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FOODARAMA SUPERMARKETS INC
Form 10-Q
September 14, 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 July 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, N.J. 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 X No ___

Indicate by check mark whether the Registrant is an accelerated filer (as
defined in Rule 12b-2 of the Exchange Act).

Yes ___ No X

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 September 10, 2004
-----	-----

Common Stock, \$1 par value	987,617 shares
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FOODARAMA SUPERMARKETS, INC.

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PART I. FINANCIAL INFORMATION

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July 31, 2004 and November 1, 2003

Unaudited Consolidated Condensed Statements
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July 31, 2004 and August 2, 2003

Unaudited Consolidated Condensed Statements
of Operations for the thirty nine weeks
ended July 31, 2004 and August 2, 2003

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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 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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Item 1. Financial Statements

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

	July 31, 2004 (Unaudited)	November 1, 2003 (1)
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,026	5,252
Merchandise inventories	53,970	49,224
Receivables and other assets	10,651	12,043
Prepaid and refundable income taxes	73	3,404
Related party receivable - Wakefern	10,530	13,684
	-----	-----
	81,250	83,607
	-----	-----
Property and equipment:		
Land	308	308
Buildings and improvements	1,220	1,220
Leasehold improvements	60,366	49,039
Equipment	159,126	142,021
Property under capital leases	152,353	130,420
Construction in progress	59	6,846
	-----	-----
	373,432	329,854
Less accumulated depreciation and amortization		
	134,648	122,339
	-----	-----
	238,784	207,515
	-----	-----
Other assets:		
Investments in relate	17,645	16,173
Goodwill	1,715	1,715
Intangible assets, net	1,541	1,098
Other	3,219	3,264
Related party receivables - Wakefern	1,995	1,874
	-----	-----
	26,115	24,124
	-----	-----
	\$ 346,149	\$315,246
	=====	=====

(continued)

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

See accompanying notes to consolidated condensed financial statements.

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(In thousands except share data)

	July 31, 2004 (Unaudited)	November 1, 2003 (1)
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 8,165	\$ 7,916
Current portion of long-term debt, related party	978	920
Current portion of obligations under capital leases	1,687	1,622
Current income taxes payable	578	1,415
Deferred income taxes	2,162	2,162
Accounts payable:		
Related party-Wakefern	43,973	37,506
Others	12,055	14,622
Accrued expenses	15,011	13,485
	-----	-----
	84,609	79,648
Long-term debt	56,853	55,335
Long-term debt, related party	3,680	3,055
Obligations under capital leases	142,902	122,159
Deferred income taxes	2,479	2,749
Other long-term liabilities	13,618	13,278
	-----	-----
	219,532	196,576
	-----	-----
Commitments and Contingencies (Note 7)		
Shareholders' equity:		
Common stock, \$1.00 par; authorized 2,500,000 shares; issued 1,621,767 shares; outstanding 987,617 shares at July 31, 2004 and 986,867 shares at November 1, 2003	1,622	1,622
Capital in excess of par	4,168	4,168
Deferred compensation	(673)	(952)
Retained earnings	52,231	49,539
Accumulated other comprehensive income:		
Minimum pension liability	(3,164)	(3,164)
	-----	-----
	54,184	51,213
Less 634,150 shares July 31, 2004; shares November 1, 2003, held in treasury, at cost	12,176	12,191
	-----	-----
	42,008	39,022
	-----	-----
	\$ 346,149	\$ 315,246
	=====	=====

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

See accompanying notes to consolidated condensed financial statements.

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Consolidated Condensed Statements of Operations - Unaudited

(In thousands - except share data)

	13 Weeks Ended	
	July 31, 2004	August 2, 2003
Sales	\$ 302,799	\$ 271,333
Cost of goods sold	222,531	201,311
Gross profit	80,268	70,022
Selling, general and administrative expenses	75,244	65,686
Earnings from operations	5,024	4,336
Other income (expense):		
Interest expense	(4,248)	(3,415)
Interest income	24	39
	(4,224)	(3,376)
Earnings before income tax provision	800	960
Income tax provision	(304)	(384)
Net income	\$ 496	\$ 576
Per share information:		
Net income per common share:		
Basic	\$.50	\$.58
Diluted	\$.48	\$.57
Weighted average shares outstanding:		
Basic	987,175	986,867
Diluted	1,038,041	1,010,586
Dividends per common share	-0-	-0-

See accompanying notes to consolidated condensed financial statements.

