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FOODARAMA SUPERMARKETS INC
Form 10-Q
March 15, 2004

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

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the quarterly period ended January 31, 2004

Commission file number 1-5745-1

FOODARAMA SUPERMARKETS, INC.
(Exact name of Registrant as specified in its charter)

New Jersey

21-0717108

(State or other jurisdiction of
incorporation or organization)

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

Building 6, Suite 1, 922 Highway 33, Freehold, New Jersey 07728

(Address of principal executive offices)

Telephone #732-462-4700
(Registrant's telephone number, including area code)

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 and (2) has been subject to such filing requirements for
the past 90 days. Yes No

Indicate by check mark whether the Registrant is an accelerated filer
(as defined in Rule 12b-2 of the Exchange Act). Yes No

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

CLASS	OUTSTANDING AT March 10, 2004
----- Common Stock \$1 par value	----- 986,867 shares

FOODARAMA SUPERMARKETS, INC.

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PART I. FINANCIAL INFORMATION

- Item 1. Financial Statements
- Unaudited Consolidated Condensed Balance Sheets January 31, 2004 and November 1, 2003
- Unaudited Consolidated Condensed Statements of Operations for the thirteen weeks ended January 31, 2004 and February 1, 2003
- Unaudited Consolidated Condensed Statements of Cash Flows for the thirteen weeks ended January 31, 2004 and February 1, 2003
- Notes to the Unaudited Consolidated Condensed Financial Statements
- Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
- Item 3. Quantitative and Qualitative Disclosures About Market Risk
- Item 4. Controls and Procedures

PART II. OTHER INFORMATION

- Item 6. Exhibits and Reports on Form 8-K

Disclosure Concerning Forward-Looking Statements

All statements, other than statements of historical fact, included in this Form 10-Q, including without limitation the statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations", are, or may be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such forward-looking statements involve assumptions, known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Foodarama Supermarkets, Inc. (the "Company", which may be referred to as we, us or our) to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements contained in this Form 10-Q. Such potential risks and uncertainties, include without limitation, competitive pressures from other supermarket operators, warehouse club stores and discount general merchandise stores, economic conditions in the Company's primary markets, consumer spending patterns, availability of capital, cost of labor, cost of goods sold including increased costs from the Company's cooperative supplier, Wakefern Food Corporation ("Wakefern"), and other risk factors detailed herein and in other of the Company's Securities and Exchange Commission filings. The forward-looking statements are made as of the date of this Form 10-Q and the Company assumes no obligation to update the forward-looking statements or to update the reasons actual results could differ from those projected in such forward-looking statements.

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Consolidated Condensed Balance Sheets
(In thousands)

	January 31, 2004 (Unaudited)	November 1, 2003 (1)
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,180	\$ 5,252
Merchandise inventories	49,758	49,224
Receivables and other current assets	11,202	12,043
Prepaid and refundable income taxes	2,513	3,404
Related party receivables - Wakefern	6,799	13,684
	-----	-----
	76,452	83,607
	-----	-----
Property and equipment:		
Land	308	308
Buildings and improvements	1,220	1,220
Leasehold improvements	53,849	49,039
Equipment	146,251	142,021
Property under capital leases	130,420	130,420
Construction in progress	2,738	6,846
	-----	-----
	334,786	329,854
Less accumulated depreciation and amortization	126,837	122,339
	-----	-----
	207,949	207,515
	-----	-----
Other assets:		
Investments in related parties	16,173	16,173
Goodwill	1,715	1,715
Intangible assets, net	1,072	1,098
Other	3,405	3,264
Related party receivables - Wakefern	1,913	1,874
	-----	-----
	24,278	24,124
	-----	-----
	\$308,679	\$315,246
	=====	=====

(continued)

(1) Derived from the Audited Consolidated Financial Statements for the year ended November 1, 2003.

See accompanying notes to the consolidated condensed financial statements.

