COFFEE HOLDING CO INC
Form 10-Q
March 09, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: January 31, 2015

OR

o 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: 001-32491

Coffee Holding Co., Inc.
(Exact name of registrant as specified in its charter)

Nevada (State or other jurisdiction of incorporation or organization)	11–2238111 (I.R.S. Employer Identification No.)
3475 Victory Boulevard, Staten Island, New York (Address of principal executive offices)	10314 (Zip Code)

(718) 832-0800
(Registrant's telephone number including area code)

N/A
(Former name, former address and former fiscal year, if changed from last report)

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 þ No o

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 period that the registrant was required to submit and post such files). Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	þ

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock as of the latest practicable date.

6,456,316 shares of common stock, par value $0.001 per share, are outstanding at March 4, 2015.

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PART I

ITEM 1 - FINANCIAL STATEMENTS.

COFFEE HOLDING CO., INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
JANUARY 31, 2015 AND OCTOBER 31, 2014

	January 31, 2015 (Unaudited)	October 31, 2014
- ASSETS -		
CURRENT ASSETS:		
Cash	$ 3,519,981	$ 3,782,639
Accounts receivable, net of allowances of $144,000 for 2015 and 2014	21,295,183	15,419,860
Inventories	13,562,889	15,210,153
Prepaid green coffee	218,451	467,155
Prepaid expenses and other current assets	268,670	260,112
Prepaid and refundable income taxes	135,946	759
Deferred income tax asset	819,052	343,657
TOTAL CURRENT ASSETS	39,820,172	35,484,335
Machinery and equipment, at cost, net of accumulated depreciation of $3,847,166 and $3,704,802 for 2015 and 2014, respectively	1,885,769	1,991,094
Customer list and relationships, net of accumulated amortization of $35,625 and $33,750 for 2015 and 2014, respectively	114,375	116,250
Trademarks	180,000	180,000
Goodwill	440,000	440,000
Equity method investments	98,119	97,404
Deposits and other assets	631,158	643,549
TOTAL ASSETS	$ 43,169,593	$ 38,952,632
- LIABILITIES AND STOCKHOLDERS' EQUITY -		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 8,420,898	$ 8,693,100
Line of credit	5,498,458	2,498,458
Due to broker	1,846,733	484,924
Income taxes payable	474,309	331,051
TOTAL CURRENT LIABILITIES	16,240,398	12,007,533
Deferred income tax liabilities	150,052	165,157
Deferred rent payable	212,744	209,640
Deferred compensation payable	503,158	515,549
TOTAL LIABILITIES	17,106,352	12,897,879
STOCKHOLDERS' EQUITY:		
Coffee Holding Co., Inc. stockholders' equity:		
	-	-

Preferred stock, par value $.001 per share; 10,000,000 shares authorized; no shares issued and outstanding		
Common stock, par value $.001 per share; 30,000,000 shares authorized, 6,456,316 shares issued; 6,215,894 shares outstanding for 2015 and 2014	6,456	6,456
Additional paid-in capital	15,904,109	15,904,109
Retained earnings	11,150,969	11,079,168
Less: Treasury stock, 240,422 common shares, at cost for 2015 and 2014	(1,267,862)	(1,267,862)
Total Coffee Holding Co., Inc. Stockholders' Equity	25,793,672	25,721,871
Noncontrolling interest	269,569	332,882
TOTAL EQUITY	26,063,241	26,054,753
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 43,169,593	$ 38,952,632

See notes to Condensed Consolidated Financial Statements.

COFFEE HOLDING CO., INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
THREE MONTHS ENDED JANUARY 31, 2015 AND 2014
(Unaudited)

	January 31, 2015	January 31, 2014
NET SALES	$ 38,405,979	$ 27,346,347
COST OF SALES (which include purchases of approximately $9.8 million and $5.0 million for the three months ended January 31, 2015 and 2014, respectively, from a related party)	36,484,535	23,227,722
GROSS PROFIT	1,921,444	4,118,625
OPERATING EXPENSES:		
Selling and administrative	1,666,357	1,710,612
Officers' salaries	152,735	159,100
TOTAL	1,819,092	1,869,712
INCOME FROM OPERATIONS	102,352	2,248,913
OTHER INCOME (EXPENSE):		
Interest income	8,297	883
Gain (Loss) from equity method investments	715	(182)
Interest expense	(53,979)	(18,088)
TOTAL	(44,967)	(17,387)
INCOME BEFORE PROVISION FOR INCOME TAXES AND NON-CONTROLLING INTEREST IN SUBSIDIARY	57,385	2,231,526
(Benefit) provision for income taxes	(31,104)	825,925
NET INCOME BEFORE NON-CONTROLLING INTEREST IN SUBSIDIARY	88,489	1,405,601
Less: net income attributable to the non-controlling interest in subsidiary	(16,688)	(33,861)
NET INCOME ATTRIBUTABLE TO COFFEE HOLDING CO., INC.	$ 71,801	$ 1,371,740
Basic earnings per share	$ 0.01	$ 0.22
Diluted earnings per share	$ 0.01	$ 0.21
Weighted average common shares outstanding:		
Basic	6,215,894	6,372,309
Diluted	6,215,894	6,639,309

See notes to Condensed Consolidated Financial Statements.