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(In thousands - except share data)

	39 Weeks Ended	
	July 31, 2004	August 2, 2003
Sales	\$ 876,557	\$ 783,002
Cost of goods sold	644,778	581,640
Gross profit	231,779	201,362
Selling, general and administrative expenses	215,638	190,977
Earnings from operations	16,141	10,385
Other income (expense):		
Interest expense	(11,886)	(8,746)
Interest income	88	116
	(11,798)	(8,630)
Earnings before income tax provision	4,343	1,755
Income tax provision	(1,651)	(702)
Net income	\$ 2,692	\$ 1,053
Per share information:		
Net income per common share:		
Basic	\$ 2.73	\$ 1.07
Diluted	\$ 2.62	\$ 1.04
Weighted average shares outstanding:		
Basic	986,970	986,762
Diluted	1,027,760	1,013,751
Dividends per common share	-0-	-0-

See accompanying notes to consolidated condensed financial statements.

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

39 Weeks Ended	
July 31, 2004	August 2, 2003

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Cash flows from operating activities:		
Net income	\$ 2,692	\$ 1,053
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	15,146	12,613
Amortization, intangibles	93	157
Amortization, deferred financing costs	506	371
Amortization, deferred rent escalation	(220)	(223)
Provision to value inventory at LIFO	925	556
Deferred income taxes	(270)	260
Amortization of deferred compensation	275	269
(Increase) decrease in		
Merchandise inventories	(5,671)	(4,220)
Receivables and other current assets	(689)	(662)
Prepaid and refundable income taxes	3,331	(1,228)
Other assets	(240)	204
Related party receivables-Wakefern	3,033	983
Increase (decrease) in		
Accounts payable	3,900	1,439
Income taxes payable	(837)	1,478
Other liabilities	2,090	999
	24,064	14,049
Cash flows from investing activities:		
Decrease in construction advance due from landlords	14,244	4,024
Increase in construction advance due from landlords	(12,163)	(2,991)
Cash paid for the purchase of property and equipment	(23,996)	(16,514)
Cash paid for construction in progress	(24)	(5,881)
Cash paid for purchase of store assets	(1,000)	-
	(22,939)	(21,362)
Cash flows from financing activities:		
Proceeds from issuance of debt	10,359	16,610
Principal payments under long-term debt	(8,592)	(5,615)
Principal payments under capital lease obligations	(1,126)	(1,234)
Principal payments under long-term debt, related party	(789)	(531)
Deferred financing and other costs	(218)	(188)
Proceeds from exercise of stock options	15	10
	(351)	9,052
NET CHANGE IN CASH AND CASH EQUIVALENTS	774	1,739
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	5,252	4,280
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 6,026	\$ 6,019

See accompanying notes to consolidated condensed financial statements.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)

Note 1 Basis of Presentation

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The unaudited Consolidated Condensed Financial Statements as of, or for the period ended, July 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 derived 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.

At July 31, 2004 and November 1, 2003, approximately 82% and 81%, respectively, of merchandise inventories are valued by the Last-In-First-Out ("LIFO") method of inventory valuation while the balance of inventories are valued by the First-In-First-Out ("FIFO") method. If the FIFO method had been used for the entire inventory, inventories would have been \$3,660,000 and \$2,735,000 higher than reported at July 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 ("FASB") 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 before the amendment 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, did not have a material impact on the Company's consolidated financial statements (See Note 6).

