

CAL-MAINE FOODS INC  
Form 10-Q  
December 29, 2014  
Index

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(mark one)

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

For the quarterly period ended November 29, 2014

OR

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

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

Commission File Number: 000-04892

CAL-MAINE FOODS, INC.

(Exact name of registrant as specified in its charter)

Delaware

64-0500378

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(State or other jurisdiction of incorporation or organization) (I.R.S Employer Identification No.)

3320 Woodrow Wilson Avenue, Jackson, Mississippi 39209

(Address of principal executive offices)(Zip Code)

(601) 948-6813

(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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

|  |                           |
|--|---------------------------|
| Large Accelerated filer  | Accelerated filer         |
| Non – Accelerated filer<br>(Do not check if a smaller reporting company) | Smaller reporting company |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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There were 43,581,654 shares of Common Stock, \$0.01 par value, and 4,800,000 shares of Class A Common Stock, \$0.01 par value, outstanding as of December 26, 2014.

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CAL-MAINE FOODS, INC. AND SUBSIDIARIES

FORM 10-Q

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FOR THE QUARTER ENDED NOVEMBER 29, 2014

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## CAL-MAINE FOODS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

|  | November<br>29, 2014<br>(unaudited) | May 31,<br>2014   |
|--|-------------------------------------|-------------------|
| <b>ASSETS</b>  |                                     |                   |
| Current assets:  |                                     |                   |
| Cash and cash equivalents  | \$ 9,884                            | \$ 14,521         |
| Investment securities available-for-sale   | 191,534                             | 194,738           |
| Trade receivables (less allowance for doubtful accounts of \$890 at November 29, 2014 and \$430 at May 31, 2014) and other receivables | 118,850                             | 87,516            |
| Inventories  | 146,529                             | 146,117           |
| Prepaid expenses and other current assets  | 4,029                               | 2,501             |
| Total current assets   | 470,826                             | 445,393           |
| Property, plant and equipment, net   | 339,249                             | 314,935           |
| Goodwill   | 29,196                              | 29,196            |
| Other investments  | 15,286                              | 6,786             |
| Other intangible assets  | 8,989                               | 10,423            |
| Other long-lived assets  | 4,990                               | 4,717             |
| Notes receivable – noncurrent  | 52                                  | 211               |
| <b>TOTAL ASSETS</b>  | <b>\$ 868,588</b>                   | <b>\$ 811,661</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                                     |                   |
| Current liabilities:   |                                     |                   |
| Accounts payable and accrued expenses  | \$ 87,884                           | \$ 69,937         |
| Accrued dividends payable  | 12,201                              | 10,497            |
| Current maturities of long-term debt   | 10,047                              | 10,216            |
| Deferred income taxes  | 30,617                              | 30,451            |
| Total current liabilities  | 140,749                             | 121,101           |
| Long-term debt, less current maturities  | 45,845                              | 50,877            |
| Other noncurrent liabilities   | 4,391                               | 4,436             |
| Deferred income taxes  | 38,947                              | 40,502            |
| Total liabilities  | 229,932                             | 216,916           |

Commitments and Contingencies - see Note 4

Stockholders' equity:

|  |                   |                   |
|--|-------------------|-------------------|
| Common stock, \$0.01 par value per share, 120,000 shares authorized, 70,261 shares issued, and 43,582 and 43,562 shares outstanding, at November 29, 2014 and May 31, 2014, respectively | 703               | 351               |
| Class A common stock, \$0.01 par value per share, 4,800 shares authorized, issued and outstanding at November 29, 2014 and May 31, 2014  | 48                | 24                |
| Paid-in capital  | 41,579            | 40,476            |
| Retained earnings  | 615,335           | 572,874           |
| Accumulated other comprehensive income, net of tax   | 516               | 561               |
| Common stock in treasury at cost – 26,679 shares at November 29, 2014 and 26,699 at May 31, 2014, respectively   | (20,570)          | (20,453)          |
| Total Cal-Maine Foods, Inc. stockholders' equity   | 637,611           | 593,833           |
| Noncontrolling interests in consolidated entities  | 1,045             | 912               |
| Total stockholders' equity   | 638,656           | 594,745           |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>  | <b>\$ 868,588</b> | <b>\$ 811,661</b> |

See Notes to Condensed Consolidated Financial Statements.