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FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES
Consolidated Condensed Balance Sheets
(In thousands except share data)

	January 31, 2004 (Unaudited)	November 1, 2003 (1)
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		

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Current liabilities:		
Current portion of long-term debt	\$ 7,744	\$ 7,916
Current portion of long-term debt, related party	852	920
Current portion of obligations under capital leases	1,577	1,622
Current income taxes payable	2,499	1,415
Deferred income taxes	2,162	2,162
Accounts payable:		
Related party-Wakefern	42,804	37,506
Others	12,811	14,622
Accrued expenses	14,346	13,485
	-----	-----
	84,795	79,648
	-----	-----
Long-term debt	42,778	55,335
Long-term debt, related party	2,855	3,055
Obligations under capital leases	121,750	122,159
Deferred income taxes	2,719	2,749
Other long-term liabilities	13,427	13,278
	-----	-----
	183,529	196,576
	-----	-----
Commitments and Contingencies (Note 6)		
Shareholders' equity:		
Common stock, \$1.00 par; authorized 2,500,000 shares; issued 1,621,767 shares; outstanding 986,867 shares	1,622	1,622
Capital in excess of par	4,168	4,168
Deferred compensation	(859)	(952)
Retained earnings	50,779	49,539
Accumulated other comprehensive income:		
Minimum pension liability	(3,164)	(3,164)
	-----	-----
	52,546	51,213
Less 634,900 shares at January 31, 2004 and November 1, 2003, held in treasury, at cost	12,191	12,191
	-----	-----
	40,355	39,022
	-----	-----
	\$ 308,679	\$ 315,246
	=====	=====

(1) Derived from the Audited Consolidated Financial Statements for the year ended November 1, 2003.

See accompanying notes to the consolidated condensed financial statements.

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES
Consolidated Condensed Statements of Operations - Unaudited
(In thousands - except share data)

13 Weeks Ended	
January 31, 2004	February 1, 2003
-----	-----

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Sales	\$ 294,715	\$ 257,091
Cost of goods sold	217,615	192,334
Gross profit	77,100	64,757
Selling, general and administrative expenses	71,343	61,891
Earnings from operations	5,757	2,866
Other income (expense):		
Interest expense	(3,784)	(2,321)
Interest income	27	37
	(3,757)	(2,284)
Earnings before income tax provision	2,000	582
Income tax provision	(760)	(233)
Net income	\$ 1,240	\$ 349
Per share information:		
Net income per common share:		
Basic	\$ 1.26	\$.35
Diluted	\$ 1.22	\$.34
Weighted average shares outstanding:		
Basic	986,867	986,550
Diluted	1,013,049	1,016,482
Dividends per common share	-0-	-0-

See accompanying notes to the consolidated condensed financial statements.

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FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES
Consolidated Condensed Statements of Cash Flows - Unaudited
(In thousands)

	13 Weeks Ended	
	January 31, 2004	February 1, 2003
	-----	-----
Cash flows from operating activities:		
Net income	\$ 1,240	\$ 349
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,685	3,832
Amortization, intangibles	26	52
Amortization, deferred financing costs	177	115
Amortization, deferred rent escalation	(76)	(79)
Provision to value inventory at LIFO	280	155
Deferred income taxes	(30)	133

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Amortization of deferred compensation	124	77
(Increase) decrease in		
Merchandise inventories	(814)	(2,588)
Receivables and other current assets	261	(556)
Prepaid and refundable income taxes	891	(518)
Other assets	(318)	28
Related party receivables-Wakefern	6,846	3,461
Increase (decrease) in		
Accounts payable	3,487	7,698
Income taxes payable	1,084	421
Other liabilities	1,055	1,307
	-----	-----
	18,918	13,887
	-----	-----
Cash flows from investing activities:		
Decrease in construction advance due from landlords	6,061	2,343
Increase in construction advance due from landlords	(5,481)	(498)
Cash paid for the purchase of property and equipment	(3,861)	(8,150)
Cash paid for construction in progress	(1,258)	(2,009)
Deposits on equipment	-	(156)
	-----	-----
	(4,539)	(8,470)
	-----	-----
Cash flows from financing activities:		
Proceeds from issuance of debt	2,359	5,595
Principal payments under long-term debt	(15,088)	(9,983)
Principal payments under capital lease obligations	(454)	(415)
Principal payments under long-term debt, related party	(268)	(215)
Deferred financing and other costs	-	(18)
Proceeds from exercise of stock options	-	10
	-----	-----
	(13,451)	(5,026)
	-----	-----
NET CHANGE IN CASH AND CASH EQUIVALENTS	928	391
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	5,252	4,280
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 6,180	\$ 4,671
	=====	=====

See accompanying notes to the consolidated condensed financial statements.