In May 2004, the staff of the FASB issued FASB Staff Position ("FSP") No. FAS 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003," which superseded FSP No. FAS 106-1. This FSP provides guidance on the accounting for the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") for employers that sponsor postretirement health care plans that provide prescription drug benefits. This FSP also requires those employers to provide certain disclosures regarding the effect of the federal subsidy provided by the Act (the "Subsidy"). The guidance in this FSP related to the accounting for the Subsidy applies only to the sponsor of a single-employer defined benefit postretirement health care plan for which (a) the employer has concluded that prescription drug benefits available under the plan to some or all participants for some or all future years are "actuarially equivalent" to Medicare Part D and thus qualify for the Subsidy under the Act and (b) the expected Subsidy will offset or reduce the employer's share of the cost of the underlying postretirement prescription drug coverage on which the Subsidy is based. This

FSP also provides guidance for the disclosures about the effects of the Subsidy

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for an employer that sponsors a postretirement health care benefit plan that provides prescription drug coverage but for which the employer has not yet been able to determine actuarial equivalency. This FSP is effective for the first interim period beginning after June 15, 2004. We are currently investigating the impact of FSP No. FAS 106-2's initial recognition, measurement and disclosure provisions on our 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		Thirty Nine Weeks Ended	
	(In thousands, except per share amounts)		(In thousands, except per share amounts)	
	July 31, 2004	August 2, 2003	July 31, 2004	August 2, 2003
Net income - as reported	\$ 496	\$ 576	\$ 2,692	\$ 1,053
Add:				
Stock-based employee compensation expense, determined under the intrinsic value method, included in reported net income, net of related tax effects	54	56	162	168
Deduct:				
Adjustment to total stock-based employee compensation expense determined under the fair value based method, net of related tax effects	(74)	(76)	(222)	(228)
Pro forma net income	\$ 476	\$ 556	\$ 2,632	\$ 993
Earnings per share:				
Basic, as reported	\$.50	\$.58	\$ 2.73	\$ 1.07
Basic, pro forma	\$.48	\$.56	\$ 2.67	\$ 1.01
Diluted, as reported	\$.48	\$.57	\$ 2.62	\$ 1.04
Diluted, pro forma	\$.46	\$.55	\$ 2.56	\$.98

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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 July 31, 2004 and November 1, 2003 are as follows:

	July 31, 2004		November 1, 2003	
	(In thousands)			
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized Intangible Assets				
Bargain Leases	\$4,454	\$ 3,133	\$3,918	\$ 3,040
Unamortized Intangible Assets				
Liquor Licenses	220	-	220	-
Total	\$4,674	\$ 3,133	\$4,138	\$ 3,040

Amortization expense recorded on the intangible assets for the thirteen weeks ended July 31, 2004 and August 2, 2003 was \$41,000 and \$52,000, respectively and was \$93,000 and \$157,000 for the thirty nine weeks ended July 31, 2004 and August 2, 2003, respectively. The estimated amortization expense for the Company's other intangible assets for the current and four succeeding fiscal years is as follows:

Fiscal Year	(In thousands)
2004	\$141
2005	189
2006	189
2007	189
2008	189
Thereafter	517

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.

As of April 15, 2004 the Third Amended and Restated Revolving Credit and Term Loan Agreement (the "Credit Agreement") was amended to allow the Company to borrow under the revolving credit facility, on any Tuesday or Wednesday, up to \$5,000,000 in excess of the availability under the borrowing base limitation of 65% of eligible inventory as long as a like amount of cash and cash equivalents are on hand at store level or in transit to the Company's banks. This amount is reduced to \$4,000,000 on June 16, 2004 and \$3,000,000 on July 16, 2004 with the provision expiring on August 16, 2004. Additionally, the amendment realigned the annual limits on Adjusted Indebtedness, Indebtedness attributable to Capitalized Lease Obligations, Adjusted Capex and Store Project Capex to more closely follow the timing of the Company's new store and store remodeling program. The lending group also consented to the purchase of a store location from Wakefern for \$1,000,000.

As of August 24, 2004 the Credit Agreement was further amended to allow the Company to borrow under the revolving credit facility, on any Tuesday and on any Wednesday, up to \$3,000,000 in excess of the availability under the borrowing base limitation of 65% of eligible inventory as long as a like amount of cash and cash equivalents are on hand at store level or in transit to the Company's banks. This provision will expire on January 15, 2005.