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## CAL-MAINE FOODS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts)

(unaudited)

|  | 13 Weeks Ended |            | 26 Weeks Ended |            |
|--|----------------|------------|----------------|------------|
|  | November       | November   | November       | November   |
|  | 29, 2014       | 30, 2013   | 29, 2014       | 30, 2013   |
| Net sales  | \$ 378,617     | \$ 354,275 | \$ 735,561     | \$ 673,803 |
| Cost of sales  | 285,908        | 279,608    | 561,751        | 554,225    |
| Gross profit   | 92,709         | 74,667     | 173,810        | 119,578    |
| Selling, general, and administrative expense                       | 37,112         | 33,809     | 77,050         | 67,650     |
| Operating income   | 55,597         | 40,858     | 96,760         | 51,928     |
| Other income (expense):  |                |            |                |            |
| Interest expense, net  | (477)          | (690)      | (1,011)        | (1,486)    |
| Royalty income   | 1,452          | 548        | 2,024          | 2,412      |
| Patronage dividends  | 8              | 252        | 245            | 252        |
| Equity in income of affiliates                                     | 335            | 665        | 645            | 955        |
| Other  | (406)          | (717)      | 632            | 636        |
|  | 912            | 58         | 2,535          | 2,769      |
| Income before income taxes and noncontrolling interest             | 56,509         | 40,916     | 99,295         | 54,697     |
| Income tax expense   | 19,648         | 14,669     | 34,249         | 19,552     |
| Net income before noncontrolling interest                          | 36,861         | 26,247     | 65,046         | 35,145     |
| Less: Net income attributable to noncontrolling interest           | 258            | 141        | 788            | 283        |
| Net income attributable to Cal-Maine Foods, Inc.                   | \$ 36,603      | \$ 26,106  | \$ 64,258      | \$ 34,862  |
| Net income per common share attributable to Cal-Maine Foods, Inc.: |                |            |                |            |
| Basic  | \$ 0.76        | \$ 0.54    | \$ 1.34        | \$ 0.73    |
| Diluted  | \$ 0.76        | \$ 0.54    | \$ 1.33        | \$ 0.72    |
| Dividends per common share   | \$ 0.252       | \$ 0.180   | \$ 0.443       | \$ 0.214   |
| Weighted average shares outstanding:                               |                |            |                |            |
| Basic  | 48,136         | 48,091     | 48,133         | 48,084     |
| Diluted  | 48,404         | 48,275     | 48,400         | 48,268     |



See Notes to Condensed Consolidated Financial Statements.

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## CAL-MAINE FOODS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(unaudited)

|  | 13 Weeks Ended |           | 26 Weeks Ended |           |
|--|----------------|-----------|----------------|-----------|
|  | November       | November  | November       | November  |
|  | 29, 2014       | 30, 2013  | 29, 2014       | 30, 2013  |
| Net income, including noncontrolling interests   | \$ 36,861      | \$ 26,247 | \$ 65,046      | \$ 35,145 |
| Other comprehensive loss, before tax:  |                |           |                |           |
| Unrealized holding gain (loss) on available-for-sale securities, net of reclassification adjustments | (57)           | 304       | (73)           | 228       |
| Income tax (expense) benefit related to items of other comprehensive income                          | 22             | (119)     | 28             | (89)      |
| Other comprehensive income (loss), net of tax  | (35)           | 185       | (45)           | 139       |
| Comprehensive income   | 36,826         | 26,432    | 65,001         | 35,284    |
| Less: comprehensive income attributable to the noncontrolling interest                               | 258            | 141       | 788            | 283       |
| Comprehensive income attributable to Cal-Maine Foods, Inc.   | \$ 36,568      | \$ 26,291 | \$ 64,213      | \$ 35,001 |

See Notes to Condensed Consolidated Financial Statements.

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## CAL-MAINE FOODS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

|   | 26 Weeks Ended       |                      |
|---|----------------------|----------------------|
|   | November<br>29, 2014 | November<br>30, 2013 |
| Operating activities:   |                      |                      |
| Net income including noncontrolling interest  | \$ 65,046            | \$ 35,145            |
| Depreciation and amortization   | 19,984               | 18,012               |
| Other adjustments, net  | (16,961)             | (43,688)             |
| Net cash provided by operations   | 68,069               | 9,469                |
| Investing activities:   |                      |                      |
| Purchase of investments   | (69,172)             | (45,170)             |
| Sales of investments  | 72,247               | 52,409               |
| Investment in Southwest Specialty, LLC  | (8,160)              | -                    |
| Purchases of property, plant and equipment  | (43,035)             | (27,769)             |
| Payments received on notes receivable and from affiliates   | 783                  | 3,752                |
| Net proceeds from disposal of property, plant and equipment   | 145                  | 452                  |
| Net cash used in investing activities   | (47,192)             | (16,326)             |
| Financing activities:   |                      |                      |
| Proceeds from issuance of common stock from treasury, net (including tax benefit on nonqualifying disposition of incentive stock options) | 60                   | 219                  |
| Distributions to noncontrolling interests   | (655)                | -                    |
| Principal payments on long-term debt  | (5,201)              | (5,653)              |
| Payments of dividends   | (19,718)             | (1,635)              |
| Net cash used in financing activities   | (25,514)             | (7,069)              |
| Net change in cash and cash equivalents   | (4,637)              | (13,926)             |
| Cash and cash equivalents at beginning of period  | 14,521               | 24,984               |
| Cash and cash equivalents at end of period  | \$ 9,884             | \$ 11,058            |

See Notes to Condensed Consolidated Financial Statements.