COFFEE HOLDING CO., INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED JANUARY 31, 2015 AND 2014
(Unaudited)

	January 31, 2015	January 31, 2014
OPERATING ACTIVITIES:		
Net income	$ 88,489	$ 1,405,601
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	145,673	148,248
Unrealized loss (gain) on commodities	1,361,809	(1,179,594)
(Gain) loss on equity method investments	(715)	182
Deferred rent	3,104	4,877
Deferred income taxes	(490,500)	414,100
Changes in operating assets and liabilities:		
Accounts receivable	(5,875,323)	2,325,651
Inventories	1,647,264	406,461
Prepaid expenses and other current assets	(8,558)	102,965
Prepaid green coffee	248,704	(181,670)
Prepaid and refundable income taxes	(135,187)	407,704
Accounts payable and accrued expenses	(272,203)	(2,004,402)
Income taxes payable	143,258	200
Net cash (used in) provided by operating activities	(3,144,185)	1,850,323
INVESTING ACTIVITIES:		
Purchases of machinery and equipment	(38,473)	(123,874)
Net cash used in investing activities	(38,473)	(123,874)
FINANCING ACTIVITIES:		
Advances under bank line of credit	5,000,000	40,202
Principal payments under bank line of credit	(2,000,000)	(1,269,384)
Payment of dividend	(80,000)	-
Net cash provided by (used in) financing activities	2,920,000	(1,229,182)
NET (DECREASE) INCREASE IN CASH	(262,658)	497,267
CASH, BEGINNING OF PERIOD	3,782,639	4,035,669
CASH, END OF PERIOD	$ 3,519,981	$ 4,532,936

	2015	2014
SUPPLEMENTAL DISCLOSURE OF CASH FLOW DATA:		
Interest paid	$ 46,479	$ 21,225
Income taxes paid	$ 453,205	$ 5,089

See notes to Condensed Consolidated Financial Statements.

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COFFEE HOLDING CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2015 AND 2014
(Unaudited)

NOTE 1 - BUSINESS ACTIVITIES:

Coffee Holding Co., Inc. (the “Company”) conducts wholesale coffee operations, including manufacturing, roasting, packaging, marketing and distributing roasted and blended coffees for private labeled accounts and its own brands, and it sells green coffee. The Company’s core product, coffee, can be summarized and divided into three product categories (“product lines”) as follows:

Wholesale Green Coffee: unroasted raw beans imported from around the world and sold to large and small roasters and coffee shop operators;

Private Label Coffee: coffee roasted, blended, packaged and sold under the specifications and names of others, including supermarkets that want to have their own brand name on coffee to compete with national brands; and

Branded Coffee: coffee roasted and blended to the Company’s own specifications and packaged and sold under the Company’s seven proprietary and licensed brand names in different segments of the market.

The Company’s private label and branded coffee sales are primarily to customers that are located throughout the United States with limited sales in Canada and the Far East. Such customers include supermarkets, wholesalers, and individually-owned and multi-unit retailers. The Company’s unprocessed green coffee, which includes over 90 specialty coffee offerings, is sold primarily to specialty gourmet roasters and to coffee shop operators in the United States with limited sales in Australia, Canada, England and China.

The Company’s wholesale green, private label, and branded coffee product categories generate revenues and cost of sales individually but incur selling, general and administrative expenses in the aggregate. There are no individual product managers and discrete financial information is not available for any of the product lines. The Company’s product portfolio is used in one business and it operates and competes in one business activity and economic environment. In addition, the three product lines share customers, manufacturing resources, sales channels, and marketing support. Thus, the Company considers the three product lines to be one single reporting segment.

Liquidity

As of January 31, 2015, the Company has a financing agreement with Sterling National Bank ('Sterling") for a credit facility that expires on March 31, 2015. The Company is currently in discussions with Sterling to extend the term of the credit facility and the Company expects to finalize a long term extension prior to March 31, 2015. The Company anticipates that its existing working capital will be adequate to fund its operating, investing and financing needs for the next twelve months. However, if the credit facility is not extended, the Company may need to pursue additional financing arrangements, including new credit facilities, issuance of debt, reduce expenditures, or a combination of the preceding, to meet the Company’s cash requirements. The Company can provide no assurance that additional financing will be available at all or, if available, that the Company will be able to obtain additional financing on terms favorable to it.

NOTE 2 - BASIS OF PRESENTATION:

The following (a) condensed consolidated balance sheet as of October 31, 2014, which has been derived from audited financial statements, and (b) the unaudited interim condensed financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles ("U.S. GAAP") have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's latest shareholders' annual report on Form 10-K filed with the SEC on January 23, 2015 for the fiscal year ended October 31, 2014 ("Form 10-K").

In the opinion of management, all adjustments (which include normal and recurring nature adjustments) necessary to present a fair statement of the Company's financial position as of January 31, 2015, and results of operations for the three months ended January 31, 2015 and the cash flows for the three months ended January 31, 2015 , as applicable, have been made.

COFFEE HOLDING CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2015 AND 2014
(Unaudited)

NOTE 2 - BASIS OF PRESENTATION (cont'd):

The results of operations for the three months ended January 31, 2015 are not necessarily indicative of the operating results for the full fiscal year or any future periods.

The condensed consolidated financial statements include the accounts of the Company, OPTCO and GCC. All significant inter-company transactions and balances have been eliminated in consolidation.

NOTE 3 - RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS AFFECTING THE COMPANY:

During the third quarter of fiscal year 2013, the FASB issued ASU No. 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists.

The amendments in this ASU provide that an unrecognized tax benefit, or a portion thereof, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward.

To the extent that a net operating loss carryforward, similar tax loss, or a tax credit carryforward is not available at the reporting date to settle ant additional income taxes that would result from disallowance of a tax position, or the tax law does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, then the unrecognized tax benefit should be presented as a liability and should not be combined with deferred tax assets.

Effective: For fiscal years, and interim periods within those years, beginning after December 15, 2013 for public entities. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is also permitted.

NOTE 4 - PREPAID GREEN COFFEE:

The balance represents advance payments made by OPTCO to several coffee growing cooperatives for the purchase of green coffee. Interest is charged to the cooperatives for these advances. Interest earned was $8,297 and $883 for the three months ended January 31, 2015 and 2014, respectively. The prepaid coffee balance was $218,451 at January 31, 2015 and $467,155 at October 31, 2014.

