risk

We are exposed to commodity price risk arising from changes in the market price of green coffee. We price green coffee inventory on the last-in, first-out (LIFO) basis. In the normal course of business we hold a large green coffee inventory and enter into forward commodity purchase agreements with suppliers. We are subject to price risk resulting from the volatility of green coffee prices. Due to competition and market conditions, volatile price increases cannot always be passed on to our customers. From time to time we may hold a mix of futures contracts and options to help hedge against volatile green coffee price decreases. Gains and losses on these derivative instruments are realized immediately in “Other, net (expense) income.”

On June 30, 2010, we had no open hedge derivative contracts, and our entire exposure to commodity risk was in the potential change of our inventory value resulting from changes in the market price of green coffee. The following table demonstrates the impact of changes in market value of coffee cost on market value of coffee forward purchase contracts:

	Market Value (in thousands)			Change in Market Value	
Coffee Cost Change	Coffee Inventory	Futures & Options	Total	Derivatives	Inventory
– 10%	$35,000	$(673)	$34,327	$(673)	$(3,995)
unchanged	$38,995	$ 258	$39,253	$ —	$ —
10%	$43,000	$ 673	$43,673	$ 673	$ 4,005

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of
Farmer Bros. Co. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Farmer Bros. Co. and Subsidiaries as of June 30, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended June 30, 2010. 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 the standards of the Public Company Accounting Oversight Board (United States). 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 Farmer Bros. Co. and Subsidiaries at June 30, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended June 30, 2010, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Farmer Bros. Co. and Subsidiaries' internal control over financial reporting as of June 30, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated September 13, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Los Angeles, California
September 13, 2010

FARMER BROS. CO.

CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share and per share data)

	June 30, 2010	June 30, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,149	$ 20,038
Short term investments	50,942	42,926
Accounts and notes receivable, net of allowance for doubtful accounts of $3,293 and $1,173, respectively	42,596	45,744
Inventories	83,712	68,961
Income tax receivable	5,840	4,163
Deferred income taxes	4	1,089
Prepaid expenses	2,713	3,625
Total current assets	189,956	186,546
Property, plant and equipment, net	120,372	112,063
Goodwill and other intangible assets, net	25,242	28,758
Other assets	2,492	1,758
Deferred income taxes	1,059	892
Total assets	$339,121	$330,017
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 34,053	$ 34,627
Accrued payroll expenses	14,661	13,121
Short term borrowings under revolving credit facility	37,163	16,182
Short term obligations under capital leases	724	908
Deferred income taxes	264	—
Other current liabilities	11,681	9,918
Total current liabilities	98,546	74,756
Accrued postretirement benefits	22,185	18,259
Other long term liabilities—capital leases	3,137	344
Accrued pension liabilities	43,497	33,638
Accrued workers' compensation liabilities	4,388	4,333
Deferred income taxes	1,773	2,198
Total liabilities	$173,526	$133,528
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Preferred stock, $1.00 par value, 500,000 shares authorized and none issued	$ —	$ —
Common stock, $1.00 par value, 25,000,000 shares authorized; 16,164,179 and 16,078,111 issued and outstanding at June 30, 2010 and 2009, respectively	16,164	16,078
Additional paid-in capital	37,468	31,135
Retained earnings	186,900	217,792
Unearned ESOP shares	(35,238)	(33,604)
Less accumulated other comprehensive loss	(39,699)	(34,912)
Total stockholders' equity	$165,595	$196,489
Total liabilities and stockholders' equity	$339,121	$330,017

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)

	Years ended June 30,		
	2010	2009	2008
Net sales	$ 450,318	$ 341,724	$ 266,485
Cost of goods sold	252,754	181,508	147,073
Gross profit	197,564	160,216	119,412
Selling expenses	187,685	138,876	98,918
General and administrative expenses	49,071	36,543	31,138
Operating expenses	236,756	175,419	130,056
Loss from operations	(39,192)	(15,203)	(10,644)
Other income (expense):			
Dividend income	3,224	3,563	4,056
Interest income	303	1,236	3,608
Interest expense	(986)	(335)	—
Other, net income (expense)	10,169	(8,248)	(12,343)
Total other income (expense)	12,710	(3,784)	(4,679)
Loss before taxes	(26,482)	(18,987)	(15,323)
Income tax (benefit) expense	(2,529)	14,283	(7,399)
Net loss	$ (23,953)	$ (33,270)	$ (7,924)
Basic and diluted net loss per common share	$ (1.61)	$ (2.29)	$ (0.55)
Weighted average common shares outstanding-basic and diluted	14,866,306	14,508,320	14,284,324
Cash dividends declared per common share	$ 0.46	$ 0.46	$ 0.46

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

FARMER BROS. CO.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	Years ended June 30, 2010	2009	2008
Cash flows from operating activities:			
Net loss	$(23,953)	$(33,270)	$ (7,924)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Depreciation and amortization	26,778	18,292	9,757
Allowance for doubtful accounts	3,188	810	311
Deferred income taxes	758	15,556	719
Loss (gain) on sales of assets	430	(46)	(1,325)
Share-based compensation expense	4,784	5,452	5,501
Net (gain) loss on investments	(9,382)	8,989	13,992
Change in operating assets and liabilities:			
Short term investments	1,365	61,371	30,772
Accounts and notes receivable	(40)	(26,698)	(2,516)
Inventories	(14,751)	1,730	(9,257)
Income tax receivable	(1,677)	(1,283)	(2,998)
Prepaid expenses and other assets	179	6,518	5,877
Accounts payable	(738)	22,457	3,466
Accrued payroll, expenses and other liabilities	2,904	3,776	(1,655)
Accrued postretirement benefits	3,926	638	(17,224)
Other long term liabilities	5,182	2,952	—
Net cash (used in) provided by operating activities	$ (1,047)	$ 87,244	$ 27,496
Cash flows from investing activities:			
Acquisition of businesses, net of cash acquired	—	(48,287)	—
Purchases of property, plant and equipment	(28,484)	(38,901)	(24,852)
Proceeds from sales of property, plant and equipment	437	605	1,413
Net cash used in investing activities	$(28,047)	$(86,583)	$(23,439)
Cash flows from financing activities:			
Proceeds from revolving line of credit	33,737	29,500	—
Repayments on revolving line of credit	(12,756)	(13,318)	—
Payments of capital lease obligations	(837)	(147)	—
Dividends paid	(6,939)	(6,631)	(6,670)
Net cash provided by (used in) financing activities	$ 13,205	$ 9,404	$ (6,670)
Net (decrease) increase in cash and cash equivalents	$(15,889)	$ 10,065	$ (2,613)
Cash and cash equivalents at beginning of year	20,038	9,973	12,586
Cash and cash equivalents at end of year	$ 4,149	$ 20,038	$ 9,973
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 890	$ 812	$ —
Cash paid for income taxes	$ —	$ 136	$ 3,742
Non-cash financing and investing activities:			
Equipment acquired under capital leases	$ 3,954	$ 1,252	$ —
Dividends accrued, but not paid	$ 1,849	$ 1,849	$ 1,849

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

FARMER BROS. CO.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in thousands, except share and per share data)

	Common Shares	Stock Amount	Additional Paid-in Capital	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Income (Loss)	Total
Balance at June 30, 2007	16,075,080	$16,075	$30,823	$272,406	$(44,240)	$ (8,848)	$266,216
Comprehensive income							
Net loss				(7,924)			(7,924)
Retiree benefits						9,452	9,452
Other comprehensive income net of tax							—
Total comprehensive income							1,528
Dividends ($0.46 per share)				(6,670)			(6,670)
ESOP compensation expense			(364)		5,711		5,347
Share based compensation			153				153
Adoption FIN 48				(119)			(119)
Balance at June 30, 2008	16,075,080	$16,075	$30,612	$257,693	$(38,529)	$ 604	$266,455
Comprehensive income							
Net income				(33,270)			(33,270)
Retiree benefits						(35,516)	(35,516)
Other comprehensive income net of tax							—
Total comprehensive loss							(68,786)
Dividends ($0.46 per share)				(6,631)			(6,631)
ESOP compensation expense			(151)		4,925		4,774
Share based compensation	3,031	3	674				678
Balance at June 30, 2009	16,078,111	$16,078	$31,135	$217,792	$(33,604)	$(34,912)	$196,489
Comprehensive income							
Net loss				(23,953)			(23,953)
Retiree benefits						(4,787)	(4,787)
Other comprehensive income net of tax							—
Total comprehensive loss							(28,740)
Dividends ($0.46 per share)				(6,939)			(6,939)
ESOP compensation expense, including reclassifications			5,344		(1,634)		3,710
Share based compensation	86,068	86	989				1,075
Balance at June 30, 2010	16,164,179	$16,164	$37,468	$186,900	$(35,238)	$(39,699)	$165,595

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

Note 1. Summary of Significant Accounting Policies

Organization

The Company, which operates in one business segment, is a manufacturer, wholesaler and distributor of coffee, tea and culinary products through direct and brokered sales throughout the contiguous United States. The Company's customers include restaurants, hotels, casinos, hospitals and food service providers, as well as retailers such as convenience stores, coffee houses, general merchandisers, private-label retailers and grocery stores. The Company's product line includes roasted coffee, liquid coffee, coffee related products such as coffee filters, sugar and creamers, assorted teas, cappuccino, cocoa, spices, gelatins and puddings, soup, gravy and sauce mixes, pancake and biscuit mixes, and jellies and preserves. Most sales are made "off-truck" by the Company to its customers at their places of business. The Company serves its customers from seven distribution centers. The Company's distribution trucks are replenished from 115 branch warehouses located throughout the contiguous United States. The Company operates its own trucking fleet to support its long-haul distribution requirements. A portion of the Company's products are distributed by third parties or are direct shipped via common carrier.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries FBC Finance Company and Coffee Bean Holding Co. Inc. All inter-company balances and transactions have been eliminated.

Financial Statement Preparation

The preparation of financial statements in conformity with U.S. 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Company considers all highly liquid investments with original maturity dates of 90 days or less to be cash equivalents. Fair values of cash equivalents approximate cost due to the short period of time to maturity.

Investments

The Company's investments consist of marketable debt and equity securities, money market instruments and various derivative instruments, primarily exchange traded treasury futures and options, green coffee forward purchase contracts and commodity purchase agreements. All derivative instruments not designated as accounting hedges are marked to market and changes are recognized in current earnings. At June 30, 2010 and 2009, no derivative instruments were designated as accounting hedges. The fair value of derivative instruments is based upon broker quotes. The cost of investments sold is determined on the specific identification method. Dividend and interest income is accrued as earned.

Concentration of Credit Risk

At June 30, 2010, the financial instruments which potentially expose the Company to concentration 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 trade receivables. Cash equivalents and short term investments are not concentrated by issuer, industry or geographic area. Maturities are generally shorter than 180 days. Other investments are in U.S. government securities. Investments 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 generally short term, and all probable bad debt losses have been appropriately considered in establishing the allowance for doubtful accounts. In fiscal 2010, based on a larger customer base due to the recent Company acquisitions and in response to slower collection of the Company's accounts resulting from the impact of the economic downturn on the Company's customers, the Company increased its allowance for doubtful accounts and recorded a $2.5 million charge to bad debt expense.

Inventories

Inventories are valued at the lower of cost or market. Costs of coffee, tea and culinary products for the Company 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. The Company regularly evaluates these inventories to determine whether market conditions are correctly reflected in the recorded carrying value.