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CAL-MAINE FOODS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

November 29, 2014

(unaudited)

1. Presentation of Interim Information

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair statement of the results for the interim periods presented have been included. The preparation of condensed consolidated financial statements requires us to make estimates and assumptions. These estimates and assumptions affected reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and assumptions. Operating results for the thirteen and twenty-six weeks ended November 29, 2014 are not necessarily indicative of the results that may be expected for the year ending May 30, 2015.

The condensed consolidated balance sheet at May 31, 2014 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

On October 31, 2014, the Company effected a 2-for-1 stock split to shareholders of record as of October 17, 2014. All share and per share information has been retroactively adjusted to reflect the stock split.

For further information, refer to the consolidated financial statements and footnotes thereto included in Cal-Maine Foods, Inc.'s annual report on Form 10-K for the fiscal year ended May 31, 2014. References to “we,” “us,” “our,” or the “Company” refer to Cal-Maine Foods, Inc.

2. Stock Based Compensation

Total stock based compensation expense for the twenty-six weeks ended November 29, 2014 and November 30, 2013 was \$1.2 million and \$656,000, respectively. Liabilities associated with Stock Appreciation Rights (“SARs”) as of November 29, 2014 and May 31, 2014 were \$1.3 million and \$1.1 million, respectively. The liabilities for our 2005 Stock Appreciation Rights are included in the line item “Accounts payable and accrued expenses” in our Condensed Consolidated Balance Sheets. Unrecognized compensation expense as a result of non-vested shares of the 2012 Omnibus Long-Term Incentive Plan at November 29, 2014 was \$3.2 million, and will be recorded over a weighted average period of 1.6 years. Refer to Note 11 of our May 31, 2014 audited financial statements for further information on our stock compensation plans.

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A summary of the Company's restricted shares activity for the twenty-six weeks ended November 29, 2014 is as follows:

|                                | Number<br>of Shares | Weighted<br>Average<br>Grant<br>Date Fair<br>Value |
|--------------------------------|---------------------|--|
| Outstanding, May 31, 2014      | 245,200             | \$ 23.71   |
| Granted                        | -                   | -  |
| Vested                         | -                   | -  |
| Forfeited                      | -                   | -  |
| Outstanding, November 29, 2014 | 245,200             | \$ 23.71   |

## 3. Inventories

Inventories consisted of the following (in thousands):

|                   | November<br>29, 2014 | May 31,<br>2014 |
|-------------------|----------------------|-----------------|
| Flocks            | \$ 91,897            | \$ 90,152       |
| Eggs              | 11,623               | 11,747          |
| Feed and supplies | 43,009               | 44,218          |
|                   | \$ 146,529           | \$ 146,117      |

## 4. Contingencies

## Financial Instruments

The Company maintains standby letters of credit ("LOC") with banks totaling \$3.3 million at November 29, 2014. These LOCs are collateralized with cash. The cash collateralizing the LOCs is included in the line item "Other long-lived assets" in the Condensed Consolidated Balance Sheets. The outstanding LOCs are for the benefit of certain insurance companies. None of the LOCs are recorded as a liability on the consolidated balance sheets.

## Legal Contingencies

The Company is a defendant in certain legal actions, and intends to vigorously defend its position in these actions. If the Company's assessment of a contingency indicates it is probable a material loss has been incurred and the amount of the liability can be reasonably estimated, the estimated liability is accrued in the Company's financial statements. If the assessment indicates a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be reasonably estimated, then the nature of the contingent liability, together with an estimate of the possible loss or range of possible loss will be disclosed, or a statement will be made that such an estimate cannot be made.

These legal actions are discussed in detail at Part II, Item 1, of this report.



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## 5. Net Income per Common Share

Basic net income per share was calculated by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted net income per share was calculated by dividing net income by the weighted-average number of common shares outstanding during the period plus the dilutive effects of options and restricted stock. The computations of basic and diluted net income per share attributable to the Company are as follows (in thousands, except per share data):

|  | 13 Weeks Ended |           | 26 Weeks Ended |           |
|--|----------------|-----------|----------------|-----------|
|  | November       | November  | November       | November  |
|  | 29, 2014       | 30, 2013  | 29, 2014       | 30, 2013  |
| Net income attributable to Cal-Maine Foods, Inc.                   | \$ 36,603      | \$ 26,106 | \$ 64,258      | \$ 34,862 |
| Basic weighted-average common shares                               | 48,136         | 48,091    | 48,133         | 48,084    |
| Effect of dilutive securities:                                     |                |           |                |           |
| Restricted shares  | 245            | 126       | 245            | 126       |
| Common stock options   | 23             | 58        | 22             | 58        |
| Dilutive potential common shares                                   | 48,404         | 48,275    | 48,400         | 48,268    |
| Net income per common share attributable to Cal-Maine Foods, Inc.: |                |           |                |           |
| Basic  | \$ 0.76        | \$ 0.54   | \$ 1.34        | \$ 0.73   |
| Diluted  | \$ 0.76        | \$ 0.54   | \$ 1.33        | \$ 0.72   |