COFFEE HOLDING CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2015 AND 2014
(Unaudited)

NOTE 5 - ACCOUNTS RECEIVABLE:

Trade accounts receivable are stated at the amount the Company expects to collect. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectability of specific customer accounts: customer credit-worthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. Past due balances over 60 days and other higher risk amounts are reviewed individually for collectability. If the financial condition of the Company's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

The reserve for sales discounts represents the estimated discount that customers will take upon payment. The reserve for other allowances represents the estimated amount of returns, slotting fees and volume based discounts estimated to be incurred by the Company from its customers. The allowances are summarized as follows:

	January 31, 2015	October 31, 2014
Allowance for doubtful accounts	$ 65,000	$ 65,000
Reserve for other allowances	35,000	35,000
Reserve for sales discounts	44,000	44,000
Totals	$ 144,000	$ 144,000

NOTE 6 - INVENTORIES:

Inventories at January 31, 2015 and October 31, 2014 consisted of the following:

	January 31, 2015	October 31, 2014
Packed coffee	$ 1,276,449	$ 1,578,248
Green coffee	11,602,667	12,987,257
Packaging supplies	683,773	644,648
Totals	$ 13,562,889	$ 15,210,153

COFFEE HOLDING CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2015 AND 2014
(Unaudited)

NOTE 7 - COMMODITIES HELD BY BROKER:

The commodities held at the broker represent the market value of the Company's trading account, which consists of options and future contracts for coffee held with a brokerage firm. The Company uses options and futures contracts, which are not designated or qualifying as hedging instruments, to partially hedge the effects of fluctuations in the price of green coffee beans. Options and futures contracts are recognized at fair value in the condensed consolidated financial statements with current recognition of gains and losses on such positions. The Company's accounting for options and futures contracts may increase earnings volatility in any particular period.

The Company has open position contracts held by the broker, which are summarized as follows:

	January 31, 2015	October 31, 2014
Option Contracts	$ (700,064)	$ (217,624)
Future Contracts	(1,146,669)	(267,300)
Total Commodities	$ (1,846,733)	$ (484,924)

The Company classifies its options and future contracts as trading securities and accordingly, unrealized holding gains and losses are included in earnings and not reflected as a net amount as a separate component of stockholders' equity.

At January 31, 2015, the Company held 146 futures contracts for the purchase of 5,475,000 pounds of green coffee at a weighted average price of $1.67 to $1.80 per pound. The fair market value of coffee applicable to such contracts was $1.62 per pound at that date. The Company also held 610 options covering an aggregate of 22,875,000 pounds of green coffee beans at prices from $1.67 to $1.78 per pound. The fair market value of these options, which was obtained from observable market data of similar instruments was $(700,064) at January 31, 2015.

At October 31, 2014, the Company held 60 futures contracts (generally with terms of three to four months) for the purchase of 2,250,000 pounds of green coffee at a weighted average price of $2.00 per pound. The fair market value of coffee applicable to such contracts was $1.88 per pound at that date. The Company did not hold any options that were in the money at October 31, 2014.

The Company recorded realized and unrealized gains and losses respectively, on these contracts as follows:

	Three Months Ended January 31,	
	2015	2014
Gross realized gains	$ 645,598	$ 820,982
Gross realized losses	(980,681)	(971,255)
Unrealized (loss) gain	(1,361,809)	1,179,594
Total	$ (1,696,892)	$ 1,029,321

COFFEE HOLDING CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2015 AND 2014
(Unaudited)

NOTE 8 - LINE OF CREDIT:

On February 17, 2009, the Company entered into a financing agreement with Sterling for a $5,000,000 credit facility. The credit facility is a revolving $5,000,000 line of credit and the Company can draw on the line at an amount up to 85% of eligible accounts receivable and 25% of eligible inventory consisting of green coffee beans and finished coffee not to exceed $1,000,000. Sterling shall have the right from time to time to adjust the foregoing percentages based upon, among other things, dilution, its sole determination of the value or likelihood of collection of eligible accounts receivables owed to the Company, considerations regarding inventory. The credit facility is payable monthly in arrears on the average unpaid balance of the line of credit at an interest rate equal to a per annum reference rate (3.75% at January 31, 2015 and October 31, 2014).

On July 22, 2010, the credit facility was increased to $7,000,000. In addition, OPTCO was added as a co-borrower and the inventory sublimit was raised from $1,000,000 to $2,000,000. Subsequent to July 31, 2010, $1,800,000 of the credit facility was allocated to OPTCO.

The initial term of the credit facility was for three years and expired on February 17, 2012. The initial terms of the credit facility provided that the credit facility may be automatically extended for successive periods of one year each unless one party shall have provided the other party with a written notice of termination at least ninety days prior to the expiration of the then current term. Prior to the expiration of the initial term, and effective as of February 12, 2012, the term was extended until February 17, 2014 and the interest rate was reduced to the Wall Street Journal Prime rate (which is currently 3.25%) plus one percent (1%). On May 10, 2013, the credit facility was extended until February 17, 2015. On February 12, 2015, the term of the credit facility was further extended until March 31, 2015. The Company is currently in discussions with Sterling to extend the term of the credit facility and the Company expects to finalize a long term extension prior to March 31, 2015. The Company anticipates that its existing working capital will be adequate to fund its operating, investing and financing needs for the next twelve months. However, if the credit facility is not extended, the Company may need to pursue additional financing arrangements, including new credit facilities, issuance of debt, reduce expenditures, or a combination of the preceding, to meet the Company's cash requirements. The Company can provide no assurance that additional financing will be available at all or, if available, that the Company will be able to obtain additional financing on terms favorable to it. There is currently no assurance that the term of the credit facility will be extended or if the extended term of the credit facility will be acceptable to the Company. The credit facility is secured by all tangible and intangible assets of the Company.