Property, Plant and Equipment

Property, plant and equipment is carried at cost, less accumulated depreciation. Depreciation is computed using the straight-line method. The following useful lives are used:

Building and facilities	10 to 30 years
Machinery and equipment	3 to 5 years
Equipment under capital lease	Term of lease
Office furniture and equipment	5 years
Capitalized software	3 years

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

Coffee Brewing Equipment and Service

The Company classifies certain expenses related to coffee brewing equipment provided to customers as cost of goods sold. These costs include the cost of the equipment as well as the cost of servicing that equipment (including service employees' salaries, cost of transportation and the cost of supplies and parts) and are considered directly attributable to the generation of revenues from its customers. Accordingly such costs included in cost of goods sold in the accompanying financial statements for the years ended June 30, 2010, 2009 and 2008 are $21.5 million, $13.1 million and $20.4 million, respectively.

During the fourth quarter of fiscal 2008, the Company changed its convention for capitalizing coffee brewing equipment provided to customers and as a result has capitalized coffee brewing equipment in the amounts of $14.1 million and $5.4 million in fiscal 2010 and 2009, respectively. During fiscal 2010 and 2009 the Company had depreciation expense related to the capitalized coffee brewing equipment reported as cost of goods sold in the amounts of $6.1 million and $1.7 million, respectively. Prior to the change in its convention for capitalization, the Company had immediately expensed all coffee brewing equipment provided to its customers. Prior to the change in its convention, the amount of coffee brewing equipment charged immediately to expense totaled $3.0 million in fiscal 2008.

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. Estimating the Company's tax liabilities involves judgments related to uncertainties in the application of complex tax regulations. The Company makes certain estimates and judgments to determine tax expense for financial statement purposes as they evaluate the effect of tax credits, tax benefits and deductions, some of which result from differences in timing of recognition of revenue or expense for tax and financial statement purposes. Changes to these estimates may result in significant changes to the Company's tax provision in future periods. Each fiscal quarter the Company reevaluates their tax provision and reconsiders their estimates and their assumptions related to specific tax assets and liabilities, making adjustments as circumstances change.

Revenue Recognition

Most products are sold and delivered to the Company's customers at their places of business by the Company's route sales employees. Revenue is recognized at the time the Company's sales representatives physically deliver products to customers and title passes or when it is accepted by the customer when shipped by third party delivery.

In connection with the acquisition of the DSD Coffee Business described in Note 2, the Company entered into an agreement with Sara Lee pursuant to which the Company performs co-packing services for Sara Lee as Sara Lee's agent. The Company recognizes revenue from this arrangement on a net basis, net of direct costs of revenue. As of June 30, 2010 and 2009, the Company had $4.1 million and $8.1 million, respectively, of other receivables from Sara Lee recorded in accounts and notes receivable.

Net Income (Loss) Per Common Share

Basic earnings (loss) per share (EPS) is computed by dividing net income (loss) by the weighted average common shares outstanding (see Note 14), excluding unallocated shares held by the Company's Employee Stock Ownership Plan. Diluted EPS includes the effect of any potential shares outstanding, which for the Company consists of dilutive stock options. The dilutive effect of stock options is calculated using the treasury stock method with an offset from expected proceeds upon exercise of the stock options and unrecognized compensation expense. Diluted EPS for the year ended June 30, 2010 and 2009 does not include the dilutive effect of 3,397 and 39,231 shares, respectively, issuable under stock options since their inclusion would be anti-dilutive. In the year ended June 30, 2008 the Company had no dilutive shares. Accordingly, the consolidated financial statements present only basic net income (loss) per common share.

Employee Stock Ownership Plan ("ESOP")

Compensation cost for the ESOP is based on the fair market value of shares released or deemed to be released for the period. Dividends on allocated shares retain the character of true dividends, but dividends on unallocated shares are considered compensation cost. As a leveraged ESOP with the Company as lender, a contra equity account is established to offset the Company's note receivable. The contra account will change as compensation is recognized.

Impairment of Goodwill and Intangible Assets

The Company performs its annual goodwill and indefinite-lived intangible assets impairment test as of June 30 of each fiscal year. Goodwill and other indefinite-lived intangible assets are not amortized but instead are reviewed for impairment annually and on an interim basis if events or changes in circumstances between annual tests indicate that an asset might be impaired. Indefinite-lived intangible assets are tested for impairment by comparing their fair values to their carrying values. Testing for impairment of goodwill is a two-step process. The first step requires the Company to compare the fair value of its reporting units to the carrying value of the net assets of the respective reporting units, including goodwill. If the fair value of the reporting unit is less than the carrying value, goodwill of the reporting unit is potentially impaired and the Company then completes step two to measure the impairment loss, if any. The second step requires the calculation of the implied fair value of goodwill by deducting the fair value of all tangible and intangible net assets of the reporting unit from the fair value of the reporting unit. If the implied fair value of goodwill is less than the carrying amount of goodwill, an impairment loss is recognized equal to the difference.

In addition to an annual test, goodwill and indefinite-lived intangible assets must also be tested on an interim basis if events or circumstances indicate that the estimated fair value of such assets has decreased below their carrying value. There were no such events or circumstances during the fiscal years ended June 30, 2010 or 2009.

Long-Lived Assets, Excluding Goodwill and Indefinite-lived Intangible Assets

The Company reviews the recoverability of its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance, and may differ from actual cash flows. Long-lived assets evaluated for impairment are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. If the sum of the projected undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made. The Company has determined that no indicators of impairment of long-lived assets existed as of or during the fiscal year ended June 30, 2010.

Shipping and Handling Costs

The Company distributes its products directly to its customers and shipping and handling costs are recorded as Company selling expenses.

Collective Bargaining Agreements

Certain Company employees are subject to collective bargaining agreements. The duration of these agreements extend from 2010 to 2014. Approximately 34% of the workforce is covered by such agreements.

Reclassifications

Certain reclassifications have been made to prior year balances to conform to the current year presentation.

Recently Adopted Accounting Standards

On February 24, 2010, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2010-09, “Subsequent Events (Topic 855): Amendments to Certain Recognition and

Disclosure Requirements" ("ASU No. 2010-09"), which amends FASB ASC 855, "Subsequent Events." According to this standard, SEC filers are no longer required to disclose the date through which subsequent events have been evaluated in originally issued and revised financial statements. ASU No. 2010-09 was effective immediately and the Company adopted these new requirements on February 24, 2010.

In January 2010, the Company adopted ASU No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements," which amends ASC 820. This new accounting guidance requires expanded fair value measurement disclosures in quarterly and annual financial statements. The new guidance clarifies existing disclosure requirements for the Level 2 and Level 3 fair value measurement. Additionally, the new guidance also requires details of significant transfers of assets between Level 1 and Level 2 fair value measurement categories, including the reasons for such transfers, as well as gross presentation of activity within the Level 3 fair value measurement category. ASU No. 2010-06 is effective for the Company on January 1, 2010, except for the gross presentation of Level 3 activity, which is effective January 1, 2011. Adoption of ASU No. 2010-06 did not impact the results of operations, financial position or cash flows of the Company.

Effective July 1, 2009, the FASB issued Statement of Financial Accounting Standard ("SFAS") No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162" ("SFAS No. 168"). Under SFAS No. 168, the historical GAAP hierarchy was eliminated and ASC became the single official source of authoritative, non-governmental GAAP, other than guidance issued by the SEC. All other literature became non-authoritative. SFAS No. 168 became effective for financial statements issued for interim and annual periods ending after September 15, 2009. It has been codified within ASC 105, "Generally Accepted Accounting Principles" ("ASC 105"). The Company adopted ASC 105 on July 1, 2009. Since ASC 105 does not change GAAP, adoption of ASC 105 did not impact the results of operations, financial position or cash flows of the Company.

In December 2008, the FASB issued FSP SFAS 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets" ("FSP SFAS 132(R)-1"). FSP SFAS 132(R)-1 amends SFAS No. 132(R), "Employer's Disclosures about Pensions and Other Postretirement Benefits," to require additional disclosures about assets held in an employer's defined benefit pension or other postretirement plan. FSP SFAS 132(R)-1 was codified within ASC 715, "Compensation-Retirement Benefits." The Company adopted the provisions of FSP SFAS 132(R)-1 effective July 1, 2009. Although the Company's disclosures about postretirement benefit plans changed, adoption of ASC 715 did not impact the results of operations, financial position or cash flows of the Company.

In June 2008, the FASB issued FSP No. EITF 03-6-1, "Determining Whether Instruments Granted in Share Based Payment Transactions Are Participating Securities" ("FSP No. EITF 03-6-1"). FSP No. EITF 03-6-1 clarifies that share based payment awards that entitle their holders to receive non-forfeitable dividends before vesting should be considered participating securities and included in the calculation of basic EPS. The Company adopted FSP No. EITF 03-6-1 on July 1, 2009. FSP No. EITF 03-6-1 was codified within ASC 260, "Earnings Per Share." Adoption of ASC 260 did not impact the results of operations, financial position or cash flows of the Company.

In April 2008, the FASB issued FSP No. FAS 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP No. FAS 142-3"). FSP No. FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, "Goodwill and Other Intangible Assets." The Company adopted FSP No. FAS 142-3 effective July 1, 2009 on a prospective basis. FSP No. FAS 142-3 was codified within ASC 275, "Risks and Uncertainties," and ASC 350, "Intangibles-Goodwill and Other." Adoption of FSP No. FAS 142-3 did not have a material impact on the Company's consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (Revised), "Business Combinations" ("SFAS 141(R)"), replacing SFAS No. 141, "Business Combinations" ("SFAS 141"), and SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements—An Amendment of ARB No. 51" ("SFAS 160"). SFAS 141(R) retains the fundamental requirements of SFAS 141, broadens its scope by applying the acquisition method to all transactions and other events in which one entity obtains control over one or more other businesses, and requires, among other things, that assets acquired and liabilities assumed be measured at fair value as of the acquisition date, that liabilities related to contingent considerations be recognized at the acquisition date and re-measured at fair value in each subsequent reporting period, that acquisition related costs be expensed as incurred, and that income be recognized if the fair value of the net assets acquired exceeds the fair value of the consideration transferred. SFAS 160 establishes accounting and reporting standards for noncontrolling interests (i.e., minority interests) in a subsidiary, including changes in a parent's ownership interest in a subsidiary and requires, among other things, that noncontrolling interests in subsidiaries be classified as a separate component of equity. Except for the presentation and disclosure requirements of SFAS 160, which are to be applied retrospectively for all periods presented, SFAS 141(R) and SFAS 160 are to be applied prospectively in financial statements issued for fiscal years beginning after December 15, 2008. SFAS 141(R) and SFAS 160 were effective for the Company beginning July 1, 2009. Although the accounting on future transactions is expected to be impacted, the Company did not have any material impact to its historical financial statements from the adoption of SFAS 141(R) and SFAS 160.

Additionally, for business combinations for which the acquisition date occurs prior to the effective date of SFAS 141(R), the acquirer is required to apply the requirements of ASC 740, "Income Taxes," as amended by SFAS 141(R), prospectively. After the effective date of SFAS 141(R), changes in the valuation allowance for acquired deferred tax assets and dispositions of uncertain income tax positions must be recognized as an adjustment to income tax expense, rather than through goodwill. The impact of the adoption of SFAS 141(R) on the Company's consolidated financial statements will largely be dependent on the size and nature of the business combinations completed after July 1, 2009. SFAS 141(R) was codified within ASC 805, "Business Combinations" ("ASC 805").

In April 2009, the FASB issued FSP No. 141R-1, "Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies" ("FSP No. 141R-1"). FSP No. 141R-1 amends the provisions in SFAS 141(R) for the initial recognition and measurement, subsequent measurement and accounting, and disclosures for assets and liabilities arising from contingencies in business combinations. FSP No. 141R-1 eliminates the distinction between contractual and non-contractual contingencies, including the initial recognition and measurement criteria in SFAS 141(R), and instead carries forward most of the provisions in SFAS 141(R) for acquired contingencies. FSP No. 141R-1 is effective for contingent assets and contingent liabilities acquired in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company adopted FSP No. 141R-1 on July 1, 2009. Adoption of the standard did not have a material impact on the results of operations, financial position or cash flows of the Company. FSP No. 141R-1 was codified within ASC 805.