As of July 19, 2004 the Credit Agreement was amended to increase the limit on the amount of Adjusted Capex for fiscal 2004 to \$5,100,000 and decrease the limit on the amount of Adjusted Capex for fiscal 2005 to \$4,000,000. The amendment realigned the annual limits on Adjusted Capex to more closely follow the timing of the Company's store remodeling program.

Note 6 Employee Benefit Plans

The following tables summarize the components of the net periodic pension expense for the Company sponsored defined benefit pension plans (both funded and unfunded postretirement plans) for the 13 and 39 weeks ended July 31, 2004 and August 2, 2003 (in thousands):

Components of Net Periodic Benefit Cost:

Pension Plans	13 Weeks Ended		39 Weeks Ended	
	July 31, 2004	August 2, 2003	July 31, 2004	August 2, 2003
Service cost	\$ 85	\$ 29	\$ 254	\$ 88
Interest cost	125	132	401	396
Expected return on plan assets	(121)	(97)	(356)	(291)
Settlement (gain) loss recognized	265	-	265	273
Amortization of prior service cost	10	12	32	36
Recognized net actuarial loss	77	98	275	294
Net periodic benefit cost	\$ 441	\$ 174	\$ 871	\$ 796

Other Postretirement Plan	13 Weeks Ended		39 Weeks Ended	
	July 31, 2004	August 2, 2003	July 31, 2004	August 2, 2003
Service cost	\$ 43	\$ 31	\$128	\$ 94
Interest cost	81	68	238	203
Amortization of prior service cost	22	6	62	17
Recognized net actuarial loss	24	34	126	103
Net periodic benefit cost	\$ 170	\$ 139	\$554	\$ 417

As previously disclosed in the Notes to the Consolidated Financial Statements in the Company's 2003 Annual Report on Form 10-K filed with the SEC on January 29, 2004, the Company's current funding policy for its qualified pension plans is to contribute annually the amount required by regulatory authorities to meet minimum funding requirements. The Company presently anticipates contributing approximately \$1,047,000 to its pension plans during fiscal 2004. This amount is based on preliminary information and the actual amount contributed will be determined based on the final actuarial calculations, plan asset performance,

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possible changes in law and other factors. The Company has contributed \$649,000 in the first 39 weeks of fiscal 2004, and anticipates contributing approximately \$398,000 more for expected future benefit payments during the remainder of fiscal 2004.

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Since the Company's Other Post Retirement Plan is unfunded, the contributions to this plan are equal to the benefit payments made during the year. There were no benefit payments made during the thirty nine weeks ended July 31, 2004.

Note 7 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 Company has reached a settlement, subject to the approval of The Court, with the Plaintiffs with regard to their application for attorney's fees and with the directors and officers insurance carrier with regard to their participation in the total costs of the proceeding. As a result of accruing the cost of this settlement, net income for the thirteen and thirty nine weeks ended July 31, 2004 was reduced by \$214,000.

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 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 July 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 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 July 31, 2004 the Company owed \$16,250,000 on the Term Loan and \$20,000,000 under the Capex Facility.

As of April 15, 2004 the Credit Agreement was amended to allow the Company to

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borrow under the revolving credit facility, on any Tuesday or Wednesday, up to \$5,000,000 in excess of the availability under the borrowing base limitation of 65% of eligible inventory as long as a like amount of cash and cash equivalents are on hand at store level or in transit to the Company's banks. This amount is reduced to \$4,000,000 on June 16, 2004 and \$3,000,000 on July 16, 2004 with the provision expiring on August 16, 2004.

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Additionally, the amendment realigned the annual limits on Adjusted Indebtedness, Indebtedness attributable to Capitalized Lease Obligations, Adjusted Capex and Store Project Capex to more closely follow the timing of the Company's new store and store remodeling program. The lending group also consented to the purchase of a store location from Wakefern for \$1,000,000.