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NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)

Note 1 Basis of Presentation

The unaudited Consolidated Condensed Financial Statements as of or for the period ending January 31, 2004, have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and rule 10-01. The balance sheet at November 1, 2003 has been taken from the audited financial statements at that date. In the opinion of the management of the Company, all adjustments (consisting only of normal recurring accruals) which are considered necessary for a fair presentation of the results of operations for the period have been made. Certain financial information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The reader is referred to the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended November 1, 2003.

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At both January 31, 2004 and November 1, 2003, approximately 81% of merchandise inventories are valued by the Last-In-First-Out ("LIFO") method of inventory valuation while the balance of inventories is valued by the First-In-First-Out ("FIFO") method. If the FIFO method had been used for the entire inventory, inventories would have been \$3,015,000 and \$2,735,000 higher than reported at January 31, 2004 and November 1, 2003, respectively.

Certain reclassifications have been made to prior year financial statements in order to conform to the current year presentation.

These results are not necessarily indicative of the results for the entire fiscal year.

Note 2 Adoption of New Accounting Standards

In December 2003, the Financial Accounting Standards Board issued SFAS No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits - an amendment of FASB Statements No. 87, 88, and 106" ("SFAS 132"). The revised Statement retains the disclosure requirements contained in SFAS 132 but requires additional disclosures about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. The annual disclosure requirements under this Statement are effective for the Company's fiscal year ending October 30, 2004, and the quarterly disclosure requirements are effective for the Company's interim periods beginning with the second quarter ending May 1, 2004. The implementation of SFAS 132, as revised in 2003, is not expected to have a material impact on the Company's consolidated financial statements.

Note 3 - Stock-Based Compensation

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," ("APB 25") and related interpretations in accounting for its employee stock options. Under this method, compensation cost is measured as the amount by which the market price of the underlying stock exceeds the exercise price of the stock option at the date at which both the number of options granted and the exercise price are known.

In accordance with SFAS 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS 123, "Accounting for Stock-Based Compensation," to stock-based employee compensation is as follows:

	Thirteen Weeks Ended	
	(In thousands, except per share amounts)	
	January 31, 2004	February 1, 2003
Net income - as reported	\$ 1,240	\$ 349
Add:		
Stock-based employee compensation expense, determined under the intrinsic value method, included in reported net income, net of related tax effects	54	56

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Deduct:

Adjustment to total stock-based
employee compensation expense
determined under the fair value
based method, net of related tax
effects

(74) (76)

Pro forma net income

\$ 1,220 \$ 329

Earnings per share:

Basic, as reported

\$ 1.26 \$.35

Basic, pro forma

\$ 1.24 \$.33

Diluted, as reported

\$ 1.22 \$.34

Diluted, pro forma

\$ 1.20 \$.32

Note 4 - Goodwill and Other Intangible Assets

The Company completed its annual impairment test prescribed by SFAS 142 and concluded that no impairment of goodwill existed as of November 2, 2003. The gross carrying amount and accumulated amortization of the Company's other intangible assets as of January 31, 2004 and November 1, 2003 are as follows:

	8		8	
	January 31, 2004		November 1, 2003	
	(In thousands)			
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized Intangible Assets				
Bargain Leases	\$3,918	\$ 3,066	\$3,918	\$ 3,040
Unamortized Intangible Assets				
Liquor Licenses	220	-	220	-
Total	\$4,138	\$ 3,066	\$4,138	\$3,040

Amortization expense recorded on the intangible assets for the thirteen weeks ended January 31, 2004 and February 1, 2003 was \$26,000 and \$52,000, respectively. The estimated amortization expense for the Company's other intangible assets for the current and four succeeding fiscal years is as follows:

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Fiscal Year	(In thousands)
-----	-----
2004	\$106
2005	106
2006	106
2007	106
2008	106
Thereafter	348

Note 5 - Long-term debt

On January 30, 2004 the Company completed the financing for the purchase of \$1,100,000 of equipment for the expanded and renovated store location in East Brunswick, New Jersey. The note bears interest at 6.20% and is payable in monthly installments over its five year term.