In April 2009, the FASB issued FSP No. 107-1 and Accounting Principles Board Opinion ("APB") No. 28-1, "Interim Disclosures about Fair Value of Financial Instruments" ("FSP FAS No. 107-1 and APB No. 28-1"). FSP FAS No. 107-1 and APB No. 28-1 amend SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," to require disclosures about the fair value of financial instruments for interim reporting periods ending after June 15, 2009. The Company adopted FSP FAS No. 107-1 and APB No. 28-1 on July 1, 2009. Adoption of the standards did not have an impact on the Company's financial statement disclosures. FSP FAS No. 107-1 and APB No. 28-1 were codified within ASC 825, "Financial Instruments."

In August 2009, the FASB issued ASU No. 2009-5, which amends subtopic ASC 820-10, “Fair Value Measurements,” as it relates to the fair value measurement of liabilities. ASU No. 2009-5 provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, an entity is required to measure fair value utilizing one or more of the following techniques: (1) a valuation technique that uses the quoted market price of an identical liability or similar liabilities when traded as assets; or (2) another valuation technique that is consistent with the principles of ASC 820, such as a present value technique. The Company adopted ASU No. 2009-5 on October 1, 2009. Adoption of ASU No. 2009-5 did not impact the results of operations, financial position or cash flows of the Company.

New Accounting Pronouncements

In June 2008, the FASB released a proposed SFAS, “Disclosure of Certain Loss Contingencies, an amendment of FASB Statements No. 5 and 141” (the “Proposed Statement”), for a comment period that ended during August 2008. The Proposed Statement would (a) expand the population of loss contingencies that are required to be disclosed, (b) require disclosure of specific quantitative and qualitative information about those loss contingencies, (c) require a tabular reconciliation of recognized loss contingencies and (d) provide an exemption from disclosing certain required information if disclosing that information would be prejudicial to an entity’s position in a dispute. The Proposed Statement would be effective for financial statements issued for fiscal years ending after December 15, 2008, and for interim and annual periods in subsequent fiscal years. Following the effective date of the ASC, SFAS No. 5 was codified within Topic 450, “Contingencies.” When and if the Proposed Statement is approved in final form by the FASB, the Company will evaluate whether the adoption of the Proposed Statement will have any material impact on its results of operations, financial condition or cash flows.

In October 2009, the multiple-element arrangements guidance codified in ASC 605-25, “Revenue Recognition–Multiple Element Arrangements,” was modified by the FASB as a result of the final consensus reached on EITF Issue No. 08-1, “Revenue Arrangements with Multiple Deliverables,” which was codified by ASU No. 2009-13. The guidance in ASU No. 2009-13 supersedes the existing guidance on such arrangements and is effective for the first annual reporting period after June 15, 2010 and is effective for the Company beginning on July 1, 2010. Adoption of ASU No. 2009-13 is not expected to materially affect the results of operations, financial condition or cash flows of the Company.

In April 2010, the FASB issued ASU 2010-12, “Income Taxes (ASC 740): Accounting for Certain Tax Effects of the 2010 Health Care Reform Acts.” After consultation with the FASB, the SEC stated that it “would not object to a registrant incorporating the effects of the Health Care and Education Reconciliation Act of 2010 when accounting for the Patient Protection and Affordable Care Act.” The Company does not expect the provisions of ASU 2010-12 to have a material impact on the financial position, results of operations or cash flows of the Company.

Note 2. Acquisitions

Acquisition of DSD Coffee Business

Effective as of February 28, 2009, the Company completed the acquisition from Sara Lee Corporation, a Maryland corporation (“Seller”), and Saramar, L.L.C., a Delaware limited liability company (“Saramar” and collectively with Seller, “Seller Parties”) of certain assets used in connection with Seller Parties’ direct store delivery coffee business in the United States (the “DSD Coffee Business”). The acquired business generally consists of manufacturing and selling coffee, tea and related products through a network of facilities and vehicles which was acquired to complement and expand the Company’s previously existing operations. This business also includes the distribution, sale and service of brewed and liquid coffee equipment, as well as the right to distribute sauces and dressings to customers of the DSD Coffee Business. The results of operations of the DSD Coffee Business have been included in the Company's consolidated financial statements since March 1, 2009.

The assets purchased include, among other things, the following: (i) a manufacturing plant in Houston, Texas, a spice plant in Oklahoma City, Oklahoma, and a warehouse in Indianapolis, Indiana; (ii) 64 leased branch facilities in 31 states; (iii) a vehicle fleet consisting of 431 owned and leased vehicles; (iv) certain tangible personal property; (v) inventories of raw materials, work in process, finished goods and packaging; (vi) certain contracts, permits, books and records; (vii) prepaid expenses relating to the DSD Coffee Business; and (viii) all goodwill relating to the DSD Coffee Business. The Company also acquired Seller Parties' rights (including related goodwill) in the trademarks and trade names relating to the SUPERIOR®, MCGARVEY®, CAIN'S®, IRELAND®, JUSTIN LLOYD®, METROPOLITAN®, PREBICA®, WECHSLER®, WORLD'S FINEST® and CAFÉ ROYAL® brands.

Subject to certain post-closing adjustments relating to the amount of consumable inventory and prepaid expenses at closing, and after giving effect to certain reimbursement obligations of the parties relating to accounting costs, IT carve-out costs, and transfer taxes and fees, as well as real and personal property tax and utility prorations, the amount paid to Seller was $45.6 million, which consisted of $16.1 million of Company cash and proceeds of a bank loan of $29.5 million. The Company paid approximately $2.7 million of acquisition related expenses. At closing, the Company assumed certain liabilities, including obligations under contracts, environmental liabilities with respect to the transferred facilities, pension liabilities, advertising and trade promotion accruals, and accrued vacation as of the closing for hired personnel. Seller Parties retained all liabilities that were not specifically assumed by the Company. The Company re-financed and replaced certain leases relating to the DSD Coffee Business vehicles in the fourth quarter of fiscal 2009 as described in Note 15. Additionally, the Company assumed lease liabilities for sixty-four warehouse leases with lease terms that generally do not exceed three years.

In connection with the closing, Seller Parties and the Company entered into certain operational agreements, including trademark and formula license agreements, co-pack agreements, a liquid coffee distribution agreement, a transition services agreement, and a green coffee and tea purchase agreement. One of the co-pack agreements provided that Seller would manufacture branded products for the Company for a period of three years. Under this agreement the Company had agreed to purchase certain minimum product quantities from Seller subject to certain permitted reductions. This agreement was terminated effective June 30, 2010. Under the other co-pack agreement, the Company has agreed to perform co-packing services for Seller as Seller's agent. As a result, the Company recognizes revenue from this arrangement on a net basis, net of direct costs of revenue. The transition services agreement pursuant to which the Seller agreed to provide a number of services for the Company on an interim basis, including hosting, maintaining and supporting IT infrastructure and communications, was scaled back in February 2010 to include only certain IT infrastructure support, and was terminated on August 31, 2010.

The accompanying consolidated financial statements do not include pro-forma historical information, as if the results of the DSD Coffee Business had been included from the beginning of the periods presented, since the use of forward-looking information would be necessary in order to meaningfully present the effects of the acquisition. Forward-looking information, rather than historical information, would be required since the DSD Coffee Business was operated as part of a larger business within Seller and there will be a different operating cost structure and different operations support under the Company's ownership. The Company has not provided forward-looking information with respect to incremental costs and expenses to be incurred because such information is not determinable.

The DSD Coffee Business acquisition has been accounted for as an asset purchase. The total purchase price has been allocated to tangible and intangible assets based on their estimated fair values as of February 28, 2009 as determined by management based upon a third-party valuation. The purchase price allocation was finalized in the Company's third quarter ended March 31, 2010 and the estimated initial total fair value of net assets acquired was reduced from $48.3 million to $47.8 million as summarized in the following table (dollars in thousands):

	Fair Value of Assets Acquired	Estimated Useful Life (years)
Inventory	$16,437	
Prepaid expense	1,138	
Current assets	17,575	
Vehicles	1,027	5
Machinery	10,774	3-5
Property, plant & equipment	5,486	30
Land	1,913	
Fixed assets	19,200	
Trademarks	2,080	indefinite
Customer relationships	7,726	8
Distribution agreement	2,452	10
Co-pack agreement	743	6
Intangible assets	13,001	
Total assets acquired	49,776	
Liabilities	(2,026)	
Net assets acquired	$47,750	

Note 3. Investments and Derivative Instruments

The Company purchases various derivative instruments as investments or to create economic hedges of its interest rate risk and commodity price risk. At June 30, 2010 and 2009, derivative instruments were not designated as accounting hedges as defined by ASC 815, "Accounting for Derivative Instruments and Hedging Activities." The fair value of derivative instruments is based upon broker quotes. The Company records unrealized gains and losses on trading securities and changes in the market value of certain coffee contracts meeting the definition of derivatives in Other, net (expense) income.

The Company adopted ASC 820, "Fair Value Measurements" ("ASC 820") on July 1, 2008. ASC 820 defines fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. Under ASC 820, the Company groups its assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1—Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2—Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

- Level 3—Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The Company's investments have been grouped as follows (in thousands):

As of June 30, 2010	Total	Level 1	Level 2	Level 3
Preferred stock	$50,684	$11,946	$38,738	$—
Futures, options and other derivatives	$ 258	$ 258	$ —	$—

As of June 30, 2009	Total	Level 1	Level 2	Level 3
Preferred stock	$42,466	$11,759	$30,707	$—
Futures, options and other derivatives	$ 460	$ 460	$ —	$—

There were no significant transfers of securities between Level 1 and Level 2.

Investments, consisting of marketable debt and equity securities, money market instruments and various derivative instruments, are held for trading purposes and are stated at fair value.

Investments are:

	June 30,	
	2010	2009
	(In thousands)	
Trading securities at fair value		
Preferred Stock	$50,684	$42,466
Futures, options and other derivatives	258	460
	$50,942	$42,926

Gains and losses, both realized and unrealized, are included in Other, net income (expense). Net realized and unrealized gains and losses are as follows:

	June 30,		
	2010	2009	2008
	(In thousands)		
Investments			
Unrealized gains	$ 9,647	$ —	$ —
Unrealized losses	—	(3,584)	(9,271)
Realized gains	—	238	372
Realized losses	(265)	(5,643)	(5,093)
Net realized and unrealized gains (losses)	9,382	(8,989)	(13,992)
Net gains from sales of assets	201	475	1,413
Other gains, net	586	266	236
Other, net income (expense)	$10,169	$(8,248)	$(12,343)

Preferred stock investments as of June 30, 2010 consisted of securities with a fair value of $36.3 million in an unrealized gain position and securities with a fair value of $14.4 million in an unrealized loss position. Preferred stock investments as of June 30, 2009 consisted of securities with a fair value of $16.5 million in an unrealized gain position and securities with a fair value of $26.0 million in an unrealized loss position. The following tables show gross unrealized losses (although such losses have been recognized in the statements of operations) and fair value for those investments that were in an unrealized loss position as of June 30, 2010 and 2009, aggregated by the length of time those investments have been in a continuous loss position:

	June 30, 2010			
	Less than 12 Months		Total	
(In thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Preferred stock	$1,889	$ (97)	$14,358	$ (6,044)

	June 30, 2009			
	Less than 12 Months		Total	
(In thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Preferred stock	$3,438	$(714)	$26,009	$(11,718)

Note 4. Accounts and Notes Receivable, net

	June 30,	
	2010	2009
	(In thousands)	
Trade receivables	$39,600	$37,076
Other receivables	6,289	9,841
Allowance for doubtful accounts	(3,293)	(1,173)
	$42,596	$45,744

In fiscal 2010, based on a larger customer base due to recent Company acquisitions and in response to slower collection of the Company's accounts resulting from the impact of the economic downturn on the Company's customers, the Company increased its allowance for doubtful accounts, and recorded a $2.5 million charge to bad debt expense.