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## 6. Accrued Dividends Payable and Dividends per Common Share

We make an accrual of dividends payable at the end of each quarter according to the Company's dividend policy adopted by its Board of Directors. According to the dividend policy, the Company pays a dividend to shareholders of its Common Stock and Class A Common Stock on a quarterly basis for each quarter for which the Company reports net income attributable to Cal-Maine Foods, Inc. computed in accordance with generally accepted accounting principles in an amount equal to one-third (1/3) of such quarterly income. Dividends are paid to shareholders of record as of the 60th day following the last day of such quarter, except for the fourth fiscal quarter. For the fourth quarter, the Company will pay dividends to shareholders of record on the 65th day after the quarter end. Dividends are payable on the 15th day following the record date. Following a quarter for which the Company does not report net income attributable to Cal-Maine Foods, Inc., the Company will not pay a dividend for a subsequent profitable quarter until the Company is profitable on a cumulative basis computed from the date of the last quarter for which a dividend was paid. The amount of the accrual appears on the Condensed Consolidated Balance Sheets as "Accrued dividends payable."

In the fourth quarter of fiscal 2013 the Company reported a net loss attributable to Cal-Maine Foods, Inc. of \$3.8 million. As a result total dividends paid for the twenty-six weeks ended November 30, 2013 are calculated only on net income attributable to Cal-Maine Foods, Inc. in excess of \$3.8 million.

On our condensed consolidated statement of income, we determine dividends per common share in accordance with the computation in the following table (in thousands, except per share data):

|  | 13 Weeks Ended |           | 26 Weeks Ended |           |
|--|----------------|-----------|----------------|-----------|
|  | November       | November  | November       | November  |
|  | 29, 2014       | 30, 2013  | 29, 2014       | 30, 2013  |
| Net income attributable to Cal-Maine Foods, Inc.   | \$ 36,603      | \$ 26,106 | \$ 64,258      | \$ 34,862 |
| Fourth quarter fiscal 2013 loss  | -              | -         | -              | (3,833)   |
| Net income available for dividend calculation  | 36,603         | 26,106    | 64,258         | 31,029    |
| 1/3 of net income attributable to Cal-Maine Foods, Inc. available and accrued for dividend | 12,201         | 8,703     | 21,419         | 10,343    |
| Common stock outstanding (shares)  | 43,582         | 43,417    |                |           |
| Class A common stock outstanding (shares)  | 4,800          | 4,800     |                |           |
| Total common stock outstanding (shares)  | 48,382         | 48,217    |                |           |
| Dividends per common share*  | \$ 0.252       | \$ 0.180  | \$ 0.443       | \$ 0.214  |

\*Dividends per common share =  $1/3$  of Net income (loss) attributable to Cal-Maine Foods, Inc. available for dividend ÷ Total common stock outstanding (shares). Per share amounts for the thirteen and twenty-six weeks ended November 29, 2014, are estimated based on outstanding shares as of the end of the period; actual per share amounts will be determined as of the dividend record date.

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## 7. Derivative Financial Instruments

The Company holds commodity futures contracts in the form of call options, the cost of which is paid for by certain customers, to protect against increases in the price of corn and soybean meal purchases required to support that portion of its shell egg production sold on a cost of production formula. The contracts are generally for durations of less than six months. The Company marks the unrealized changes in the derivative instrument's fair value to market; however, the net realized cost of these contracts is paid by certain customers, so there is no net impact to the Company's Consolidated Statements of Income. The fair value of all derivative instruments outstanding is included as a component of "Prepaid Expenses and Other Current Assets" on the Condensed Consolidated Balance Sheets as follows:

| Contracts outstanding at period end     |                   |  | Fair    |
|---|-------------------|--|---------|
| Commodity                               | Units             |  | Value   |
|   |                   |  | \$      |
| Corn                                    | 2,600,000 bushels |  | 186,000 |
|   |                   |  | \$      |
| Soybean meal                            | 27,100 tons       |  | 207,000 |
|   |                   |  | \$      |
| Total fair value of commodity contracts |                   |  | 393,000 |

## 8. Fair Value Measurements

The Company is required to categorize both financial and nonfinancial assets and liabilities based on the following fair value hierarchy. The fair value of an asset is the price at which the asset could be sold in an orderly transaction between unrelated, knowledgeable, and willing parties able to engage in the transaction. A liability's fair value is defined as the amount that would be paid to transfer the liability to a new obligor in a transaction between such parties, not the amount that would be paid to settle the liability with the creditor.