The credit facility contains covenants that place annual restrictions on the Company's operations, including covenants relating to debt restrictions, capital expenditures, minimum deposit restrictions, tangible net worth, net profit, leverage, employee loan restrictions, distribution restrictions (common stock and preferred stock), dividend restrictions, and restrictions on intercompany transactions. The credit facility also requires that the Company maintain a minimum working capital at all times. The Company was in compliance with all required financial covenants at January 31, 2015 and October 31, 2014.

On February 3, 2011, the Company amended their credit facility regarding the creation of a sublimit within the revolving line of credit in the form of a $300,000 term loan for the benefit of GCC. The Company provided a corporate guarantee to Sterling in connection with the amendment.

As of January 31, 2015 and October 31, 2014, the outstanding balance under the bank line of credit was $5,498,458 and $2,498,458, respectively.

COFFEE HOLDING CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2015 AND 2014
(Unaudited)

NOTE 9 - INCOME TAXES:

The Company accounts for income taxes pursuant to the asset and liability method which requires deferred income tax assets and liabilities to be computed for temporary differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The income tax provision or benefit is the tax incurred for the period plus or minus the change during the period in deferred tax assets and liabilities.

The Company adopted FASB authoritative guidance for accounting for uncertainty in income taxes. As of January 31, 2015 and October 31, 2014, the Company did not have any unrecognized tax benefits or open tax positions. The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. As of January 31, 2015 and October 31, 2014, the Company had no accrued interest or penalties related to income taxes. The Company currently has no federal or state tax examinations in progress.

The Company files a U.S. federal income tax return and California, Colorado, New Jersey, New York, Kansas, Oregon, Rhode Island, South Carolina, Rhode Island, Virginia, Connecticut, Michigan and Texas state tax returns. The Company's federal income tax return is no longer subject to examination by the federal taxing authority for the years before fiscal 2011. The Company's California, Colorado and New Jersey income tax returns are no longer subject to examination by their respective taxing authorities for the years before fiscal 2008. The Company's Oregon and New York income tax returns are no longer subject to examination by their respective taxing authorities for the years before fiscal 2008.

NOTE 10 - EARNINGS PER SHARE:

The Company presents "basic" and "diluted" earnings per common share pursuant to the provisions included in the authoritative guidance issued by FASB, "Earnings per Share," and certain other financial accounting pronouncements. Basic earnings per common share were computed by dividing net income by the sum of the weighted-average number of common shares outstanding. Diluted earnings per common share is computed by dividing the net income by the weighted-average number of common shares outstanding plus the dilutive effect of common shares issuable upon exercise of potential sources of dilution.

The weighted average common shares outstanding used in the computation of basic earnings per share were 6,215,894 and 6,372,309 for the three months ended January 31, 2015 and 2014. The weighted average common shares outstanding used in the computation of diluted earnings per share were 6,215,894 and 6,639,309 for the three months ended January 31, 2015 and 2014.

COFFEE HOLDING CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2015 AND 2014
(Unaudited)

NOTE 11 - ECONOMIC DEPENDENCY:

Approximately 65% of the Company's sales were derived from one customer during the three months ended January 31, 2015. This customer also accounted for approximately $14,730,000 of the Company's accounts receivable balance at January 31, 2015. Approximately 55% of the Company's sales were derived from one customer during the three months ended January 31, 2014. This customer also accounted for approximately $4,081,000 of the Company's accounts receivable balance at January 31, 2014. Concentration of credit risk with respect to other trade receivables is limited due to the short payment terms generally extended by the Company, by ongoing credit evaluations of customers, and by maintaining an allowance for doubtful accounts that management believes will adequately provide for credit losses.

For the three months ended January 31, 2015, approximately 64% of the Company's purchases were from four vendors. These vendors accounted for approximately $5,755,000 of the Company's accounts payable at January 31, 2015. For the three months ended January 31, 2014, approximately 61% of the Company's purchases were from four vendors. These vendors accounted for approximately $3,058,000 of the Company's accounts payable at January 31, 2014. Management does not believe the loss of any one vendor would have a material adverse effect of the Company's operations due to the availability of many alternate suppliers.

NOTE 12 - RELATED PARTY TRANSACTIONS:

The Company has engaged its 40% partner in GCC as an outside contractor (the "Partner"). Included in contract labor expense are expenses incurred from the Partner during the three months ended January 31, 2015 and 2014 of $85,239 and $107,067, respectively, for the processing of finished goods.

An employee of one of the top four vendors is a director of the Company. Purchases from that vendor totaled approximately $9,800,000 and $5,000,000 for the three months ended January 31, 2015 and 2014, respectively. The corresponding accounts payable balance to this vendor was approximately $1,449,000 and $1,419,000 at January 31, 2015 and 2014, respectively.

In January 2005, the Company established the "Coffee Holding Co., Inc. Non-Qualified Deferred Compensation Plan." Currently, there is only one participant in the plan: Andrew Gordon, the Company's Chief Executive Officer. Within the plan guidelines, this employee is deferring a portion of his current salary and bonus. The assets are held in a separate trust. The deferred compensation payable represents the liability due to an officer of the Company. The assets are included in the Deposits and other assets in the accompanying balance sheets. The deferred compensation asset and liability at January 31, 2015 and October 31, 2014 were $503,158 and $515,549, respectively.

COFFEE HOLDING CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2015 AND 2014
(Unaudited)

NOTE 13 - STOCKHOLDERS' EQUITY:

a. Treasury Stock. The Company utilizes the cost method of accounting for treasury stock. The cost of reissued shares is determined under the last-in, first-out method. The Company did not purchase any shares during the three months ended January 31, 2015 and 2014.

b. Share Repurchase Program. On January 24, 2014, the Company announced that the Board of Directors had approved a share repurchase program (the "Share Repurchase Program") pursuant to which the Company may repurchase up to $1 million of the outstanding common stock from time to time on the open market and in privately negotiated transactions subject to market conditions, share price and other factors. The Share Repurchase Program may be discontinued or suspended at any time.