Allowance for doubtful accounts (in thousands):

Balance at June 30, 2007	$ (451)
Additions	(311)
Write-offs	268
Balance at June 30, 2008	(494)
Additions	(810)
Write-offs	131
Balance at June 30, 2009	(1,173)
Additions	(3,188)
Write-offs	1,068
Balance at June 30, 2010	$(3,293)

Note 5. Inventories

June 30, 2010	Processed	Unprocessed	Total
		(In thousands)	
Coffee	$22,230	$16,765	$38,995
Tea and culinary products	28,833	3,145	31,978
Coffee brewing equipment	5,849	6,890	12,739
	$56,912	$26,800	$83,712

June 30, 2009	Processed	Unprocessed	Total
		(In thousands)	
Coffee	$15,612	$19,816	$35,428
Tea and culinary products	20,760	4,686	25,446
Coffee brewing equipment	4,745	3,342	8,087
	$41,117	$27,844	$68,961

Current cost of coffee, tea and culinary inventories exceeds the LIFO cost by (in thousands):

	June 30,		
	2010	2009	2008
Coffee	$22,998	$22,094	$22,932
Tea and culinary products	4,816	5,064	4,239
Total	$27,814	$27,158	$27,171

The change in the Company's green coffee, tea and culinary product inventories during fiscal 2010, 2009 and 2008 resulted in LIFO (increments) decrements which resulted in a net increase (decrease) in gross profit for those years by $(0.7) million, $(1.5) million and $(5.8) million, respectively.

In fiscal 2010, certain inventory quantities were reduced. This reduction resulted in a liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years as compared with the cost in fiscal 2010. The effect of this liquidation was to reduce net loss for fiscal 2010 by $0.8 million.

Note 6. Property, Plant and Equipment

	June 30,	
	2010	2009
	(In thousands)	
Buildings and facilities	$ 79,312	$ 74,857
Machinery and equipment	109,738	93,379
Equipment under capital leases	7,192	3,239
Capitalized software costs	15,488	15,464
Office furniture and equipment	15,583	13,328
	$ 227,313	$200,267
Accumulated depreciation	(116,887)	(98,184)
Land	9,946	9,980
Property, plant and equipment, net	$ 120,372	$112,063

Capital leases consist mainly of vehicle leases at June 30, 2010 and 2009.

The Company has capitalized coffee brewing equipment in the amounts of $14.1 million, $5.4 million and $1.2 million in fiscal years 2010, 2009 and 2008, respectively. Depreciation expense related to the capitalized coffee brewing equipment reported as cost of goods sold was $6.1 million, $1.7 million and $0.1 million in fiscal years 2010, 2009 and 2008, respectively. Depreciation and amortization expense includes amortization expense for assets recorded under capitalized leases.

Maintenance and repairs to property, plant and equipment charged to expense for the years ended June 30, 2010, 2009 and 2008 were $15.0 million, $15.2 million and $13.5 million, respectively.

Note 7. Goodwill and Intangible Assets

The following is a summary of the Company's amortized and unamortized intangible assets other than goodwill, along with amortization expense on these intangible assets for the past three fiscal years and estimated aggregate amortization expense for each of the next five fiscal years:

	2010		2009	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(In thousands)			
Amortized intangible assets:				
Customer relationships	$18,216	$ (7,934)	$17,968	$(4,491)
Distribution agreement	2,452	(327)	2,493	(83)
Co-pack agreement	743	(165)	755	(41)
Other	3,430	(2,643)	2,139	(1,487)
Total amortized intangible assets	$24,841	$(11,069)	$23,355	$(6,102)
Unamortized intangible assets:				
Tradenames with indefinite lives	$ 4,080	$ —	$ 4,080	$ —
Trademarks with indefinite lives	2,080	—	2,115	—
Goodwill	5,310	—	5,310	—
Total unamortized intangible assets	$11,470	$ —	$11,505	$ —
Total intangible assets	$36,311	$(11,069)	$34,860	$(6,102)
Aggregate amortization expense for the past three fiscal years:				
For the year ended June 30, 2010	$ 4,016			
For the year ended June 30, 2009	$ 3,263			
For the year ended June 30, 2008	$ 1,695			
Estimated amortization expense for each of the next five fiscal years:				
For the year ended June 30, 2011	$ 3,697			
For the year ended June 30, 2012	$ 3,306			
For the year ended June 30, 2013	$ 2,770			
For the year ended June 30, 2014	$ 2,056			
For the year ended June 30, 2015	$ 1,293			
The remaining weighted average amortization periods for intangible assets with finite lives are as follows:				
Customer relationships	7 years			
Distribution agreement	9 years			
Co-pack agreement	5 years			
The following is a summary of the changes in the carrying value of goodwill:				
Balance at July 1, 2008	$ 5,310			
Acquisitions during year	—			
Balance at June 30, 2009	$ 5,310			
Acquisitions during year	—			
Balance at June 30, 2010	$ 5,310			

Note 8. Employee Benefit Plans

The Company provides pension plans for most full time employees. Generally the plans provide benefits based on years of service and/or a combination of years of service and earnings. Retirees are also eligible for medical and life insurance benefits.

The Company is required to recognize the funded status of a benefit plan in its balance sheet. The Company is also required to recognize in other comprehensive income certain gains and losses that arise during the period but are deferred under pension accounting rules. The recognition and disclosure elements are effective as of the end of fiscal years ending after December 15, 2006 and measurement elements are effective for fiscal years ending after December 15, 2008. The Company adopted these recognition provisions in fiscal 2008 and applied them to the funded status of its defined benefit and postretirement plans resulting in a decrease in stockholders' equity of $8.8 million.

Union Pension Plans

The Company contributes to several multi-employer defined benefit pension plans for certain union employees. The contributions to these multi-employer pension plans were approximately $4.0 million, $2.8 million, and $2.5 million for the fiscal years ended June 30, 2010, 2009 and 2008, respectively.

Company Pension Plans

The Company has a defined benefit pension plan for the majority of its employees who are not covered under a collective bargaining agreement (Farmer Bros. Plan) and two defined benefit pensions plan for certain hourly employees covered under a collective bargaining agreement (Brewmatic Plan and the Hourly Employees' Plan). All assets and benefit obligations were determined using a measurement date of June 30.

Obligations and Funded Status

	Farmer Bros. Plan June 30,		Brewmatic Plan June 30,		Hourly Employees' Plan June 30,	
	2010	2009	2010	2009	2010	2009
	(In thousands)		(In thousands)		(In thousands)	
Change in projected benefit obligation						
Benefit obligation at the beginning of the year	$ 96,652	$ 85,681	$ 3,476	$ 3,352	$ —	$—
Service cost	4,340	2,757	48	47	519	—
Interest cost	5,900	5,689	208	219	—	—
Plan participant contributions	732	492	—	—	—	—
Actuarial (gain)/loss	7,410	6,156	241	122	59	—
Benefits paid	(4,585)	(4,123)	(266)	(264)	—	—
Projected benefit obligation at the end of the year	$110,449	$ 96,652	$ 3,707	$ 3,476	$ 578	$—
Change in plan assets						
Fair value of plan assets at the beginning of the year	59,266	84,219	2,395	3,541	—	—
Actual return on plan assets	8,049	(21,322)	333	(910)	—	—
Employer contributions	—	—	28	28	—	—
Plan participant contributions	732	492	—	—	—	—
Benefits paid	(4,585)	(4,123)	(266)	(264)	—	—
Fair value of plan assets at the end of the year	$ 63,462	$ 59,266	$ 2,490	$ 2,395	$ —	$—
Funded status at end of year (underfunded)/overfunded	$ (46,987)	$(37,386)	$(1,217)	$(1,081)	$(578)	$—
Amounts recognized in balance sheet						
Noncurrent assets	$ —	$ —	$ —	$ —	$ —	$—
Current liabilities	(4,970)	(4,520)	(310)	(310)	(5)	—
Noncurrent liabilities	(42,017)	(32,866)	(907)	(772)	(573)	—
Total	$ (46,987)	$(37,386)	$(1,217)	$(1,082)	$(578)	$—
Amounts recognized in balance sheet						
Total net (gain)/loss	$ 50,037	$ 49,325	$ 2,186	$ 2,235	$ 59	$—
Transition (asset)/obligation	—	—	—	—	—	—
Prior service cost/(credit)	1,577	1,724	82	102	—	—
Total accumulated OCI (not adjusted for applicable tax)	$ 51,614	$ 51,049	$ 2,268	$ 2,337	$ 59	$—
Weighted-average assumptions used to determine benefit obligations						
Discount rate	5.60%	6.25%	5.60%	6.25%	5.60%	N/A
Rate of compensation increase	3.00%	3.00%	N/A	N/A	3.00%	N/A

Components of Net Periodic Benefit Cost and Other Changes Recognized in Other Comprehensive Income (OCI)

	Farmer Bros. Plan June 30,		Brewmatic Plan June 30,		Hourly Employees' Plan June 30,	
	2010	2009	2010	2009	2010	2009
	(In thousands)		(In thousands)		(In thousands)	
Components of net periodic benefit cost						
Service cost	$ 4,340	$ 2,757	$ 48	$ 47	$ 519	$—
Interest cost	5,899	5,689	208	219	—	—
Expected return on plan assets	(4,642)	(6,793)	(175)	(282)	—	—
Amortization of net (gain)/loss	3,291	535	131	45	—	—
Amortization of prior service cost/(credit)	146	146	19	55	—	—
Net periodic benefit cost	$ 9,034	$ 2,334	$ 231	$ 84	$ 519	$—
Other changes recognized in OCI						
Net (gain)/loss	$ 4,003	$34,271	$ 82	$1,314	$ 59	$—
Prior service cost/(credit)	—	—	—	—	—	—
Amortization of net gain/(loss)	(3,291)	(535)	(131)	(45)	—	—
Amortization of transition asset/(obligation)	—	—	—	—	—	—
Amortization of prior service (cost)/credit	(146)	(146)	(19)	(55)	—	—
Total recognized in other comprehensive income	$ 566	$33,590	$ (68)	$1,214	$ 59	$—
Total recognized in net periodic benefit cost and OCI	$ 9,600	$35,924	$ 163	$1,298	$ 578	$—
Weighted-average assumptions used to determine net periodic benefit cost						
Discount rate	6.25%	6.80%	6.25%	6.80%	6.25%	N/A
Expected long-term return on plan assets	8.25%	8.25%	8.25%	8.25%	8.25%	N/A
Rate of compensation increase	3.00%	3.00%	N/A	N/A	3.00%	N/A

All qualifying employees of the DSD Coffee Business who accepted the Company's offer of employment were allowed to enroll in the Farmer Bros. Plan during March 2009. Those who enrolled in the Farmer Bros. Plan were granted full service credit for plan vesting and eligibility but not for purposes of benefit accruals.

Basis Used to Determine Expected Long-term Return on Plan Assets

Historical and future projected returns of multiple asset classes were analyzed to develop a risk-free real rate of return and risk premiums for each asset class. The overall rate for each asset class was developed by combining a long-term inflation component, the risk-free real rate of return, and the associated risk premium. A weighted average rate was developed based on those overall rates and the target asset allocations of the plans.

Description of Investment Policy

The Company's investment strategy is to build an efficient, well-diversified portfolio based on a long-term, strategic outlook of the investment markets. The investment markets outlook utilizes both the historical-based and forward-looking return forecasts to establish future return expectations for various asset classes. These return expectations are used to develop a core asset allocation based on the specific needs of each plan. The core asset allocation utilizes multiple investment managers in order to maximize the plan's return while minimizing risk.