As of August 24, 2004 the Credit Agreement was further amended to allow the Company to borrow under the revolving credit facility, on any Tuesday and on any Wednesday, up to \$3,000,000 in excess of the availability under the borrowing base limitation of 65% of eligible inventory as long as a like amount of cash and cash equivalents are on hand at store level or in transit to the Company's banks. This provision will expire on January 15, 2005.

As of July 19, 2004 the Credit Agreement was amended to increase the limit on the amount of Adjusted Capex for fiscal 2004 to \$5,100,000 and decrease the limit on the amount of Adjusted Capex for fiscal 2005 to \$4,000,000. The amendment realigned the annual limits on Adjusted Capex to more closely follow the timing of the Company's store remodeling program.

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

Financial Covenant	Credit Agreement	Actual (As defined in the Credit Agreement)
Adjusted EBITDA (1)	Greater than \$25,000,000	\$ 29,151,000
Leverage Ratio (1) (2)	Less than 3.0 to 1.00	2.39 to 1.00
Debt Service Coverage Ratio (3)	Greater than 1.10 to 1.00	2.18 to 1.00
Adjusted Capex (4)	Less than \$5,100,000 (5)	\$ 1,837,000 (6)
Store Project Capex	Less than \$24,500,000 (5)	\$ 22,647,000 (6)

- (1) Excludes obligations under capitalized leases, interest expense and depreciation expense attributable to capitalized leases and changes in the LIFO reserve.
- (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 (\$1,328,000 for the thirty nine weeks ended July 31, 2004) from Adjusted EBITDA.

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- (4) Adjusted Capex is all capital expenditures other than Store Project Capex.
- (5) Represents limitations on capital expenditures for fiscal 2004.
- (6) Represents capital expenditures for fiscal 2004.

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.

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Working Capital

At July 31, 2004, the Company had a working capital deficiency of \$3,359,000 compared to working capital of \$3,959,000 at November 1, 2003 and a working capital deficiency of \$752,000 at August 2, 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 and the collection of refundable income taxes and the application of the funds collected. The funds collected were applied to the revolving credit facility thereby decreasing the Revolving Note which is classified as long-term borrowings. This resulted in a corresponding decrease 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 \$2,289,000. This liability was funded prior to May 1, 2004. 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 accumulated Federal tax benefit for accelerated depreciation resulting from the Tax Acts is approximately \$3,560,000 for fiscal 2003 and the first nine months of fiscal 2004. A refund for fiscal 2003 of \$3,266,000 resulting from this accelerated depreciation was received prior to July 31, 2004. The balance of \$294,000 is reflected as a reduction to our current income taxes payable.

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.

Working capital ratios were as follows:

July 31, 2004	.96 to 1.0
November 1, 2003	1.05 to 1.0
August 2, 2003	.99 to 1.0

Cash flows (in millions) were as follows:

Thirty Nine Weeks Ended	

July 31, 2004	August 2, 2003
-----	-----

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Operating activities	\$ 24.1	\$14.0
Investing activities	(22.9)	(21.4)
Financing activities	(.4)	9.1
	-----	-----
Totals	\$.8	\$ 1.7
	=====	=====

The Company had \$8,913,000 of available credit, at July 31, 2004, under its revolving credit facility. The Company had no capital commitments for leasehold improvements or equipment as of July 31, 2004. The amounts available under the Credit Agreement will adequately meet our operating needs, scheduled capital expenditures and debt service for fiscal 2004.

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For the 39 weeks ended July 31, 2004, depreciation was \$15,146,000 while capital expenditures, excluding capitalized leases, totaled \$24,484,000, compared to \$12,613,000 and \$23,224,000, respectively, in the prior year period. The increase in depreciation was the result of a full thirty nine weeks 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, the new locations opened in April 2004 and May 2004, the location in Bordentown, New Jersey purchased in June 2004, as well as seven additional capitalized real estate leases. Capital expenditures in the first nine months of fiscal 2004, consisting of the acquisition of equipment and leasehold improvements for the two locations opened in April and May 2004, the East Brunswick store and the Bordentown location, increased slightly as compared to capital expenditures in the first 39 weeks of fiscal 2003 when three new locations opened and the bakery commissary and one additional store were under construction.