NOTE 14 - FAIR VALUE MEASUREMENTS:

The Company adopted the authoritative guidance on "Fair Value Measurements." The guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, not adjusted for transaction costs. The guidance also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels giving the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3) as described below:

Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible by the Company;

Level 2 Inputs – Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 Inputs – Unobservable inputs for the asset or liability including significant assumptions of the Company and other market participants.

The Company determines fair values for its investment assets as follows:

Investments at fair value consist of commodity securities and deferred compensation plan assets.

The Company maintains a deferred compensation plan. The fair value of the plan assets are classified within Level 1 as the assets are valued using quoted prices in active markets. The assets are included with Deposits and other assets in the accompanying balance sheets. Additional information related to the Company's deferred compensation plan is disclosed in Note 12 to the condensed consolidated financial statements.

COFFEE HOLDING CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2015 AND 2014
(Unaudited)

NOTE 14 - FAIR VALUE MEASUREMENTS (cont'd):

The Company's commodity securities are classified within Level 2 and include coffee futures and options contracts. To determine fair value, the Company utilizes the market approach valuation technique for the coffee futures and options contracts. The Company uses Level 2 inputs that are based on market data of similar instruments that are in observable markets. All commodities on the balance sheet are recorded at fair value with changes in fair value included in earnings.

The following tables present the Company's assets that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value.

		Fair Value Measurements as of January 31, 2015		
	Total	Level 1	Level 2	Level 3
Assets:				
Money market	503,158	503,158	–	–
Total Assets	$503,158	$ 503,158	–	–
Liabilities:				
Commodities – Options	(700,064)		(700,064)	
Commodities – Futures	(1,146,669)	–	(1,146,669)	–
Total Liabilities	$(1,846,733)	–	$ (1,846,733)	–

		Fair Value Measurements as of October 31, 2014		
	Total	Level 1	Level 2	Level 3
Assets:				
Money market	515,549	515,549	–	–
Total Assets	$515,549	$515,549	–	–
Liabilities:				
Commodities – Options	(217,624)		(217,624)	
Commodities – Futures	(267,300)	–	(267,300)	–
Total Liabilities	$(484,924)	–	$(484,924)	–

COFFEE HOLDING CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2015 AND 2014
(Unaudited)

NOTE 15 - SUBSEQUENT EVENTS:

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required further adjustment or disclosure in the condensed consolidated financial statements.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS; Cautionary Note on Forward-Looking Statement

Some of the matters discussed under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this quarterly report include forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. We have based these forward-looking statements upon information available to management as of the date of this Form 10-Q and management's expectations and projections about future events, including, among other things:

- our dependency on a single commodity could affect our revenues and profitability;
- our success in expanding our market presence in new geographic regions;
- the effectiveness of our hedging policy may impact our profitability;
- the success of our joint ventures;
- our success in implementing our business strategy or introducing new products;
- our ability to attract and retain customers;
- our ability to retain key personnel;
- our ability to obtain additional financing;
- our ability to comply with the restrictive covenants we are subject to under our current financing;
- the effects of competition from other coffee manufacturers and other beverage alternatives;
- the impact to the operations of our Colorado facility;
- general economic conditions and conditions which affect the market for coffee;
- the macro global economic environment;
- our ability to maintain and develop our brand recognition;
- the impact of rapid or persistent fluctuations in the price of coffee beans;
- fluctuations in the supply of coffee beans;
- the volatility of our common stock; and
- other risks which we identify in future filings with the SEC.

In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "predict, "potential," "continue," "expect," "anticipate," "future," "intend," "plan," "believe," "estimate" and similar expressions (or the such expressions). Any or all of our forward-looking statements in this quarterly report and in any other public statements we make may turn out to be wrong. They can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties. Consequently, no forward-looking statement can be guaranteed. In addition, we undertake no responsibility to update any forward-looking statement to reflect events or circumstances that occur after the date of this quarterly report.

Overview

We are an integrated wholesale coffee roaster and dealer in the United States and one of the few coffee companies that offers a broad array of coffee products across the entire spectrum of consumer tastes, preferences and price points. As a result, we believe that we are well-positioned to increase our profitability and endure potential coffee price volatility throughout varying cycles of the coffee market and economic conditions.

Our operations have primarily focused on the following areas of the coffee industry:

- the sale of wholesale specialty green coffee;
- the roasting, blending, packaging and sale of private label coffee; and
- the roasting, blending, packaging and sale of our eight brands of coffee.

Our operating results are affected by a number of factors including:

- the level of marketing and pricing competition from existing or new competitors in the coffee industry;
- our ability to retain existing customers and attract new customers;
- our hedging policy;
- fluctuations in purchase prices, the supply of green coffee and the selling prices of our products; and
- our ability to manage inventory and operations and maintain gross margins.

Our net sales are driven primarily by the success of our sales and marketing efforts and our ability to retain existing customers and, for this reason, we have made, and will continue to evaluate, strategic decisions to invest in measures that are expected to increase net sales. These transactions include our acquisitions of certain assets of Premier Roasters, LLC, which included equipment and a roasting facility in La Junta, Colorado, a West Coast Brand Manager to market our S&W brand and to increase sales of S&W coffee to new customers, our joint venture with Caruso's Coffee, Inc. of Brecksville, Ohio, the transaction with Organic Products and the addition of three sales persons from the Café Bustelo division of Folgers to assist with the expansion of our Café Caribe and Supremo brands. We believe these efforts will allow us to expand our business.