Additional Disclosures

	Farmer Bros. Plan June 30,		Brewmatic Plan June 30,		Hourly Employees' Plan June 30,	
	2010	2009	2010	2009	2010	2009
	($ In thousands)		($ In thousands)		($ In thousands)	
Comparison of obligations to plan assets						
Projected benefit obligation	$110,449	$96,652	$3,707	$3,476	$578	$—
Accumulated benefit obligation	$101,280	$88,269	$3,707	$3,476	$574	$—
Fair value of plan assets at measurement date	$ 63,462	$59,266	$2,490	$2,395	$—	$—
Plan assets by category						
Equity securities	$ 44,398	$41,904	$1,675	$1,731	N/A	N/A
Debt securities	13,995	12,464	616	459	N/A	N/A
Real estate	5,069	4,898	199	205	N/A	N/A
Total	$ 63,462	$59,266	$2,490	$2,395	N/A	N/A
Plan assets by category						
Equity securities	70%	71%	70%	72%	N/A	N/A
Debt securities	22%	21%	22%	19%	N/A	N/A
Real estate	8%	8%	8%	9%	N/A	N/A
Total	100%	100%	100%	100%	N/A	N/A

As of June 30, 2010, fair values of plan assets are as follows (in thousands):

	Total	Level 1	Level 2	Level 3
Farmer Bros. Plan	$63,462	$—	$60,315	$3,147
Brewmatic Plan	$ 2,490	$—	$ 2,358	$ 132
Hourly Employees' Plan	$ —	$—	$ —	$ —

Approximately 95% of the assets in each of the Farmer Bros. Plan and the Brewmatic Plan are invested in pooled separate accounts which do not have publicly quoted prices. The pooled separate accounts invest in publicly traded mutual funds. The fair values of the mutual funds are publicly quoted pricing input (Level 1) and are used to determine the net asset value of the pooled separate accounts. Therefore, these assets have Level 2 pricing inputs.

Approximately 5% of the assets in each of the Farmer Bros. Plan and the Brewmatic Plan are invested in commercial real estate and include mortgage loans which are backed by the associated properties. These underlying real estate investments have unobservable Level 3 pricing inputs. The fair value of the underlying real estate is estimated using discounted cash flow valuation models that utilize public real estate market data inputs such as transaction prices, market rents, vacancy levels, leasing absorption, market capitalization rates and discount rates. In addition, each property is appraised annually by an independent appraiser. The amounts and types of investments within plan assets did not change significantly from June 30, 2009.

The following is a reconciliation of asset balances with Level 3 input pricing:

Plan	Beginning Balance	Total Gains or Losses	Ending Balance	Unrealized Gains or Losses
Farmer Bros. Plan	$3,458	$(311)	$3,147	$(311)
Brewmatic Plan	$ 145	$ (13)	$ 132	$ (13)
Hourly Employees' Plan	N/A	N/A	N/A	N/A

Target Plan Asset Allocation for Farmer Bros. Plan and Brewmatic Plan

	Fiscal 2011
U.S. large cap equity securities	42.7%
U.S. small cap equity securities	8.0%
International equity securities	16.8%
Debt securities	24.0%
Real estate	8.5%
Total	100.0%

Estimated Amounts in Other Comprehensive Income Expected To Be Recognized

In fiscal 2011, the Company expects to recognize $3.4 million as a component of net periodic benefit cost for the Farmer Bros. Plan, $0.1 million for the Brewmatic Plan, and $0 for the Hourly Employees' Plan.

Estimated Future Contributions and Refunds

In fiscal 2011, the Company expects to contribute $4.5 million to the Farmer Bros. Plan, $28,000 to the Brewmatic Plan, and $0.4 million to the Hourly Employees' Plan. The Company is not aware of any refunds expected from postretirement plans.

Estimated Future Benefit Payments

The following benefit payments are expected to be paid over the next 10 fiscal years:

Estimated future benefit payments

Year ending	Farmer Bros. Plan	Brewmatic Plan	Hourly Employees' Plan
	(In thousands)		
June 30, 2011	$ 4,970	$ 310	$ 5
June 30, 2012	$ 5,140	$ 300	$ 9
June 30, 2013	$ 5,440	$ 300	$ 19
June 30, 2014	$ 5,660	$ 290	$ 37
June 30, 2015	$ 6,080	$ 280	$ 50
June 30, 2016 – June 30, 2020	$37,900	$1,430	$570

These amounts are based on current data and assumptions and reflect expected future service, as appropriate.

Defined Contribution Plans

The Company also has defined contribution plans for all its eligible employees. No Company contributions have been made nor were any required to be made to these defined contribution plans during the years ended June 30, 2010, 2009 or 2008. CBI's defined contribution plan was merged with the Farmer Bros. defined contribution plan during fiscal 2008.

Postretirement Benefits

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 retiree contributions are fixed at a current level. The plan is not funded. Effective January 1, 2008, the Company adopted a new plan for retiree medical benefits. The new plan is a cost sharing approach between the Company and covered employees and dependents in which the Company subsidizes a larger proportion of covered expenses for retirees who were long-term employees, and provides less coverage for retirees who were short-term employees. Additionally, the plan establishes a maximum Company contribution.

The following table shows the components of net periodic postretirement benefit cost for the fiscal years ended June 30, 2010 and 2009. Fiscal 2010 postretirement cost/(income) was based on employee census information as of July 1, 2009 and asset information as of June 30, 2009.

Components of Net Periodic Postretirement Benefit Cost	June 30,	
	2010	2009
	(In thousands)	
Service cost	$ 1,490	$ 788
Interest cost	1,239	1,278
Expected return on plan assets	—	—
Amortization of unrecognized net gain	(1,032)	(1,082)
Amortization of unrecognized transition (asset)/obligation	—	—
Amortization of unrecognized prior service cost/(credit)	(230)	(230)
Net periodic benefit cost	$ 1,467	$ 754

The difference between the assets and the Accumulated Postretirement Benefit Obligation (APBO) at the adoption of ASC 715-60 was established as a transition (asset)/obligation and is amortized over the average expected future service for active employees as measured at the date of adoption. Any plan amendments that retroactively increase benefits create prior service cost. The increase in the APBO due to any plan amendment is established as a base and amortized over the average remaining years of service to the full eligibility date of active participants who are not yet fully eligible for benefits at the plan amendment date. Gains and losses due to experience different than that assumed or from changes in actuarial assumptions are not immediately recognized. The tables below show the remaining bases for the transition (asset)/obligation, prior service cost/(credit), and the calculation of the amortizable gain or loss.

Amortization Schedule

Transition (Asset)/Obligation . . . .

The transition (asset)/obligations have been fully amortized.

Prior Service Cost/(Credit) (dollars in thousands):

Date Established	Balance at July 1, 2009	Annual Amortization	Years Remaining	Curtailment	Balance at June 30, 2010
January 1, 2008	$(2,344)	$(230)	10.18	0	$(2,114)

Amortization of Net (Gain)/Loss (dollars in thousands)

Net (gain)/loss as of July 1, 2009	$(16,510)
Asset (gains)/losses not yet recognized in market related value of assets	—
Net (gain)/loss subject to amortization	$(16,510)
Corridor (10% of greater of APBO or assets)	1,922
Net (gain)/loss in excess of corridor	$(14,588)
Amortization years	14.14
Amortization of net (gain)/loss for the year	$ (1,032)

The following tables provide a reconciliation of the benefit obligation and plan assets:

Change in Benefit Obligation	Year Ended June 30, 2010	Year Ended June 30, 2009
	(In thousands)	
Projected benefit obligation at beginning of year	$19,222	$18,631
Service cost	1,490	788
Interest cost	1,239	1,278
Losses (gains)	2,969	(601)
Benefits paid	(1,659)	(874)
Projected benefit obligation at end of year	$23,261	$19,222

Change in Plan Assets	Year Ended June 30, 2010	Year Ended June 30, 2009
	(In thousands)	
Fair value of plan assets at beginning of year	$ —	$ —
Actual return on assets	—	—
Employer contributions	1,659	874
Benefits paid	(1,659)	(874)
Fair value of plan assets at end of year	$ —	$ —
Funded status of plan	$(23,261)	$(19,222)

Amounts Recognized in the Balance Sheet Consist of:	As of June 30, 2010	As of June 30, 2009
	(In thousands)	
Noncurrent assets	$ —	$ —
Current liabilities	1,076	963
Noncurrent liabilities	22,185	18,259
Total	$23,261	$19,222

Amounts Recognized in Accumulated Other Comprehensive Income Consist of:	Year Ended June 30, 2010	2009
	(In thousands)	
Net gain	$(12,509)	$(16,510)
Transition obligation	—	—
Prior service credit	(2,114)	(2,344)
Total accumulated other comprehensive income	$(14,623)	$(18,854)

Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income	Year Ended June 30, 2010	2009
	(In thousands)	
Unrecognized actuarial loss/(gain)	$2,969	$ (601)
Unrecognized transition (asset)/obligation	—	—
Unrecognized prior service cost	—	—
Amortization of net loss	1,032	1,082
Amortization of prior service cost	230	230
Total recognized in other comprehensive income	4,231	711
Net periodic benefit cost	1,467	754
Total recognized in other comprehensive income and net periodic benefit cost	$5,698	$1,465

The estimated net gain and prior service cost credit that will be amortized from accumulated other comprehensive income into net periodic benefit cost in fiscal 2011 are $0.7 million and $0.2 million, respectively.

Estimated Future Benefit Payments (in thousands)	
Fiscal 2011	$1,076
Fiscal 2012	$1,146
Fiscal 2013	$1,227
Fiscal 2014	$1,330
Fiscal 2015	$1,523
Fiscal 2016-2020	$9,903

Expected Contributions for the Year ending June 30, 2011 (in thousands)	
Fiscal 2011	$1,076

Sensitivity in Fiscal 2010 Results

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one percentage point change in assumed health care cost trend rates would have the following effects in fiscal 2011 (in thousands):

	1-Percentage Point Increase	Decrease
Effect on total of service and interest cost components	$ 466	$ (373)
Effect on accumulated postretirement benefit obligation	$3,320	$(2,722)

Note 9. Bank Loan

On March 2, 2009, the Company and its wholly owned subsidiary, CBI, as Borrowers, entered into a Loan and Security Agreement (the "Loan Agreement"), with Wells Fargo Bank, National Association, successor by merger to Wachovia Bank, National Association ("Wells Fargo"), as Lender, providing for a $50 million senior secured revolving credit facility expiring in February 2012 to help finance the DSD Coffee Business acquisition and for general corporate purposes.

All outstanding obligations under the Loan Agreement are collateralized by perfected security interests in the assets of the Borrowers, excluding the preferred stock held in investment accounts. The revolving line provides for advances of 85% of eligible accounts receivable and 65% of eligible inventory, as defined. The Loan Agreement has an unused commitment fee of 0.375%. The interest rate was 3.75% at June 30, 2010. As of June 30, 2010, the Company had borrowed $37.2 million, utilized $3.1 million of the letters of credit sub-limit, and had excess availability under the credit facility of $9.7 million.

On August 31, 2010, the Company and its wholly owned subsidiaries entered into Amendment No. 4 to Loan and Security Agreement (the "Amendment") with Wells Fargo pursuant to which effective March 31, 2010, certain collateral reporting, dividend payment, and financial covenants were modified. Effective September 1, 2010, the Amendment also amended the range of interest rates on the line usage based on modified Monthly Average Excess Availability levels. The range is PRIME + 0.25% to PRIME + 0.75% or Adjusted Eurodollar Rate + 2.5% to Adjusted Eurodollar Rate + 3.0% (also see Note 17 "Subsequent Event"). As of June 30, 2010, the Company was in compliance with all restrictive covenants. There can be no assurance that the Company's lender will issue a waiver or grant an amendment to the covenants in future periods, if the Company required one.