Note 6 - Commitments and Contingencies

The Company previously reported, in Item 3. Legal Proceedings and Note 14 of Notes to Consolidated Financial Statements in its Annual Report on Form 10-K for its fiscal year ended November 1, 2003, on the settlement of a shareholders derivative action commenced by Melvin Jules Bukiet et al (together the "Plaintiffs") against the Company, as nominal defendant, and against all five members of the Board of Directors, Joseph J. Saker, Richard J. Saker, Charles T. Parton, Albert A. Zager and Robert H. Hutchins (together, the "Defendants"), in their capacities as directors and/or officers of the Company. The Plaintiffs' have applied for an award of legal fees of \$975,000 in connection with the settlement of the derivative action. We believe that the amount of the award of attorneys fees sought by the Plaintiffs is unreasonable based upon the outcome of the litigation, and are vigorously contesting the Plaintiffs' fee application. The Company's directors and officers liability insurance carrier has reserved its rights under the Company's directors and officers liability insurance policy with respect to the claims made in the derivative action, including claims for the Plaintiffs' attorneys' fees and costs of the defense, and has preliminarily advised us that certain of the claims made in the derivative action and related legal expenses are not, in the insurance carrier's view, covered by the policy. The Company is awaiting the Courts decision on the application for legal fees. It is not possible, at this juncture, to predict the amount of fees that may be awarded or whether or to what extent any such fees and the Company's legal expenses for defending the derivative action will be covered by its directors and officers liability insurance policy. The Company has not accrued in its financial statements for legal fees and expenses which may be incurred in connection with this legal proceeding. Net income and EBITDA in fiscal 2004 may be adversely affected to the extent that the Company's defense costs and any legal fees that may be awarded are not covered by directors and officers liability insurance.

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Part I - Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

Critical Accounting Policies and Estimates

Critical accounting policies are those accounting policies that management believes are important to the portrayal of the Company's financial condition and results and require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of

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the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company's critical accounting policies relating to the impairment of goodwill, patronage dividends earned as a stockholder of Wakefern, pension plans and workers' compensation insurance are described in the Company's Annual Report on Form 10-K for the year ended November 1, 2003. As of January 31, 2004 there have been no material changes to any of the critical accounting policies contained therein.

Financial Condition and Liquidity

The Company is a party to a Third Amended and Restated Revolving Credit and Term Loan Agreement (the "Credit Agreement") with four financial institutions. The Credit Agreement serves as our primary funding source for working capital and capital expenditures. The Credit Agreement is secured by substantially all of the Company's assets and provided for a total commitment of up to \$80,000,000, including a revolving credit facility (the "Revolving Note") of up to \$35,000,000, a term loan ("the Term Loan") in the amount of \$25,000,000 and a capital expenditures facility (the "Capex Facility") of up to \$20,000,000. As of January 31, 2004 the Company owed \$18,750,000 on the Term Loan and \$12,000,000 under the Capex Facility.

On January 30, 2004 the Company completed the financing for the purchase of \$1,100,000 of equipment for the expanded and renovated store location in East Brunswick, New Jersey. The note bears interest at 6.20% and is payable in monthly installments over its five year term.

The Company's compliance with the major financial covenants under the Credit Agreement was as follows as of January 31, 2004:

Financial Covenant	Credit Agreement	Actual (As defined in the Credit Agreement)

Adjusted EBITDA (1)	Greater than \$22,000,000	\$ 26,013,000
Leverage Ratio (1) (2)	Less than 3.0 to 1.00	2.08 to 1.00
Debt Service Coverage Ratio (3)	Greater than 1.10 to 1.00	2.20 to 1.00
Adjusted Capex (4)	Less than \$6,595,000 (5) (7)	\$ 587,000 (6)
Store Project Capex	Less than \$32,515,000 (5) (7)	\$ 4,532,000 (6)

(1) Excludes obligations under capitalized leases, interest expense and depreciation expense attributable to capitalized leases and changes in the LIFO reserve.

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(2) The Leverage Ratio is calculated by dividing the current and non-current portions of Long-Term Debt and Long-Term Debt Related Party by Adjusted EBITDA.

(3) The Debt Service Coverage Ratio is calculated by dividing Operating Cash Flow by the sum of adjusted net interest expense, which excludes interest on capitalized leases, the current provision for income taxes and regularly scheduled principal payments, which exclude principal payments on capitalized leases. Operating Cash Flow is calculated by subtracting amounts expended for property and equipment which are not used for projects in excess of \$500,000 (\$209,000 in the first quarter of fiscal 2004) from Adjusted EBITDA.

(4) Adjusted Capex is all capital expenditures other than New/Replacement Store Project Capex.

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- (5) Represents limitations on capital expenditures for fiscal 2004.
- (6) Represents capital expenditures for fiscal 2004.
- (7) Includes amounts available but not used in the prior fiscal year and available to be carried forward to fiscal 2004: \$495,000 for Adjusted Capex and \$4,768,000 for Store Project Capex.