- Level 1 - Quoted prices in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - Unobservable inputs for the asset or liability that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

The disclosure of fair value of certain financial assets and liabilities that are recorded at cost are as follows:

Cash and cash equivalents: The carrying amount approximates fair value due to the short maturity of these instruments.

Long-term debt: The carrying value of the Company's long-term debt is at its stated value. We have not elected to carry our long-term debt at fair value. Fair values for debt are based on quoted market prices or published forward interest rate curves. Estimated fair values are management's estimates; however, when there is no readily available market data, the estimated fair values may not represent the amounts that could be realized in a current transaction, and the fair values could change significantly. The fair value and carrying value of the Company's borrowings under its credit facilities and long-term debt were as follows (in thousands):

|  | November 29, 2014 |            | May 31, 2014   |            |
|--|-------------------|------------|----------------|------------|
|  | Carrying Value    | Fair Value | Carrying Value | Fair Value |
| 5.45 – 6.4% Notes payable              | \$ 48,528         | \$ 49,277  | \$ 52,676      | \$ 53,387  |
| Series A Senior Secured Notes at 5.45% | 7,364             | 7,364      | 8,417          | 8,396      |
|  | \$ 55,892         | \$ 56,641  | \$ 61,093      | \$ 61,783  |

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## Assets and Liabilities Measured at Fair Value on a Recurring Basis

In accordance with the fair value hierarchy described above, the following table shows the fair value of financial assets and liabilities measured at fair value on a recurring basis as of November 29, 2014 and May 31, 2014:

|   | November 29, 2014   |   |  |                  |
|---|---|---|--|------------------|
|   | Quoted Prices<br>in Active Markets<br>for Identical<br>Instruments<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Total<br>Balance |
| Investment securities available-for-sale          |   |   |  |                  |
| State municipal bonds                             | \$ -  | \$ 74,954   | \$ -   | \$ 74,954        |
| US government obligations                         | -   | 3,765   | -  | 3,765            |
| Corporate bonds                                   | -   | 103,622   | -  | 103,622          |
| Commercial paper                                  | -   | 2,497   | -  | 2,497            |
| Certificates of deposit                           | -   | -   | -  | -                |
| Foreign government obligations                    | -   | 1,055   | -  | 1,055            |
| Government agency bonds                           | -   | 4,641   | -  | 4,641            |
| Variable rate demand notes                        | -   | 1,000   | -  | 1,000            |
| Mutual funds*                                     | 1,450   | -   | -  | 1,450            |
| Total available-for-sale securities at fair value | 1,450   | 191,534   | -  | 192,984          |
| Commodity contracts                               | -   | 393   | -  | 393              |
| Total assets measured at fair value               | \$ 1,450  | \$ 191,927  | \$ -   | \$ 193,377       |
| Contingent consideration                          | -   | -   | 3,224  | 3,224            |
| Total liabilities measured at fair value          | \$ -  | \$ -  | \$ 3,224   | \$ 3,224         |

\*The mutual funds are classified as long term and are a part of "other investments" in the Condensed Consolidated Balance Sheet.

|  | May 31, 2014  |   |  |
|--|---|---|--|
|  | Quoted Prices<br>in Active Markets<br>for Identical<br>Instruments<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |

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|   | Instrument<br>(Level<br>1) | Inputs<br>(Level 2) | Inputs<br>(Level 3) | Total<br>Balance |
|---|----------------------------|---------------------|---------------------|------------------|
| Investment securities available-for-sale          |                            |                     |                     |                  |
| State municipal bonds                             | \$ -                       | \$ 75,847           | \$ -                | \$ 75,847        |
| US government obligations                         | -                          | 4,061               | -                   | 4,061            |
| Corporate bonds                                   | -                          | 102,685             | -                   | 102,685          |
| Commercial paper                                  | -                          | 3,930               | -                   | 3,930            |
| Certificates of deposit                           | -                          | 351                 | -                   | 351              |
| Foreign government obligations                    | -                          | 1,066               | -                   | 1,066            |
| Government agency bonds                           | -                          | 4,798               | -                   | 4,798            |
| Variable rate demand notes                        | -                          | 2,000               | -                   | 2,000            |
| Mutual funds*                                     | 1,451                      | -                   | -                   | 1,451            |
| Total available-for-sale securities at fair value | 1,451                      | 194,738             | -                   | 196,189          |
| Commodity contracts                               | -                          | 1,255               | -                   | 1,255            |
| Total assets measured at fair value               | \$ 1,451                   | \$ 195,993          | \$ -                | \$ 197,444       |
| Contingent consideration                          | \$ -                       | \$ -                | \$ 2,985            | \$ 2,985         |
| Total liabilities measured at fair value          | \$ -                       | \$ -                | \$ 2,985            | \$ 2,985         |

\*The mutual funds are classified as long term and are a part of "other investments" in the Condensed Consolidated Balance Sheet.