Note 10. Employee Stock Ownership Plan

The Company's ESOP was established in 2000 to provide benefits to all employees. The plan is a leveraged ESOP in which the Company is the lender. The loans will be repaid from the Company's discretionary plan contributions over the original fifteen year terms with a variable rate of interest. The annual interest rate was 1.83% at June 30, 2010, which is updated on a quarterly basis.

	As of and for the years ended June 30,		
	2010	2009	2008
Loan amount (in thousands)	$35,238	$40,039	$44,840
Shares purchased	—	—	—

Shares are held by the plan trustee for allocation among participants as the loan is repaid. The unencumbered shares are allocated to participants using a compensation-based formula. Subject to vesting requirements, allocated shares are owned by participants and shares are held by the plan trustee until the participant retires.

The Company reports compensation expense equal to the fair market price of shares committed to be released to employees in the period in which they are committed. The cost of shares purchased by the ESOP which have not been committed to be released or allocated to participants are shown as a contra-equity account "Unearned ESOP Shares" and are excluded from earnings per share calculations.

During the fiscal years ended June 30, 2010, 2009 and 2008, the Company charged $3.7 million, $4.8 million and $5.7 million to compensation expense related to the ESOP. The difference between cost and fair market value of committed to be released shares, which was $(0.2) million, $(0.2) million and $(0.4) million for the years ended June 30, 2010, 2009 and 2008, respectively, is recorded as additional paid-in capital.

	June 30,	
	2010	2009
Allocated shares	1,680,793	1,497,454
Committed to be released shares	192,069	202,897
Unallocated shares	1,283,719	1,475,787
Total ESOP shares	3,156,581	3,176,138
	(In thousands)	
Fair value of ESOP shares	$ 47,633	$ 72,670

Note 11. Share-based Compensation

On August 23, 2007, the Company's Board of Directors approved the Omnibus Plan, which was approved by stockholders on December 6, 2007. Prior to adoption of the Omnibus Plan the Company had no share-based compensation plan. Awards issued under the Omnibus Plan may take the form of stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, performance-based awards, stock payments, cash-based awards or other incentives payable in cash or shares of stock, or any combination thereof. Each award will be set forth in a separate agreement with the person receiving the award and will indicate the type, terms and conditions of the award. The maximum number of shares of common stock as to which awards may be granted under the Plan is 1,000,000, subject to adjustment as provided in the Omnibus Plan.

The Company measures and recognizes compensation expense for all share-based payment awards made under the Omnibus Plan based on estimated fair values.

Stock Options

The Company estimates the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service period in the Company's consolidated statement of operations. Prior to fiscal 2008, the Company did not have share-based compensation.

Share-based compensation expense recognized during the period is based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period. Compensation expense recognized for all stock option awards granted is recognized using the straight-line method over the vesting period of three years. The share-based compensation expense recognized in the Company's consolidated statement of operations for the fiscal years ended June 30, 2010, 2009 and 2008 is based on awards ultimately expected to vest. Currently, management estimates a forfeiture rate of 6.5% based on the Company's historical turnover. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The Company uses the Black-Scholes option valuation model, which requires management to make certain assumptions for estimating the fair value of stock options at the date of the grant. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimates, in management's opinion the existing models may not necessarily provide a reliable single measure of the fair value of the Company's stock options. Although the fair value of stock options is determined using an option valuation model that value may not be indicative of the fair value observed in a willing buyer/willing seller market transaction.

The following are the weighted average assumptions used in the Black-Scholes valuation model:

	Year Ended June 30,		
	2010	2009	2008
Average fair value of options	$ 6.09	$ 6.68	$ 6.12
Forfeiture rate	6.50%	—	—
Risk-free interest rate	2.59%	5.45%	2.95%
Dividend yield	2.50%	2.20%	2.03%
Average expected life	6 years	5 years	5 years
Expected stock price volatility	41.20%	32.38%	32.38%

The Company's assumption regarding expected stock price volatility is based on the historical volatility of the Company's stock price. The risk-free interest rate is based on U.S. Treasury zero-coupon issues at the date of grant with a remaining term equal to the expected life of the stock options.

The following tables summarize stock option activity from adoption of the Omnibus Plan through June 30, 2010:

Outstanding Stock Options

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value (In thousands)
Outstanding at January 1, 2008	0				
Granted	117,500	$22.62	$6.16	6.6	$—
Outstanding at June 30, 2008	117,500	$22.62	$6.16	6.6	$—
Granted	121,500	$21.76	$6.68	—	$ 2
Outstanding at June 30, 2009	239,000	$22.22	$6.41	6.1	$ 60
Granted	220,789	$18.25	$6.09	—	$—
Cancelled/Forfeited	(54,846)	$21.65	$6.87	—	$—
Outstanding at June 30, 2010	404,943	$20.17	$6.25	5.8	$—
Vested and exercisable, June 30, 2010	104,149	$22.35	$6.34	4.9	$—
Vested and expected to vest, June 30, 2010	384,112	$20.28	$6.26	5.8	$—

Nonvested Stock Options

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Amortization Period (Years)
Outstanding at January 1, 2008	—			
Granted	117,500	$22.62	$6.16	—
Vested	—	—	—	—
Outstanding at June 30, 2008	117,500	$22.62	$6.16	—
Granted	121,500	$21.76	$6.68	—
Vested	(40,490)	$22.66	$6.16	—
Outstanding at June 30, 2009	198,510	$22.13	$6.46	2.1
Granted	220,789	$18.25	$6.09	—
Vested	(68,990)	$22.20	$6.43	—
Cancelled/Forfeited	(49,515)	$21.21	$6.35	—
Outstanding at June 30, 2010	300,794	$19.42	$6.22	2.1

The aggregate intrinsic values in the table above represent the total pretax intrinsic value, based on the Company's closing stock price of $15.09 at June 30, 2010, $22.88 at June 30, 2009 and $21.15 at June 30, 2008, representing the last trading day of the respective years, which would have been received by award holders had all award holders exercised their awards that were in-the-money as of those dates. As of June 30, 2010, June 30, 2009 and 2008, respectively, there was approximately $1.4 million, $1.0 million and $0.5 million of unrecognized compensation cost related to stock options. Compensation expense recognized in general and administrative expense was $0.6 million, $0.4 million and $0.1 million for fiscal 2010, 2009 and 2008, respectively.

Restricted Stock

During each of fiscal 2010, 2009, and 2008 the Company granted a total of 48,722 shares, 26,100 shares and 25,600 shares of restricted stock, respectively, with a weighted average grant date fair value of $18.31, $21.76 and $22.67 per share, respectively, to eligible employees, officers and directors under the Omnibus Plan. Shares of restricted stock vest at the end of three years for eligible employees and officers who are employees. Shares of restricted stock vest ratably over a period of three years for directors and officers who are not employees. Compensation expense is recognized on a straight-line basis over the service period based on the estimated fair value of the restricted stock. Compensation expense recognized in general and administrative expense was $0.4 million, $0.3 million and $0.1 million, respectively, for the fiscal years ended June 30, 2010, 2009 and 2008. As of June 30, 2010, 2009 and 2008, there was approximately $0.9 million, $0.8 million and $0.5 million, respectively, of unrecognized compensation cost related to restricted stock. The following tables summarize restricted stock activity from adoption of the Omnibus Plan through June 30, 2010:

Outstanding Restricted Stock Awards

	Shares Awarded	Weighted Average Grant Date Fair Value	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value (In thousands)
Outstanding at January 1, 2008	—			
Granted	25,600	$22.67		$ 545.3
Exercised/Released	—			
Cancelled/Forfeited	—			
Outstanding June 30, 2008	25,600	$22.67		$ 545.3
Granted	26,100	$21.76		$ 568.2
Exercised/Released	(3,031)	$22.70		$ 57.5
Cancelled/Forfeited	(500)	$21.76		$ 11.4
Outstanding at June 30, 2009	48,169	$22.19	2.1	$ 1072.2
Granted	48,722	$18.31		$ 892.0
Exercised/Released	(5,860)	$22.18		$ 105.0
Cancelled/Forfeited	(10,823)	$21.79		$ 235.0
Outstanding at June 30, 2010	80,208	$19.91	2.0	$1,210.0
Vested and exercisable, June 30, 2010	—			
Vested and expected to vest, June 30, 2010	73,971	$20.05	2.0	$1,116.0

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Nonvested Restricted Stock Awards

	Shares Awarded	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2008	—	
Granted	25,600	$22.67
Vested	—	
Cancelled/Forfeited	—	
Outstanding at June 30, 2008	25,600	$22.67
Granted	26,100	$21.76
Vested	(3,031)	$22.70
Cancelled/Forfeited	(500)	$21.76
Outstanding at June 30, 2009	48,169	$22.19
Granted	48,722	$18.31
Vested	(5,860)	$22.18
Cancelled/Forfeited	(10,823)	$21.49
Outstanding at June 30, 2010	80,208	$19.91

Note 12. Other Current Liabilities

Other current liabilities consist of the following:

	June 30, 2010	June 30, 2009
	(In thousands)	
Accrued workers' compensation liabilities	$ 1,293	$1,348
Dividends payable	1,849	1,849
Postretirement medical liability	1,076	963
Accrued pension liabilities	5,285	4,830
Other (including net taxes payable)	2,178	928
	$11,681	$9,918

Note 13. Income Taxes

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

	June 30, 2010	June 30, 2009	June 30, 2008
	(In thousands)		
Current:			
Federal	$(3,514)	$ (1,433)	$(1,431)
State	227	(5)	(596)
Total current income tax benefit	(3,287)	(1,439)	(2,027)
Deferred:			
Federal	629	11,916	(3,924)
State	129	3,805	(1,449)
Total deferred expense (benefit)	758	15,721	(5,373)
Income tax (benefit) expense	$(2,529)	$14,283	$(7,399)

A reconciliation of income tax expense (benefit) to the federal statutory tax rate is as follows:

	June 30, 2010	June 30, 2009	June 30, 2008
Statutory tax rate	34%	34%	34%
	(In thousands)		
Income tax expense at statutory rate	$(9,004)	$ (6,456)	$(5,210)
State income tax (net of federal tax benefit)	(1,238)	(985)	(779)
Dividend income exclusion	(765)	(840)	(974)
Valuation allowance	8,752	19,663	—
Change in contingency reserve (net)	7	3,578	(427)
Research tax credit (net)	(66)	(97)	(91)
Other (net)	(215)	(580)	81
Income tax (benefit) expense	$(2,529)	$14,283	$(7,399)

The primary components of the temporary differences which give rise to the Company's net deferred tax assets are as follows:

	June 30,		
	2010	2009	2008
		(In thousands)	
Deferred tax assets:			
Postretirement benefits	$ 27,589	$ 22,110	$ 7,701
Accrued liabilities	4,376	4,594	3,947
Capital loss carryforward	1,971	2,757	4,668
Net operating loss carryforward	17,261	5,564	0
Other	2,464	6,362	5,240
Total deferred tax assets	53,661	41,387	21,556
Deferred tax liabilities:			
Fixed assets	(5,551)	(5,056)	—
Intangible assets	(4,498)	(2,725)	—
Other	(726)	(545)	(6,217)
Total deferred tax liabilities	(10,775)	(8,326)	(6,217)
Valuation allowance	(43,860)	(33,278)	—
Net deferred tax (liability) asset	$ (974)	$ (217)	$15,339

The Company has approximately $44.3 million and $50.7 million of federal and state net operating loss carryforwards that will begin to expire in the year ended June 30, 2025 and June 30, 2020, respectively. The Company also has approximately $5.1 million and $8.1 million of federal and state capital loss carryforwards, respectively, that may only be used to offset capital gains that begin expiring in June 30, 2013.