No cash dividends have been paid on the Common Stock since 1979, and the Company has no present intentions or ability to pay any dividends in the near future on its Common Stock. The Credit Agreement does not permit the payment of any cash dividends on our Common Stock.

Working Capital

At January 31, 2004, the Company had a working capital deficiency of \$8,343,000 as compared to working capital of \$3,959,000 at November 1, 2003 and a working capital deficiency of \$11,677,000 at February 1, 2003. Since the end of fiscal 2003, working capital declined and a deficiency was created as a result of the collection of related party receivables from Wakefern related to the fiscal 2003 patronage dividend receivable and the increase in related party accounts payable to Wakefern resulting from increased sales and the deferral of payment for Wakefern promotional programs. Funds used to pay these accounts payable will come from the revolving credit facility thereby increasing the Revolving Note which is classified as long-term borrowings. This will result in a corresponding increase in working capital.

During fiscal year 2002, the Business Tax Reform Act was passed in the State of New Jersey. This legislation is effective for tax years beginning on or after January 1, 2002 (Fiscal 2003). Corporate taxpayers are subject to an "Alternative Minimum Assessment ("AMA"), which is based upon either New Jersey Gross Receipts or New Jersey Gross Profits, if the AMA exceeds the tax based on net income. We have included in our current tax provision the effect of the AMA. The AMA increased our cumulative State current tax liability, net of Federal tax benefit, by \$1,676,000. Additionally, in March 2002 and May 2003 The Job Creation and Worker Assistance Act of 2002 and The Jobs and Growth Tax Relief Reconciliation Act of 2003 ("Tax Acts") were passed by the United States Congress. The current Federal tax benefit for accelerated depreciation resulting from the Tax Acts is approximately \$3,266,000 for fiscal 2003 and the first quarter of fiscal 2004 and is reflected in our prepaid and refundable income taxes.

The Company normally requires small amounts of working capital since inventory is generally sold at approximately the same time that payments to Wakefern and other suppliers are due and most sales are for cash or cash equivalents.

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Working capital ratios were as follows:

January 31, 2004	.90 to 1.0
November 1, 2003	1.05 to 1.0
February 1, 2003	.85 to 1.0

Cash flows (in millions) were as follows:

Thirteen Weeks Ended	
1/31/04	2/1/03
-----	-----

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Operating activities	\$ 18.9	\$ 13.9
Investing activities	(4.5)	(8.5)
Financing activities	(13.5)	(5.0)
	-----	-----
Totals	\$.9	\$.4
	=====	=====

The Company had \$15,864,000 of available credit, at January 31, 2004, under its revolving credit facility. The Company has capital commitments (net of landlord contributions of \$11,863,000) of \$5,011,000 for leasehold improvements and \$11,072,000 for equipment related to two stores which are under construction and one store which is being expanded and remodeled. One of these is a replacement store, one is a new store and one is an expansion and remodeling of an existing store. All of these projects are located in central New Jersey, are or will be World Class stores and have opened or are expected to open in the second and third quarters of fiscal 2004. The amounts available under the Credit Agreement will adequately meet our operating needs, scheduled capital expenditures and debt service for fiscal 2004.

For the 13 weeks ended January 31, 2004 depreciation was \$4,685,000 while capital expenditures totaled \$5,119,000, compared to \$3,832,000 and \$10,159,000, respectively, in the prior year period. The increase in depreciation was the result of a full quarter of depreciation for the equipment and leasehold improvements for the four new locations opened in fiscal 2003, the new bakery facility and the expansion and remodeling of the East Brunswick store substantially completed in the quarter ended January 31, 2004, as well as six additional capitalized real estate leases. Capital expenditures in the first quarter of fiscal 2004, consisting of the acquisition of equipment and leasehold improvements for the two locations presently under construction and one location being remodeled, decreased as compared to capital expenditures in the first quarter of fiscal 2003 when two new locations opened and the bakery commissary and two additional stores were under construction.

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The table below summarizes our contractual obligations at January 31, 2004, and the effect such obligations are expected to have on liquidity and cash flow in future periods.