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Our investment securities – available-for-sale classified as level 2 consist of certificates of deposit, United States government obligations, foreign government agency bonds, taxable municipal bonds, tax exempt municipal bonds, zero coupon municipal bonds, corporate bonds, commercial paper, and variable rate demand notes. We classify these securities as current, because amounts invested are available for current operations. Observable inputs for these securities are yields, credit risks, default rates, and volatility.

Our commodity contracts consist of futures contracts in the form of call options, the cost of which is paid for by certain customers, to protect against increases in the price of corn and soybean meal. Observable inputs for these securities are current and forward commodity market prices on active exchanges. The Company applies fair value accounting guidance to measure non-financial assets and liabilities associated with business acquisitions. These assets and liabilities are measured at fair value for the initial purchase price allocation and are subject to recurring revaluations. The fair value of non-financial assets acquired is determined internally. Our internal valuation methodology for non-financial assets takes into account the remaining estimated life of the assets acquired and what management believes is the market value for those assets based on their highest and best use. Liabilities for contingent consideration (earn-outs) take into account commodity prices based on published forward commodity price curves, projected future egg prices as of the date of the estimate, and projected future cash flows expected to be received as a result of a business acquisition (Refer to Note 2 in the Annual Report on Form 10-K). Given the unobservable nature of these inputs, they are deemed to be Level 3 fair value measurements. During the twenty-six weeks ended November 29, 2014 we recognized \$239,000 in expense resulting from the increase in fair value of the contingent consideration. This expense was recognized in earnings as an increase of selling, general, and administrative expenses. Changes in the fair value of contingent consideration obligations were as follows (in thousands):

|                                       | Twenty-six weeks ended November 29, 2014 |
|---------------------------------------|--|
| Balance at May 31, 2014               | \$ 2,985                                 |
| (Gains)/Losses recognized in earnings | 239                                      |
| Actual payments made                  | -  |
| Balance at November 29, 2014          | \$ 3,224                                 |

## 9. Available-for-Sale Securities

The following represents the Company's available-for-sale securities as of November 29, 2014 and May 31, 2014:

November 29, 2014



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| (Amounts in thousands)                         | Amortized<br>Cost | Gains in<br>Accumulated<br>Other<br>Comprehensive<br>Income | Losses in<br>Accumulated<br>Other<br>Comprehensive<br>Income | Estimated<br>Fair Value |
|--|-------------------|---|--|-------------------------|
| State municipal bonds                          | \$ 74,779         | \$ 175  | \$ -   | \$ 74,954               |
| US government obligations                      | 3,755             | 10  | -  | 3,765                   |
| Corporate bonds                                | 103,641           | -   | 19   | 103,622                 |
| Commercial paper                               | 2,496             | 1   | -  | 2,497                   |
| Foreign government obligations                 | 1,053             | 2   | -  | 1,055                   |
| Government agency bonds                        | 4,638             | 3   | -  | 4,641                   |
| Variable rate demand notes                     | 1,000             | -   | -  | 1,000                   |
| Total available-for-sale securities            | \$ 191,362        | \$ 191  | \$ 19  | \$ 191,534              |
| Mutual Funds*                                  | 942               | 508   | -  | 1,450                   |
| Total noncurrent available-for-sale securities | \$ 942            | \$ 508  | \$ -   | \$ 1,450                |

\*The mutual funds are classified as long term and are a part of “other investments” in the Condensed Consolidated Balance Sheet.

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| (Amounts in thousands)                         | May 31, 2014      |   |  |                         |
|--|-------------------|---|--|-------------------------|
|  | Amortized<br>Cost | Gains in<br>Accumulated<br>Other<br>Comprehensive<br>Income | Losses in<br>Accumulated<br>Other<br>Comprehensive<br>Income | Estimated<br>Fair Value |
| State municipal bonds                          | \$ 75,659         | \$ 188  | \$ -   | \$ 75,847               |
| US government obligations                      | 4,056             | 5   | -  | 4,061                   |
| Corporate bonds                                | 102,587           | 98  | -  | 102,685                 |
| Commercial paper                               | 3,927             | 3   | -  | 3,930                   |
| Certificates of deposit                        | 350               | 1   | -  | 351                     |
| Foreign government obligations                 | 1,064             | 2   | -  | 1,066                   |
| Government agency bonds                        | 4,791             | 7   | -  | 4,798                   |
| Variable rate demand notes                     | 2,000             | -   | -  | 2,000                   |
| Total current available-for-sale securities    | \$ 194,434        | \$ 304  | \$ -   | \$ 194,738              |
| Mutual Funds*                                  | 999               | 452   | -  | 1,451                   |
| Total noncurrent available-for-sale securities | \$ 999            | \$ 452  | \$ -   | \$ 1,451                |

\*The mutual funds are classified as long term and are a part of "other investments" in the Condensed Consolidated Balance Sheet.