At June 30, 2010, the Company had total deferred tax assets of $53.7 million and a net deferred tax asset before valuation allowance of $42.9 million. The Company considered whether a valuation allowance should be recorded against deferred tax assets based on the likelihood that the benefits of the deferred tax assets would or would not ultimately be realized in future periods. In making such assessment, significant weight was given to evidence that could be objectively verified such as recent operating results and less consideration was given to less objective indicators such as future earnings projections.

After consideration of positive and negative evidence, including the recent history of losses, the Company cannot conclude that it is more likely than not to generate future earnings sufficient to realize the Company's deferred tax assets as of June 30, 2010. Accordingly, a valuation allowance of $43.9 million has been recorded to offset this deferred tax asset. The valuation allowance increased by $10.6 million, $33.3 million and $0 in fiscal years ended June 30, 2010, 2009 and 2008, respectively.

The "Worker, Homeownership, and Business Assistance Act of 2009," which was signed into law on November 6, 2009, extended the carryback period for certain net operating losses from two years to five years. As a result of the extended carryback period, the Company recorded a tax benefit in the current year of $3.5 million.

The Company recorded a cumulative change of $0.1 million as a decrease to retained earnings and an increase to long term liabilities for uncertain tax positions and related interest and penalties on July 1, 2007.

A tabular reconciliation of the total amounts (in absolute values) of unrecognized tax benefits is as follows (in thousands):

	Year Ended June 30,		
	2010	2009	2008
Unrecognized tax benefits at beginning of year	$4,382	$ 807	$1,455
Increases in tax positions for prior years	—	4,005	158
Increases in tax positions for current year	836	—	31
Settlements	—	(430)	(836)
Lapse in statute of limitations	—	—	—
Unrecognized tax benefits at end of year	$5,218	$4,382	$ 807

At June 30, 2010 and 2009, the Company has approximately $5.0 million and $4.1 million, respectively, of unrecognized tax benefits that, if recognized, would affect the effective tax rate, subject to the valuation allowance.

The Internal Revenue Service and the State of California are currently conducting a examinations of the Company's open tax years. The Company believes it is reasonably possible that a portion of its total unrecognized tax benefits will decrease in the next twelve months upon the conclusion of these examinations. However, it is premature to assess the range or the nature of the reasonably possible changes to the Company's unrecognized tax benefits.

The Company files income tax returns in the U.S. and in various state jurisdictions with varying statutes of limitations. The Company is no longer subject to U.S. income tax examinations for the fiscal years prior to June 30, 2003.

The Company's policy is to recognize interest expense and penalties related to income tax matters as a component of income tax expense. As of June 30, 2010 and 2009, the Company recorded $36,000 and $25,000, respectively, in accrued interest and penalties associated with uncertain tax positions. Additionally, the Company recorded income/(expense) of $10,000, ($38,000) and ($52,000) related to interest and penalties on uncertain tax positions in the years ended June 30, 2010, 2009 and 2008, respectively.

Note 14. Earnings (Loss) Per Share

	Year ended June 30,		
(In thousands, except share and per share amounts)	2010	2009	2008
Net loss attributable to common stockholders-basic	$ (23,847)	$ (33,160)	$ (7,924)
Net loss attributable to unvested restricted stockholders	(106)	(110)	—
Total net loss	$ (23,953)	$ (33,270)	$ (7,924)

	Year ended June 30,		
(In thousands, except share and per share amounts)	2010	2009	2008
Weighted average shares outstanding-basic	14,866,306	14,508,320	14,284,324
Effect of dilutive securities:			
Shares issuable under stock options	—	—	—
Weighted average shares outstanding-diluted	14,866,306	14,508,320	14,284,324
Basic and diluted net loss per common share	$ (1.61)	$ (2.29)	$ (0.55)

Note 15. Commitments and Contingencies

With the acquisition of the DSD Coffee Business, the Company assumed some of the operating lease obligations associated with the acquired vehicles. The Company also refinanced some of the existing leases and entered into new capital leases for certain vehicles. The terms of the capital leases vary from 13 months to 26 months with varying expiration dates through 2011. The Company is obligated under operating leases for branch warehouses. Some operating leases have renewal options that allow the Company, as lessee, to extend the leases. The Company has one operating lease with a term greater than five years that expires in 2018 and has a 10 year renewal option, and operating leases for computer hardware with terms that do not exceed four years. Rent expense for the fiscal years ended June 30, 2010, 2009 and 2008 was $6.6 million, $3.2 million and $1.5 million, respectively.

Contractual obligations for future fiscal years are as follows (in thousands):

	Contractual Obligations		
Year Ended June 30,	**Capital Lease Obligations**	**Operating Lease Obligations**	**Pension Plan Obligations**
2011	$1,006	$ 4,725	$ 5,285
2012	833	3,909	5,449
2013	794	2,966	5,759
2014	794	2,585	5,987
2015	794	1,898	6,410
Thereafter	560	1,236	39,900
		$17,319	$68,790
Total minimum lease payments	$4,781		
Less: imputed interest (6.74% to 13.16%)	(920)		
Present value of future minimum lease payments	$3,861		
Less: current portion	724		
Long-term capital lease obligation	$3,137		

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.

Note 16. Quarterly Financial Data (Unaudited)

	September 30, 2009	December 31, 2009	March 31, 2010	June 30, 2010
	(In thousands, except share data)			
Net sales	$112,127	$120,225	$111,002	$106,964
Gross profit	$ 54,304	$ 51,092	$ 49,261	$ 42,907
Income (loss) from operations	$ (2,499)	$ (5,102)	$ (9,288)	$ (22,303)
Net income (loss)	$ 2,199	$ 1,417	$ (6,575)	$ (20,994)
Net income (loss) per common share	$ 0.15	$ 0.10	$ (0.44)	$ (1.40)

	September 30, 2008	December 31, 2008	March 31, 2009	June 30, 2009
	(In thousands, except share data)			
Net sales	$ 66,524	$ 76,530	$ 85,604	$113,066
Gross profit	$ 30,951	$ 37,318	$ 42,658	$ 49,289
(Loss) income from operations	$ (4,255)	$ 213	$ (1,606)	$ (9,555)
Net loss	$ (6,085)	$ (106)	$ (1,437)	$ (25,642)
Net loss per common share	$ (0.42)	$ (0.01)	$ (0.10)	$ (1.76)

During the fourth quarter and for the year ended June 30, 2010, the Company identified two errors in its consolidated financial statements. The first error was an understatement of coffee brewing equipment parts inventory and an overstatement of cost of sales by $1.8 million, of which $1.5 million related to fiscal year 2009 and $0.3 million related to the first three quarters of fiscal 2010. The error resulted from the Company charging the cost of coffee brewing equipment at one recently acquired location to cost of sales upon receipt rather than accounting for parts on hand as inventory. The second error was an understatement of accrued liabilities and operating expense by $1.8 million, of which $0.5 million related to fiscal year 2009 and $1.3 million related to the first three quarters of fiscal 2010. This error resulted from a misapplication of a system configuration at a recently acquired location. In accordance with relevant guidance, management evaluated the materiality of these errors from a qualitative and quantitative perspective both individually and in the aggregate. Based on such evaluation, the Company concluded that correcting the cumulative errors would be immaterial to the expected full year results for fiscal 2010 and correcting the error would not have had a material impact to any of the individual prior period financial statements or affect the trend of financial results. Accordingly, the Company recorded an adjustment during the fourth quarter of fiscal 2010 to increase total inventory and reduce cost of sales by $1.8 million and to increase accrued liabilities and operating expense by $1.8 million.

Note 17. Subsequent Event

On August 31, 2010, the Company entered into Amendment No. 4 to Loan and Security Agreement with Wells Fargo. See Note 9.

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

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information we are required to disclose in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

As of June 30, 2010, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(e) promulgated under the Exchange Act. Based upon this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of June 30, 2010, our disclosure controls and procedures were effective.

Management Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). With the participation of the Chief Executive Officer and Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in Internal Control—Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of June 30, 2010.

Ernst & Young LLP, an independent registered public accounting firm, issued an attestation report on the Company's internal control over financial reporting as of June 30, 2010, as stated in their report which is included herein.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act) during our fiscal quarter ended June 30, 2010, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

During the fiscal quarter ended March 31, 2009, the Company entered into a transition services agreement with Sara Lee to host, maintain and support the IT infrastructure of the DSD Coffee Business for up to eighteen months. This agreement was scaled back in February 2010 to include only IT infrastructure support and terminated on August 31, 2010.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of
Farmer Bros. Co. and Subsidiaries

We have audited Farmer Bros. Co. and Subsidiaries' internal control over financial reporting as of June 30, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Farmer Bros. Co. and Subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying "Management Report on Internal Control over Financial Reporting." Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Farmer Bros. Co. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of June 30, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Farmer Bros. Co. and Subsidiaries as of June 30, 2010 and 2009, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended June 30, 2010 of Farmer Bros. Co. and Subsidiaries and our report dated September 13, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Los Angeles, California
September 13, 2010

Item 9A(T). Controls and Procedures

Not applicable.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item will be subsequently incorporated herein by reference to our Proxy Statement expected to be dated and filed with the SEC on or before October 28, 2010.

To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required during the fiscal year ended June 30, 2010, its officers, directors and ten percent shareholders complied with all applicable Section 16(a) filing requirements, with the exception of those filings listed in the Registrant's Proxy Statement expected to be dated and filed with the SEC on or before October 28, 2010.

Item 11. Executive Compensation

The information required by this item will be subsequently incorporated herein by reference to our Proxy Statement expected to be dated and filed with the SEC on or before October 28, 2010.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item will be subsequently incorporated herein by reference to our Proxy Statement expected to be dated and filed with the SEC on or before October 28, 2010.

Equity Compensation Plan Information

Information about our equity compensation plans at June 30, 2010 that were either approved or not approved by our stockholders was as follows:

Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Number of Shares Remaining Available for Future Issuance(b)
Equity compensation plans approved by stockholders(a)	404,943	$20.17	505,958
Equity compensation plans not approved by stockholders	—	—	—
Total	404,943	$20.17	505,958

(a) Includes the Omnibus Plan.

(b) Shares available for future issuance under the Omnibus Plan may be awarded in the form of stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, performance-based awards, stock payments, or other incentives payable in shares of stock, or any combination thereof.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be subsequently incorporated herein by reference to our Proxy Statement expected to be dated and filed with the SEC on or before October 28, 2010.

Item 14. Principal Accountant Fees and Services

The information required by this item will be subsequently incorporated herein by reference to our Proxy Statement expected to be dated and filed with the SEC on or before October 28, 2010.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) List of Financial Statements and Financial Statement Schedules:

1. Financial Statements included in Item 8:

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 and notes thereto.

3. The exhibits to this Annual Report on Form 10-K are listed on the accompanying index to exhibits and are incorporated herein by reference or are filed as part of the Annual Report on Form 10-K. Each management contract or compensation plan required to be filed as an exhibit is identified by an asterisk (*).

(b) Exhibits: See Exhibit Index.

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.

By: /s/ ROGER M. LAVERTY III
Roger M. Laverty III
President and Chief Executive Officer
(principal executive officer)
Date: September 14, 2010

By: /s/ JEFFREY A. WAHBA
Jeffrey A. Wahba
Treasurer and Chief Financial Officer
(principal financial and accounting officer)
Date: September 14, 2010

By: /s/ HORTENSIA GÓMEZ
Hortensia Gómez
Vice President and Controller
(controller)
Date: September 14, 2010

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.