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

		Payments Due By Period			
		Less Than	2-3	4-5	After 5
Contractual Obligations	Total	1 Year	Years	Years	Years
		(Dollars In Thousands)			
Long-term debt	\$ 65,018	\$ 8,165	\$18,172	\$ 38,681	\$ -
Related party debt	4,658	978	1,929	1,487	264
Capital lease obligations	357,912	15,583	31,660	31,502	279,167
Operating leases	64,364	10,352	16,675	12,460	24,877
Purchase obligations - leaseholds and equipment	-	-	-	-	-
Lease commitments - stores under construction	-	-	-	-	-
Total	\$ 491,952	\$35,078	\$68,436	\$ 84,130	\$304,308
	=====	=====	=====	=====	=====

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Results of Operations (13 weeks ended July 31, 2004 compared to
13 weeks ended August 2, 2003)

Sales:

Sales for the current period totaled \$302.8 million as compared to \$271.3 million in the prior year period. This represents an increase of 11.6 %. Sales for the current quarter included the operations of the new locations opened in May 2003, October 2003, April 2004 and May 2004 in North Brunswick, Hamilton, Lawrenceville and Aberdeen, New Jersey, respectively, as well as the location in Bordentown, New Jersey purchased from Wakefern in June 2004. The locations in North Brunswick and Aberdeen replaced older, smaller stores.

Same store sales from the twenty one stores in operation in both periods increased 1.0%. This increase in comparable store sales was 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.

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Gross Profit:

Gross profit as a percent of sales increased to 26.5% of sales compared to 25.8% in the prior year period. Patronage dividends, applied as a reduction of the cost of merchandise sold, were \$2.5 million in the current period compared to \$2.0 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 and 2004, 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.

Operating Expenses:

Selling, general and administrative expenses as a percent of sales were 24.8% versus 24.2% 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 .09%, depreciation, including depreciation on capitalized leases, increased .19%, occupancy increased .29%, miscellaneous expense increased .11% and pre-opening expense increased .06%. These increases were partially offset by decreases in administrative expense of .07%. The increase in labor and related fringe benefits resulted from the addition of personnel for new stores opened in the second and third quarters and contractual increases in fringe benefits. The increase in occupancy was primarily the result of the increased cost of utilities. The increase in miscellaneous expense was primarily the result of the increased cost and use of debit and credit card transactions. The decrease in administrative expense was primarily the result of the decrease of administrative expense as a percentage of sales which was partially offset by the cost of the settlement with the plaintiffs and the directors and officers insurance carrier in the shareholders derivative action. See Part II. Other Information, Item 1. Legal Proceedings. Pre-opening costs were for the new Lawrenceville, New Jersey store opened on April 28, 2004 and the new Aberdeen, New Jersey store opened on May 19, 2004.

Interest Expense:

Interest expense increased to \$4,248,000 from \$3,415,000, while interest income

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was \$24,000 compared to \$39,000 for the prior period. The increase in interest expense for the current year period was due to an increase in average outstanding debt, including increased 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 tax rates.

Net Income:

Net income was \$496,000 in the current year period compared to \$576,000 in the prior year period. Earnings before interest, taxes, depreciation and amortization ("EBITDA") for the current period were \$10,756,000 as compared to \$8,947,000 in the prior year period. Net income per common share on a diluted basis was \$.48 in the current period compared to \$.57 in the prior year period. Per share calculations are based on 1,038,041 shares outstanding in the current year period and 1,010,586 shares outstanding in the prior year period.