Our net sales are affected by the price of green coffee. We purchase our green coffee from dealers located primarily within the United States. The dealers supply us with coffee beans from many countries, including Colombia, Mexico, Kenya, Indonesia, Brazil and Uganda. The supply and price of coffee beans are subject to volatility and are influenced by numerous factors which are beyond our control. For example, in Brazil, which produces approximately 40% of the world's green coffee, the coffee crops are historically susceptible to frost in June and July and drought in September, October and November. However, because we purchase coffee from a number of countries and are able to freely substitute one country's coffee for another in our products, price fluctuations in one country generally have not had a material impact on the price we pay for coffee. Accordingly, price fluctuations in one country generally have not had a material effect on our results of operations, liquidity and capital resources. Historically, because we generally have been able to pass green coffee price increases through to customers, increased prices of green coffee generally result in increased net sales.

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We have used, and continue to use, short-term coffee futures and options contracts primarily for the purpose of partially hedging and minimizing the effects of changing green coffee prices and to reduce our cost of sales. In addition, we acquire futures contracts with longer terms, generally three to four months, primarily for the purpose of guaranteeing an adequate supply of green coffee at favorable prices. Although the use of these derivative financial instruments has generally enabled us to mitigate the effect of changing prices, no strategy can entirely eliminate pricing risks and we generally remain exposed to loss when prices decline significantly in a short period of time. In addition, we would remain exposed to supply risk in the event of non-performance by the counterparties to any futures contracts. If the hedges that we enter into do not adequately offset the risks of coffee bean price volatility or our hedges result in losses, our cost of sales may increase, resulting in a decrease in profitability or increase of our losses. See Item 3, Quantitative and Qualitative Disclosures About Market Risk.

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used for, but not limited to, the accounting for the allowance for doubtful accounts, inventories, assets held for sale, income taxes and loss
contingencies. Management bases its estimates on historical experience and on various other assumptions that are beli circumstances. Actual results could differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies, among others, may be impacted significantly by judgment, assumptions and estimates used in the preparation of the financial statements:

ognize revenue in accordance with the relevant authoritative guidance. Revenue is recognized at the point title and risk of ownership tra s which is upon the shippers taking possession of the goods because i) title passes in accordance with the terms of the purchase orders a ments with our customers, ii) any risk of loss is covered by the customers’ insurance, iii) there is persuasive evidence of a sales arrange price is determinable and v) collection of the resulting receivable is reasonably assured. Thus, revenue is recognized at the point of ship

Our allowance for doubtful accounts is maintained to provide for losses arising from customers’ inability to make required payments. If there is deterioration of our customers’ credit worthiness and/or there is an increase in the length of time that the receivables are past due greater than the historical assumptions used, additional allowances may be required. For example, every additional one percent of our accounts receivable that becomes uncollectible, would decrease our operating income by approximately $213,000 for the quarter ended January 31, 2015. The reserve for sales discounts represents the estimated discount that customers will take upon payment. The reserve for other allowances represents the estimated amount of returns, slotting fees and volume based discounts estimated to be incurred by the Company from its customers.

ntories are stated at lower of cost (determined on a first-in, first-out basis) or market. Based on our assumptions about future demand an ons, inventories are subject to be written-down to market value. If our assumptions about future demand change and/or actual market ons are less favorable than those projected, additional write-downs of inventories may be required. Each additional one percent of pote ory writedown would have decreased operating income by approximately $136,000 for the quarter ended January 31, 2015.

We account for income taxes in accordance with the relevant authoritative guidance. Deferred tax assets and liabilities are computed for temporary differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reflected on the balance sheet when it is determined that it is more likely than not that the asset will be realized. Accordingly, our net deferred tax asset as of January 31, 2015 of $669,000 may require a valuation allowance if we do not generate taxable income.

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Our goodwill consists of the cost in excess of the fair market value of the acquired net assets of OPTCO. This company has been integrated into a structure which does not provide the basis for separate reporting units. Consequently, we are a single reporting unit for goodwill impairment testing purposes. We also have intangible assets consisting of customer list and relationships and trademarks acquired from OPTCO. At January 31, 2015, our balance sheet reflected goodwill and intangible assets as set forth below:

Customer list and relationships, net	$114,375
Trademarks	180,000
Goodwill	440,000
	$734,375

Goodwill and the trademarks which are deemed to have indefinite lives are subject to annual impairment tests. Goodwill impairment tests require the comparison of the fair value and carrying value of reporting units. We assess the potential impairment of goodwill and intangible assets annually and on an interim basis whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Upon completion of such review, if impairment is found to have occurred, a corresponding charge will be recorded. The value assigned to the customer list and relationships is being amortized over a twenty year period.

Because we are a single reporting unit, the closing NASDAQ Capital Market price of our Common Stock as of the acquisition date was used as a basis to measure the fair value of goodwill. Goodwill and the intangible assets will be tested annually at the end of each fiscal year to determine whether they have been impaired. Upon completion of each annual review, there can be no assurance that a material charge will not be recorded. Impairment testing is required more often than annually if circumstances indicate that an impairment or decline in value may have occurred.

Three Months Ended January 31, 2015 Compared to the Three Months Ended January 31, 2014

Net Income . We had net income of $71,801, or $0.01 per share basic and diluted, for the three months ended January 31, 2015 compared to net income of $1,371,740 or $0.22 per share basic and $0.21 per share diluted, for the three months ended January 31, 2014. The decrease in net income reflects a $1.7 million or $0.27 per share unrealized loss on our hedging activities.

Net Sales. Net sales totaled $38,405,979 for the three months ended January 31, 2015, an increase of $11,059,632, or 40%, from $27,346,347 for the three months ended January 31, 2014. The increase in net sales reflects a combination of increased sales of green and roasted coffee along with higher coffee prices year over year.