Proceeds from the sales of available-for-sale securities were \$72.2 million and \$52.4 million during the twenty-six weeks ended November 29, 2014 and November 30, 2013, respectively. Gross realized gains on those sales during the twenty-six weeks ended November 29, 2014 and November 30, 2013 were \$60,000 and \$4,000, respectively. Gross realized losses on those sales during the twenty-six weeks ended November 29, 2014 and November 30, 2013 were \$4,000 and \$2,000, respectively. For purposes of determining gross realized gains and losses, the cost of securities sold is based on the specific identification method.

Unrealized holding losses reflected in Other Comprehensive Loss, net of tax, on available-for-sale securities were \$45,000 for the twenty-six weeks ended November 29, 2014, compared to unrealized holding gains of \$139,000 for the twenty-six weeks ended November 30, 2013.

Unrealized holding gains, net of tax, of \$516,000 and \$561,000 are included in Accumulated Other Comprehensive Income, as of November 29, 2014 and May 31, 2014, respectively.

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Actual maturities may differ from contractual maturities because some borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Contractual maturities at November 29, 2014, are as follows (in thousands):

|                  |    | Estimated Fair<br>Value |
|------------------|----|-------------------------|
| Within one year  | \$ | 86,948                  |
| After 1-5 years  |    | 104,586                 |
| After 5-10 years |    | -                       |
| Total            | \$ | 191,534                 |

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## 10. Financial Statement Impact of Fires

In the second quarter of fiscal 2014, a contract producer owned pullet complex in Florida was damaged by fire. The fire destroyed two contract producer owned pullet houses that contained the Company's flocks. In the third quarter of fiscal 2014, the Company's Shady Dale, Georgia complex was damaged by fire. The fire destroyed two pullet houses. The Company has received a net of \$2.0 million from insurance carriers as full settlement of these claims, after payment of \$720,000 in deductibles and coinsurance. During the first quarter of fiscal 2015, the Company recorded proceeds received for business interruption losses of \$60,000 as a reduction to "Cost of sales" and a gain on the property damage claim of \$886,000 which was recorded in "Other income (expense)". The remainder of the insurance proceeds, \$1.0 million, was used to reimburse the Company for the book value of damaged property written off and other out of pocket expenses.

## 11. Equity

The following reflects the equity activity, including our noncontrolling interest, for the twenty-six weeks ended November 29, 2014:

| Cal-Maine Foods, Inc.<br>Common Stock                  |        |                   |                    |                    |                                  |                      |                             |            |
|--|--------|-------------------|--------------------|--------------------|----------------------------------|----------------------|-----------------------------|------------|
|  | Amount | Class A<br>Amount | Treasury<br>Amount | Paid In<br>Capital | Accum.<br>Other<br>Comp.<br>Loss | Retained<br>Earnings | Noncontrolling<br>Interests | Total      |
| Balance at May 31, 2014                                | \$ 351 | \$ 24             | \$ (20,453)        | \$ 40,476          | \$ 561                           | \$ 572,874           | \$ 912                      | \$ 594,745 |
| Dividends*   | -      | -                 | -                  | -                  | -                                | (21,422)             | -                           | (21,422)   |
| 2-for-1 stock split effected in the form of a dividend | 352    | 24                | (133)              | 132                | -                                | (375)                | -                           | -          |
| Other comprehensive loss, net of tax                   | -      | -                 | -                  | -                  | (45)                             | -                    | -                           | (45)       |
| Distribution to noncontrolling interest partners       | -      | -                 | -                  | -                  | -                                | -                    | (655)                       | (655)      |
| Proceeds from stock option exercise                    | -      | -                 | 16                 | 44                 | -                                | -                    | -                           | 60         |
|  | -      | -                 | -                  | 927                | -                                | -                    | -                           | 927        |

|                               |        |       |             |           |        |            |          |            |
|-------------------------------|--------|-------|-------------|-----------|--------|------------|----------|------------|
| Restricted stock compensation |        |       |             |           |        |            |          |            |
| Net income                    | -      | -     | -           | -         | -      | 64,258     | 788      | 65,046     |
| Balance at November 29, 2014  | \$ 703 | \$ 48 | \$ (20,570) | \$ 41,579 | \$ 516 | \$ 615,335 | \$ 1,045 | \$ 638,656 |

\* Dividends are calculated as 1/3 of net income after prior period loss (includes adjustment for actual dividends paid based on accrual from previous period).