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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:

	Thirteen Weeks Ended	
	July 31, 2004	August 2, 2003
Net income	\$ 496,000	\$ 576,000
Add:		
Interest expense, net	4,224,000	3,376,000
Income tax provision	304,000	384,000
Depreciation	5,580,000	4,492,000
Amortization	152,000	119,000
	-----	-----
EBITDA	\$ 10,756,000	\$ 8,947,000
	=====	=====

Results of Operations (39 weeks ended July 31, 2004 compared to
39 weeks ended August 2, 2003)

Sales:

Sales for the current thirty nine week period totaled \$876.6 million as compared to \$783.0 million in the prior year period. This represents an increase of

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11.9%. Sales for the current thirty nine week period included the operations of six new locations opened in December 2002, January 2003, May 2003, October 2003, April 2004 and May 2004 in Woodbridge, Ewing, North Brunswick, Hamilton, Lawrenceville and Aberdeen, New Jersey, respectfully, as well as the location in Bordentown, New Jersey purchased in June 2004 from Wakefern. The locations in Woodbridge, North Brunswick and Aberdeen replaced older, smaller stores.

Same store sales from the nineteen stores in operation in both periods increased 2.5%. This increase in comparable store sales was 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 26.4% of sales compared to 25.7% in the prior year period. Patronage dividends, applied as a reduction of the cost of merchandise sold, were \$7.2 million in the current period compared to \$5.6 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 and fiscal 2004, increased patronage dividends and a reduction in Wakefern assessment as a percentage of sales. This increase was offset in part by the costs associated with 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 increased to 24.6% in the current period compared to 24.4% 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, selling expense increased .05%, depreciation, including depreciation on capitalized leases, increased .11% and occupancy expense increased .10%. These increases were partially offset by decreases in administrative expense of .11%. The increase in occupancy was primarily the result of the increased cost of utilities. The decrease in administrative expense was the result of the decrease of administrative costs as a percentage of sales and an increase in the reserve for closed store expense in the prior year period. This decrease was partially offset by the cost of the settlement with the plaintiffs and the directors and officers insurance carrier in the shareholders derivative action. See Part II. Other Information, Item1. Legal Proceedings.

Interest Expense:

Interest expense increased to \$11,886,000 from \$8,746,000, while interest income was \$88,000 compared to \$116,000 for the prior year period. The increase in interest expense for the current year period was due to an increase in average outstanding debt, including increased 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 tax rates.

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Net Income:

Net income was \$2,692,000 in the current year period compared to \$1,053,000 in the prior year period. Earnings before interest, taxes, depreciation and amortization ("EBITDA") for the current period were \$31,666,000 as compared to \$23,303,000 in the prior year period. Net income per common share on a diluted basis was \$2.62 in the current period compared to \$1.04 in the prior year period. Per share calculations are based on 1,027,760 shares outstanding in the current period and 1,013,751 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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	Thirty Nine Weeks Ended	
	July 31, 2004	August 2, 2003
	-----	-----
Net income	\$ 2,692,000	\$ 1,053,000
Add:		
Interest expense, net	11,798,000	8,630,000
Income tax provision	1,651,000	702,000
Depreciation	15,146,000	12,613,000
Amortization	379,000	305,000
	-----	-----
EBITDA	\$31,666,000	\$23,303,000
	=====	=====

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 Officer, who concluded that the Company's disclosure controls and procedures are

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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.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

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.

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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 Company has reached a settlement, subject to the approval of The Court, with the Plaintiffs with regard to their application for attorney's fees and with the directors and officers insurance carrier with regard to their participation in the total costs of the proceeding. As a result of accruing the cost of this settlement, net income for the thirteen and thirty nine weeks ended July 31, 2004 was reduced by \$214,000.

Item 6. 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

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.

FOODARAMA SUPERMARKETS, INC.
(Registrant)

Date: September 14, 2004

/S/ MICHAEL SHAPIRO

(Signature)

Michael Shapiro
Senior Vice President
Chief Financial Officer

Date: September 14, 2004

/S/ THOMAS H. FLYNN

(Signature)

Thomas H. Flynn
Director of Accounting
Principal Accounting Officer

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;

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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 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: September 10, 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

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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 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: September 10, 2004

/s/ MICHAEL SHAPIRO

(Signature)

Michael Shapiro

Chief Financial Officer

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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 July 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 Company.

Date: September 10, 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 July 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: September 10, 2004

/s/ MICHAEL SHAPIRO

(Signature)
Michael Shapiro

Chief Financial Officer