Cost of Sales. Cost of sales for the three months ended January 31, 2015 was $36,484,535 or 95.0% of net sales, as compared to $23,227,722 or 84.9% of net sales for the three months ended January 31, 2014. The increase in cost of sales reflects higher prices paid for green coffee during this period compared to the same period during 2014 and a $1.7 million unrealized loss on our hedging activities in 2015 compared to a $1 million gain in 2014.

Gross Profit. Gross profit decreased $2,197,181 to $1,921,444 for the three months ended January 31, 2015 as compared to gross profit of $4,118,625 for the three months ended January 31, 2014. Gross profit as a percentage of net sales decreased by 10.1% for the three months ended January 31, 2015, as compared to gross profit as a percentage of net sales for the three months ended January 31, 2014. The decrease in our margins reflects unrealized losses in our hedging activities and higher prices paid for green coffee during this period compared to the same period during 2014.

Operating Expenses. Total operating expenses decreased by $50,620, or 2.7%, to $1,819,092 for the three months ended January 31, 2015 as compared to operating expenses of $1,869,712 for the three months ended January 31, 2014. The decrease in operating expenses was due to a decrease in selling and administrative expenses of $44,255 and a decrease of $6,365 in officers' salaries.

Other Expense. Other expenses increased by $27,580 to $44,967 for the three months ended January 31, 2015 compared to other expenses of $17,387 for the three months ended January 31, 2014. Interest income increased by $7,414, interest expense increased by $35,891 and our equity investment showed a gain of $715 as compared to a loss of $182 for the three months ended January 31, 2015. The increase in interest income resulted from the decrease in pre-finance agreements with the coffee growing cooperatives. The increase in interest expense resulted from an increase in the average balance outstanding on our line of credit.

Income Taxes. Our benefit for income taxes for the three months ended January 31, 2015 totaled $31,104 compared to a provision of $825,925 for the three months ended January 31, 2014. The decrease reflects lower pre-tax income for the quarter.

Liquidity and Capital Resources

As of January 31, 2015, we had working capital of $23,579,774, which represented a $102,972 increase from our working capital of $23,476,802 as of October 31, 2014, and total stockholders' equity of $25,793,672, which increased by $71,801 from our total stockholders' equity of $25,721,871 as of October 31, 2014. Our working capital increased primarily due to an increase of $5,875,323 in accounts receivable, an increase of $8,558 in prepaid expenses and other current assets, an increase of $475,395 in deferred income tax asset, an increase of $135,187 in prepaid and refundable income taxes, a decrease in accounts payable and accrued expenses of $272,202, partially offset by a decrease of $1,647,264 in our inventory, a decrease of $248,704 in prepaid green coffee, an increase of $3,000,000 in our line of credit, an increase of $1,361,809 in due to broker and an increase of $143,258 in income taxes payable. At January 31, 2015, the outstanding balance on our line of credit was $5,498,458 compared to $2,498,458 at October 31, 2014. Total stockholders' equity increased due to an increase in retained earnings as a result of our net income.

For the three months ended January 31, 2015, our operating activities used net cash of $3,144,185 as compared to the three months ended January 31, 2014 when operating activities provided net cash of $1,850,323. The decreased cash flow from operations for the three months ended January 31, 2015 was primarily due to a decrease in net income of $1,317,112, unrealized loss on commodities of $1,361,809, an increase in deferred income taxes of $490,500 and an increase in accounts receivable of $5,875,323 partially offset by a decrease in our inventories of $1,647,264 and a decrease in prepaid green coffee of $248,704.

For the three months ended January 31, 2015, our investing activities used net cash of $38,473 as compared to the three months ended January 31, 2014 when net cash used in investing activities was $123,874. The decrease in our uses of cash in investing activities was primarily due to decreased purchases of equipment.

For the three months ended January 31, 2015, our financing activities provided net cash of $2,920,000 compared to net cash used in financing activities of $1,229,182 for the three months January 31, 2014. The change in cash flow from financing activities for the three months ended January 31, 2015 was primarily due to increased net borrowing from our credit facility.

On February 17, 2009, we entered into a financing agreement with Sterling National Bank ("Sterling") for a $5,000,000 credit facility. The credit facility is a revolving $5,000,000 line of credit and we can draw on the line at an amount up to 85% of eligible accounts receivable and 25% of eligible inventory consisting of green coffee beans and finished coffee not to exceed $1,000,000. Sterling shall have the right from time to time to adjust the foregoing percentages based upon, among other things, dilution, its sole determination of the value or likelihood of collection of eligible accounts receivables owed to us and considerations regarding inventory. The credit facility is payable monthly in arrears on the average unpaid balance of the line of credit at an interest rate equal to a per annum reference rate of 3.75% at January 31, 2015 and October 31, 2014.

On July 22, 2010, we had the credit facility increased to $7,000,000. In addition, OPTCO was added as a co-borrower and the inventory sublimit was raised from $1,000,000 to $2,000,000. Subsequent to July 31, 2010, $1,800,000 of the credit facility was allocated to OPTCO.

The initial term of the credit facility was for three years and expired on February 17, 2012. The initial terms of the credit facility provided that the credit facility may be automatically extended for successive periods of one year each unless one party shall have provided the other party with a written notice of termination at least ninety days prior to the expiration of the then current term. Prior to the expiration of the initial term, and effective as of February 12, 2012, the term was extended until February 17, 2014 and the interest rate was reduced to the Wall Street Journal Prime rate (which is currently 2.75%) plus one percent (1%). On May 10, 2013, the Credit Facility was extended until February 17, 2015. On February 12, 2015, the term of the credit facility was further extended until March 31, 2015. We are currently in discussions with Sterling to extend the term of the credit facility and we expect to finalize a long term extension prior to March 31, 2015. We anticipate that our existing working capital will be adequate to fund our operating, investing and financing needs for the next twelve months. However, if the credit facility is not extended, we may need to pursue additional financing arrangements, including new credit facilities, issuance of debt, reduce expenditures, or a combination of the preceding, to meet our cash requirements. We can provide no assurance that additional financing will be available at all or, if available, that we will be able to obtain additional financing on terms favorable to us. There is currently no assurance that the term of the credit facility will be extended or if the extended term of the credit facility will be acceptable to us. The credit facility is secured by all our tangible and intangible assets.