Payments Due By Period					
Contractual Obligations	Total	Less Than 1 Year	2-3 Years	4-5 Years	After 5 Years
(Dollars In Thousands)					
Long-term debt	\$ 50,522	\$ 7,909	\$15,582	\$ 27,031	\$ -
Related party debt	3,707	894	1,546	1,267	-
Capital lease obligations	297,625	13,724	27,573	27,047	229,281
Operating leases	66,250	9,936	17,068	12,599	26,647
Purchase obligations - leaseholds and equipment	16,083	16,083	-	-	-
Lease commitments - stores under construction (1)	62,150	1,243	4,972	4,972	50,963
Total	\$ 496,337	\$49,789	\$66,741	\$ 72,916	\$306,891
	=====	=====	=====	=====	=====

(1) Represents contractual obligations which we expect to perform in the periods presented based upon the anticipated openings of stores in fiscal 2004. It is not possible to determine precise dates for anticipated store openings, and actual opening dates may vary from the anticipated dates.

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Results of Operations (13 weeks ended January 31, 2004 compared to 13 weeks
----- ended February 1, 2003)

Sales:

Sales for the current period totaled \$294.7 million as compared to \$257.1 million in the prior year period. This represents an increase of 14.6%. Sales for the current quarter included the operations of the new locations opened in December 2002, January 2003, May 2003 and October 2003 in Woodbridge, Ewing, North Brunswick and Hamilton New Jersey, respectfully. The locations in Woodbridge and North Brunswick replaced older, smaller stores.

Same store sales from the twenty stores in operation in both periods increased 3.6%. Comparable store sales increases were partially offset by decreased sales in certain of the Company's stores affected by competitive store openings and the impact from the opening of several of our new locations.

Gross Profit:

Gross profit as a percent of sales increased to 26.2% in the first quarter of fiscal 2004 compared to 25.2% for the comparable period in fiscal 2003. Patronage dividends, applied as a reduction of the cost of goods sold, were \$2.4 million in the current year period compared to \$1.9 million in the prior year period. The improvement in gross profit was the result of improved product mix, the contribution of the new locations opened in fiscal 2003, increased patronage dividends and a reduction in Wakefern assessment as a percentage of sales. These increases were partially offset by programs implemented in certain of the Company's stores to address competitive store openings.

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Operating Expenses:

Selling, general and administrative expenses as a percent of sales were 24.2% versus 24.1% in the prior year period. The increase in selling, general and administrative expenses as a percent of sales was primarily due to increases in certain expense categories as a percentage of sales. As a percentage of sales, labor and related fringe benefits increased .16%, selling expense increased .11%, supplies increased .05%, depreciation, including depreciation on capitalized leases, increased .10%, administration increased .08% and miscellaneous income decreased .07%. These increases were partially offset by a decrease in occupancy of .11% and pre-opening expense of .30%. The increase in labor and related fringe benefits was the result of additional personnel for the new locations, increased sales in service intensive departments and contractual increases in fringe benefits. The decrease in occupancy was primarily the result of several leases which were accounted for as operating leases being replaced by capitalized leases. This decrease was partially offset by an increase in utility costs. Pre-opening costs decreased since there were no grand openings in the first quarter of fiscal 2004 as compared to two grand openings in the comparable period in fiscal 2003.

Interest Expense:

Interest expense increased to \$3,784,000 from \$2,321,000, while interest income was \$27,000 compared to \$37,000 for the prior year period. The increase in interest expense for the current year period was due to a net increase in average outstanding debt, including capitalized lease obligations, and an increase in the average interest rate paid on debt.

Income Taxes:

An income tax rate of 38% has been used in the current period as compared to 40% in the prior year period. The tax rate used is based on the expected effective

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tax rates.

Net Income:

Net income was \$1,240,000 in the current year period compared to \$349,000 in the prior year period. Earnings before interest, taxes, depreciation and amortization ("EBITDA") for the current period were \$10,569,000 as compared to \$6,786,000 in the prior year period. Net income per common share on a diluted basis was \$1.22 in the current year period compared to \$.34 in the prior year period. Per share calculations are based on 1,013,049 shares outstanding in the current year period and 1,016,482 shares outstanding in the prior year period.