/s/ ROGER M. LAVERTY III **Roger M. Laverty III**	President, Chief Executive Officer and Director	September 14, 2010
/s/ GUENTER W. BERGER **Guenter W. Berger**	Chairman of the Board and Director	September 14, 2010
/s/ MARTIN A. LYNCH **Martin A. Lynch**	Director	September 14, 2010
/s/ THOMAS A. MALOOF **Thomas A. Maloof**	Director	September 14, 2010
/s/ JAMES J. MCGARRY **James J. McGarry**	Director	September 14, 2010
/s/ JOHN H. MERRELL **John H. Merrell**	Director	September 14, 2010
/s/ JEANNE FARMER GROSSMAN **Jeanne Farmer Grossman**	Director	September 14, 2010

EXHIBIT INDEX

3.1	Certificate of Incorporation (filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 filed with the SEC on May 11, 2009 and incorporated herein by reference).
3.2	Amended and Restated Bylaws (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on June 8, 2006 and incorporated herein by reference).
4.1	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock (filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 filed with the SEC on May 10, 2010 and incorporated herein by reference).
4.2	Rights Agreement, dated March 17, 2005, by and between Farmer Bros. Co. and Wells Fargo Bank, N.A., as Rights Agent (filed as Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 filed with the SEC on May 10, 2010 and incorporated herein by reference).
4.3	Specimen Stock Certificate (filed as Exhibit 4.1 to the Company's Form 8-A/A filed with the SEC on February 6, 2009 and incorporated herein by reference).
10.1	Asset Purchase Agreement dated as of December 2, 2008, by and among Sara Lee Corporation, Saramar, LLC and Farmer Bros. Co. (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2008 filed with the SEC on February 10, 2009 and incorporated herein by reference).
10.2	Amendment No. 1 to Asset Purchase Agreement, dated February 27, 2009, by and among Sara Lee Corporation, Saramar, LLC and Farmer Bros. Co. (filed as Exhibit 10.2 to the Company's Annual Report on Form 10-K/A for the fiscal year ended June 30, 2009 filed with the SEC on September 15, 2009 and incorporated herein by reference).
10.3	Second Amendment to Asset Purchase Agreement, dated December 17, 2009, by and among Sara Lee Corporation, Saramar, LLC and Farmer Bros. Co. (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2009 and incorporated herein by reference).
10.4	Stock Purchase Agreement, dated April 27, 2007, by and among Farmer Bros. Co., Coffee Bean Holding Co., Inc., and the Stockholders of Coffee Bean Holding Co., Inc. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 1, 2007 and incorporated herein by reference).
10.5	Loan and Security Agreement, dated March 2, 2009, by and among Farmer Bros. Co. and Coffee Bean International, Inc., as Borrowers, Coffee Bean Holding Co., Inc., FBC Finance Company and SL Realty, LLC, as Guarantors, and Wells Fargo Bank, National Association, successor by merger to Wachovia Bank, National Association, as Lender (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2008 filed with the SEC on February 10, 2009 and incorporated herein by reference).
10.6	Amendment No. 1 to Loan and Security Agreement and Consent, dated March 2, 2009, by and among Farmer Bros. Co. and Coffee Bean International, Inc., as Borrowers, Coffee Bean Holding Co., Inc. and FBC Finance Company, as Guarantors, and Wells Fargo Bank, National Association, successor by merger to Wachovia Bank, National Association, as Lender (filed as Exhibit 10.5 to the Company's Annual Report on Form 10-K/A for the fiscal year ended June 30, 2009 filed with the SEC on September 15, 2009 and incorporated herein by reference).

10.7	Amendment No. 2 to Loan and Security Agreement and Consent, dated July 27, 2009, by and among Farmer Bros. Co. and Coffee Bean International, Inc., as Borrowers, Coffee Bean Holding Co., Inc. and FBC Finance Company, as Guarantors, and Wells Fargo Bank, National Association, successor by merger to Wachovia Bank, National Association, as Lender (filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 filed with the SEC on November 9, 2009 and incorporated herein by reference).
10.8	Amendment No. 3 to Loan and Security Agreement, dated November 20, 2009, by and among Farmer Bros. Co. and Coffee Bean International, Inc., as Borrowers, Coffee Bean Holding Co., Inc. and FBC Finance Company, as Guarantors, and Wells Fargo Bank, National Association, successor by merger to Wachovia Bank, National Association, as Lender (filed as Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2009 filed with the SEC on February 9, 2010 and incorporated herein by reference).
10.9	Amendment No. 4 to Loan and Security Agreement and Consent, dated August 31, 2010, by and among Farmer Bros. Co. and Coffee Bean International, Inc., as Borrowers, Coffee Bean Holding Co., Inc. and FBC Finance Company, as Guarantors, and Wells Fargo Bank, National Association, successor by merger to Wachovia Bank, National Association, as Lender (filed herewith).
10.10	Letter Agreement regarding Waiver of Event of Default dated May 7, 2010, by and among Farmer Bros. Co. and Coffee Bean International, Inc., as Borrowers, Coffee Bean Holding Co., Inc. and FBC Finance Company, as Guarantors, and Wells Fargo Bank, National Association, successor by merger to Wachovia Bank, National Association, as Lender (filed as Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 filed with the SEC on May 10, 2010 and incorporated herein by reference).
10.11	Farmer Bros. Co. Pension Plan for Salaried Employees (filed as Exhibit 10.1 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2007 filed with the SEC on September 13, 2007 and incorporated herein by reference).*
10.12	Farmer Bros. Co. 2005 Incentive Compensation Plan (Amended and Restated as of December 31, 2008) (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2008 filed with the SEC on February 10, 2009 and incorporated herein by reference).*
10.13	Farmer Bros. Co. Amended and Restated Employee Stock Ownership Plan (filed as Exhibit 10.5 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2007 filed with the SEC on September 13, 2007 and incorporated herein by reference).*
10.14	ESOP Loan Agreement No. 2, dated July 21, 2003 between Farmer Bros. Co. and Wells Fargo Bank, N.A., Trustee for the Farmer Bros Co. Employee Stock Ownership Plan (filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2008 filed with the SEC on February 10, 2009 and incorporated herein by reference).
10.15	Amendment 2008-1 to the Farmer Bros. Co. Amended and Restated Employee Stock Ownership Plan (filed as Exhibit 10.30 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2008 filed with the SEC on February 10, 2009 and incorporated herein by reference).*
10.16	Good Faith Amendment to comply with Code Section 401(a)(31)(B) as amended by the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) for the Farmer Bros. Co. Amended and Restated Employee Stock Ownership Plan (filed as Exhibit 10.31 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2008 filed with the SEC on February 10, 2009 and incorporated herein by reference).*

10.17 Employment Agreement, dated as of June 2, 2006, by and between Farmer Bros. Co. and Roger M. Laverty III (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on June 8, 2006 and incorporated herein by reference).*

10.18 Amendment No. 1 to Employment Agreement, dated as of December 5, 2007, by and between Farmer Bros. Co. and Roger M. Laverty III (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K/A filed with the SEC on December 11, 2007 and incorporated herein by reference).*

10.19 Amendment No. 2 to Employment Agreement, dated as of December 31, 2008, by and between Farmer Bros. Co. and Roger M. Laverty III (filed as Exhibit 10.13 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2008 filed with the SEC on February 10, 2009 and incorporated herein by reference).*

10.20 Employment Agreement, dated as of March 3, 2008, by and between Farmer Bros. Co. and Drew H. Webb (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 7, 2008 and incorporated herein by reference).*

10.21 Amendment No. 1 to Employment Agreement, dated as of December 31, 2008, by and between Farmer Bros. Co. and Drew H. Webb (filed as Exhibit 10.15 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2008 filed with the SEC on February 10, 2009 and incorporated herein by reference).*

10.22 Amendment No. 2 to Employment Agreement, dated as of February 25, 2010, by and between Farmer Bros. Co. and Drew H. Webb (filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on March 3, 2010 and incorporated herein by reference).*

10.23 Employment Agreement, dated as of March 14, 2009, by and between Farmer Bros. Co. and Heidi L. Modaro (filed as Exhibit 10.15 to the Company's Annual Report on Form 10-K/A for the fiscal year ended June 30, 2009 filed with the SEC on September 15, 2009 and incorporated herein by reference).*

10.24 Employment Agreement, dated as of February 25, 2010, by and between Farmer Bros. Co. and Jeffrey A. Wahba (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 3, 2010 and incorporated herein by reference).*

10.25 Consulting Agreement, dated as of March 2, 2009, by and between Farmer Bros. Co. and Michael J. King (filed as Exhibit 10.16 to the Company's Annual Report on Form 10-K/A for the fiscal year ended June 30, 2009 filed with the SEC on September 15, 2009 and incorporated herein by reference).*

10.26 Interim Services Agreement, dated as of December 17, 2009, by and between Farmer Bros. Co. and Tatum, LLC (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 10, 2010 and incorporated herein by reference).*

10.27 2007 Omnibus Plan (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on August 29, 2007 and incorporated herein by reference) *

10.28 Form of 2007 Omnibus Plan Stock Option Grant Notice and Stock Option Agreement (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 26, 2008 and incorporated herein by reference).*

10.29 Form of 2007 Omnibus Plan Restricted Stock Award Grant Notice and Restricted Stock Award Agreement (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on February 26, 2008 and incorporated herein by reference).*

10.30 Stock Ownership Guidelines for Directors and Executive Officers (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on February 26, 2008 and incorporated herein by reference).*

10.31	Form of Target Award Notification Letter (Fiscal 2010) under Farmer Bros. Co. 2005 Incentive Compensation Plan (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on December 16, 2009 and incorporated herein by reference).*
10.32	Form of Fiscal 2008 Award Letter under Farmer Bros. Co. 2005 Incentive Compensation Plan (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 3, 2008 and incorporated herein by reference).*
10.33	Form of Change in Control Severance Agreement for Executive Officers of the Company (with schedule of executive officers attached) (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on September 1, 2010 and incorporated herein by reference).*
10.34	Form of Indemnification Agreement for Directors and Officers of the Company, as adopted on May 18, 2006 and as amended on December 31, 2008 (with updated schedule of indemnitees attached) (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 1, 2010 and incorporated herein by reference).*
14.1	Farmer Bros. Co. Code of Conduct and Ethics adopted on August 26, 2010 (filed as Exhibit 14.1 to the Company's Current Report on Form 8-K filed with the SEC on September 1, 2010 and incorporated herein by reference).
21.1	List of all Subsidiaries of Farmer Bros. Co. (filed herewith).
23.1	Consent of Independent Registered Accounting Firm (filed herewith).
31.1	Principal Executive Officer Certification Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Principal Financial and Accounting Officer Certification Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Principal Executive Officer Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Principal Financial and Accounting Officer Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
99.1	Properties List (filed herewith).

* Management contract or compensatory plan or arrangement.

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Directors and Executive Officers

Farmer Bros. Co.
20333 South Normandie Avenue
Torrance, California 90502

Directors

Guenter W. Berger
Chairman of the Board
Retired Chief Executive Officer, Farmer Bros. Co.

Jeanne Farmer Grossman
Retired Teacher
Fountain Valley School District

Roger M. Laverty III
President and Chief Executive Officer
Farmer Bros. Co.

Martin A. Lynch
President, Claremorris Consulting

Thomas A. Maloof
Independent Consultant

James J. McGarry
Attorney-at-Law, McGarry & Laufenberg

John H. Merrell
Certified Public Accountant
Retired Partner, Hutchinson and Bloodgood LLP

Executive Officers

Roger M. Laverty III
President and Chief Executive Officer

Jeffrey A. Wahba
Treasurer and Chief Financial Officer

Mark A. Harding
Senior Vice President of Operations

Hortensia R. Gómez
Vice President and Controller

John M. Anglin
Secretary
Attorney-at-Law
Anglin, Flewelling, Rasmussen, Campbell & Trytten LLP

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