The credit facility contains covenants that place annual restrictions on our operations, including covenants relating to debt restrictions, capital expenditures, minimum deposit restrictions, tangible net worth, net profit, leverage, employee loan restrictions, distribution restrictions (common stock and preferred stock), dividend restrictions, and restrictions on intercompany transactions. The credit facility also requires that we maintain a minimum working capital at all times. We were in compliance with all required financial covenants at January 31, 2015 and October 31, 2014.

On February 3, 2011, we amended the credit facility regarding the creation of a sublimit within the revolving line of credit in the form of a $300,000 term loan for the benefit of GCC. We provided a corporate guarantee to Sterling in connection with the amendment.

We expect to fund our operations, including paying our liabilities, funding capital expenditures and making required payments on our debts, through January 31, 2016 with cash provided by operating activities and the use of our credit facility. In addition, an increase in eligible accounts receivable and inventory would permit us to make additional borrowings under our line of credit.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Recent Accounting Pronouncements

See Note 3 to the Condensed Consolidated Financial Statements (the "Financial Statements") in Part I, Item 1 of this Quarterly Report on Form 10-Q.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Market risks relating to our operations result primarily from changes in interest rates and commodity prices as further described below.

Interest Rate Risks. We are subject to market risk from exposure to fluctuations in interest rates. At January 31, 2015, our debt was $5,498,458. Given our current level of borrowing, we believe this risk is immaterial.

Commodity Price Risks. The supply and price of coffee beans are subject to volatility and are influenced by numerous factors which are beyond our control. Historically, we have used, and expect to continue to use, short-term coffee futures and options contracts primarily for the purpose of partially hedging the effects of changing green coffee prices, as further explained in Note 7 of the notes to the Financial Statements in this Report. In addition, we acquired, and expect to continue to acquire, futures contracts with longer terms (generally three to four months) primarily for the purpose of guaranteeing an adequate supply of green coffee. Realized and unrealized gains or losses on options and futures contracts are reflected in our cost of sales. Gains on options and futures contracts reduce our cost of sales and losses on options and futures contracts increase our cost of sales. The use of these derivative financial instruments has generally enabled us to mitigate the effect of changing prices. We believe that, in normal economic times, our hedging policies remain a vital element to our business model not only in controlling our cost of sales, but also giving us the flexibility to obtain the inventory necessary to continue to grow our sales while trying to minimize margin compression during a time of historically high coffee prices. However, no strategy can entirely eliminate pricing risks and we generally remain exposed to losses on futures contracts when prices decline significantly in a short period of time, and we would generally remain exposed to supply risk in the event of non-performance by the counterparties to any futures contracts. Although we have had net gains on options and futures contracts in the past, we have incurred losses on options and futures contracts during some reporting periods. In these cases, our cost of sales has increased, resulting in a decrease in our profitability or increase our losses. Such losses have and could in the future materially increase our cost of sales and materially decrease our profitability and adversely affect our stock price. See “Item 1A – Risk Factors - If our hedging policy is not effective, we may not be able to control our coffee costs, we may be forced to pay greater than market value for green coffee and our profitability may be reduced.” In our Annual Report on Form 10-K filing with the SEC on January 24, 2015.

At January 31, 2015, we held 146 futures contracts for the purchase of 5,475,000 pounds of green coffee at a weighted average price of $1.67 to $1.80 per pound. The fair market value of coffee applicable to such contracts was $1.62 per pound at that date. We also held 610 options covering an aggregate of 22,875,000 pounds of green coffee beans at prices from $1.67 to $1.78 per pound. The fair market value of these options, which was obtained from observable market data of similar instruments was $(700,064) at January 31, 2015.

ITEM 4 - CONTROLS AND PROCEDURES.

Management, including our President, Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this Report. Based upon that evaluation, the President and Chief Executive Officer, who is also the Chief Financial Officer, concluded that the disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that we file and submit under the Exchange Act are (1) recorded, processed, summarized and reported as and when required; and (2) accumulated and communicated, as is appropriate, to the Company’s management, including its President and Chief Executive Officer, who is also the principal executive officer and principal financial officer, to allow timely discussions regarding disclosure.

There have been no changes in our internal control over financial reporting identified in connection with the evaluation that occurred during our last fiscal quarter that has materially affected, or that is reasonably likely to materially affect, our internal control over financial reporting.

PART II

OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS.

We are not a party to, and none of our property is the subject of, any pending legal proceedings other than routine litigation that is incidental to our business. To our knowledge, no governmental authority is contemplating initiating any such proceedings.

ITEM 1A - RISK FACTORS.

There were no material changes during the quarter ended January 31, 2015 to the Risk Factors disclosed in Item 1A "Risk Factors" in our annual report on Form 10-K for the fiscal year ended October 31, 2014.

ITEM 2 - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4 - MINE SAFETY DISCLOSURES.

None.

ITEM 5 - OTHER INFORMATION.

None.

ITEM 6 - EXHIBITS.

31.1 Principal Executive Officer and Principal Financial Officer's Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Principal Executive Officer and Principal Financial Officer's Certification furnished Pursuant to Section 906 of the S Act of 2002.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized and in the capacities indicated on March 9, 2015.

Coffee Holding Co., Inc.

Date: March 9, 2015	By:	/s/ Andrew Gordon Andrew Gordon President, Chief Executive Officer, Chief Financial Officer and Treasurer (Principal Executive Officer, Principal Financial Officer and Chief Accounting Officer)