EBITDA is presented because management believes that EBITDA is a useful supplement to net income and other measurements under accounting principles generally accepted in the United States since it is a meaningful measure of a company's performance and ability to meet its future debt service requirements, fund capital expenditures and meet working capital requirements. EBITDA is not a measure of financial performance under accounting principles generally accepted in the United States and should not be considered as an alternative to (i) net income (or any other measure of performance under generally accepted accounting principles) as a measure of performance or (ii) cash flows from operating, investing or financing activities as an indicator of cash flows or as a measure of liquidity. The following table reconciles reported net income to EBITDA:

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	Thirteen Weeks Ended	
	January 31, 2004	February 1, 2003
	-----	-----
Net income	\$ 1,240,000	\$ 349,000
Add:		
Interest expense, net	3,757,000	2,284,000
Income tax provision	760,000	233,000
Depreciation	4,685,000	3,832,000
Amortization	127,000	88,000
	-----	-----
EBITDA	\$10,569,000	\$ 6,786,000
	=====	=====

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Except for indebtedness under the Credit Agreement which is variable rate financing, the balance of our indebtedness is fixed rate financing. We believe that our exposure to market risk relating to interest rate risk is not material. The Company believes that its business operations are not exposed to market risk relating to foreign currency exchange risk, commodity price risk or equity price risk.

Item 4. Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, as of the end of the period covered by this quarterly report, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of the Company's management, including the Company's

President and Chief Executive Officer along with the Company's Chief Financial

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Officer, who concluded that the Company's disclosure controls and procedures are effective. The Company's Vice President - Internal Audit and Principal Accounting Officer also participated in this evaluation. During the Company's last fiscal quarter, there has been no significant change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in Company reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in Company reports filed under the Exchange Act is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

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PART II OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit 31.1 Section 302 Certification of Chief Executive Officer

Exhibit 31.2 Section 302 Certification of Chief Financial Officer

Exhibit 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350

Exhibit 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350

(b) Reports on Form 8-K

On November 5, 2003, the Company filed a current report on Form 8-K with the United States Securities and Exchange Commission ("SEC"), pursuant to Item 5 thereof, reporting that (i) its founder, Joseph J. Saker, had decided to step down as the Company's Chief Executive Officer but will continue as executive Chairman of the Company's Board of Directors; (ii) Richard J. Saker, President and Chief Operating Officer of the Company, will succeed his father as Chief Executive Officer; and (iii) the Company's Board of Directors approved the terms of a two year employment agreement with Joseph J. Saker.

On November 12, 2003, the Company filed a current report on Form 8-K with the SEC, pursuant to Item 5 thereof, reporting that the Company entered into two settlement agreements with Levin Properties, L.P.

On January 29, 2004, the Company filed a current report on Form 8-K with the SEC, pursuant to Item 12 thereof, reporting the Company's consolidated financial results for its fourth quarter and year ended November 1, 2003.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FOODARAMA SUPERMARKETS, INC.

(Registrant)

Date: March 15, 2004

/S/ MICHAEL SHAPIRO

(Signature)

Michael Shapiro
Senior Vice President
Chief Financial Officer

Date: March 15, 2004

/S/ THOMAS H. FLYNN

(Signature)

Thomas H. Flynn
Director of Accounting
Principal Accounting Officer

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EXHIBIT 31.1

CERTIFICATION

I, Richard J. Saker, certify that:

1. I have reviewed this report on Form 10-Q of Foodarama Supermarkets, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its

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consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 12, 2004

/s/ RICHARD J. SAKER

(Signature)

Richard J. Saker
Chief Executive Officer

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EXHIBIT 31.2

CERTIFICATION

I, Michael Shapiro, certify that:

1. I have reviewed this report on Form 10-Q of Foodarama Supermarkets, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 12, 2004

/s/ MICHAEL SHAPIRO

(Signature)

Michael Shapiro

Chief Financial Officer

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EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Foodarama Supermarkets, Inc. (the "Company") on Form 10-Q for the period ended January 31, 2004 (the "Report"), I, Richard J. Saker, Chief Executive Officer of the Company, do hereby certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) the Report fully complies with the requirements of ss. 13(a) or 15(d) of the Securities Exchange Act of 1934, 15 U.S.C. ss. 78m(a) or 78o(d), and,
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the

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Company.

Date: March 12, 2004

/s/ RICHARD J. SAKER

(Signature)
Richard J. Saker
Chief Executive Officer

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EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Foodarama Supermarkets, Inc. (the "Company") on Form 10-Q for the period ended January 31, 2004 (the "Report"), I, Michael Shapiro, Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) the Report fully complies with the requirements of ss. 13(a) or 15(d) of the Securities Exchange Act of 1934, 15 U.S.C. ss. 78m(a) or 78o(d), and,
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 12, 2004

/s/ MICHAEL SHAPIRO

(Signature)
Michael Shapiro
Chief Financial Officer

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