## 12. Other Matters

On July 25, 2014, the Board of Directors approved an amendment to the Company's Amended and Restated Certificate of Incorporation to authorize an additional 60,000,000 shares of common stock and an additional 2,400,000 shares of Class A common stock. The primary purpose of the amendment was to provide a sufficient number of authorized shares in order to effect a 2-for-1 stock split of the Company's common stock and Class A common stock. The amendment was approved by the Company's stockholders at the Company's annual meeting on October 3, 2014 and the Board of Directors approved the 2-for-1 stock split on the same day. The new shares were distributed on October 31, 2014 to shareholders of record at the close of business on October 17, 2014.

All prior period per share information contained in this report has been adjusted to reflect the effect of the stock split.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report contains numerous forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act") relating to our shell egg business, including estimated production data, expected operating schedules, expected capital costs, and other operating data, including anticipated results of operations and financial condition. Such forward-looking statements are identified by the use of words such as "believes," "intends," "expects," "hopes," "may," "should," "plans," "pro," "contemplates," "anticipates," or similar words. Actual production, operating schedules, capital costs, results of operations, and other projections and estimates could differ materially from those projected in the forward-looking statements. The forward-looking statements are based on management's current intent, belief, expectations, estimates, and projections regarding the Company and its industry. These statements are not guarantees of future performance and involve risks, uncertainties, assumptions, and other factors that are difficult to predict and may be beyond our control. The factors that could cause actual results to differ materially from those projected in the forward-looking statements include, among others, (i) the risk factors set forth in Item 1A of our Annual Report on Form 10-K for the fiscal year ended May 31, 2014, as updated by our subsequent Quarterly Reports on Form 10-Q, (ii) the risks and hazards inherent in the shell egg business (including disease, pests, weather conditions, and potential for recall), (iii) changes in the demand for and market prices of shell eggs and feed costs, (iv) risks, changes, or obligations that could result from our future acquisition of new flocks or businesses, and (v) adverse results in pending litigation matters. Readers are cautioned not to place undue reliance on forward-looking statements because, while we believe the assumptions on which the forward-looking statements are based are reasonable, there can be no assurance that these forward-looking statements will prove to be accurate. Further, forward-looking statements included herein are only made as of the respective dates thereof, or if no date is stated, as of the date hereof. Except as otherwise required by law, we disclaim any intent or obligation to update publicly these forward-looking statements, whether because of new information, future events, or otherwise.

OVERVIEW

Cal-Maine Foods, Inc. ("we," "us," "our," or the "Company") is primarily engaged in the production, grading, packaging, marketing, and distribution of fresh shell eggs. Our fiscal year end is the Saturday closest to May 31.

Our operations are fully integrated. At our facilities we hatch chicks, grow and maintain flocks of pullets (female chickens, usually less than 20 weeks of age), layers (mature female chickens) and breeders (male or female birds used to produce fertile eggs hatched for egg production flocks), manufacture feed, and produce, process and distribute shell eggs. We are the largest producer and marketer of shell eggs in the United States (U.S.). We market the majority of our shell eggs in the southwestern, southeastern, mid-western, and mid-Atlantic regions of the U.S. We market shell eggs through an extensive distribution network to a diverse group of customers, including national and regional grocery store chains, club stores, foodservice distributors, and egg product manufacturers.

Our operating results are directly tied to market egg prices, which are highly volatile, subject to wide fluctuations, and outside of our control. The shell egg industry has traditionally been subject to periods of high profitability followed by periods of significant loss. In the past, during periods of high profitability, shell egg producers tended to increase the number of layers in production with a resulting increase in the supply of shell eggs, which generally caused a drop in shell egg prices until supply and demand returned to balance. As a result, our financial results from quarter to quarter and year to year vary significantly. Shorter term, retail sales of shell eggs historically have been greatest during the fall and winter months and lowest in the summer months. Our need for working capital generally is highest in the last and first fiscal quarters ending in May/June and August/September, respectively, when egg prices are normally at seasonal lows. Prices for shell eggs fluctuate in response to seasonal factors and a natural increase in shell egg production during the spring and early summer. Shell egg prices tend to increase with the start of the school year and are highest prior to Thanksgiving, Christmas, and Easter. Consequently, we generally experience lower sales and net income in our first and fourth fiscal quarters ending in August/September and May/June, respectively. Because of the seasonal and quarterly fluctuations, comparisons of our sales and operating results between different quarters within a single fiscal year are not necessarily meaningful comparisons. Current United States Department of Agriculture (“USDA”) reports indicate the national laying flock is at a record high level, which could increase the future egg supply and put downward pressure on egg prices. Additionally, there is uncertainty in the industry surrounding the pending implementation of California’s Proposition 2 and Assembly Bill 1437, which relate to egg production standards, including minimum cage space, for eggs sold in that

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state. While our egg sales in California have not been material to date, the new rules could impact future sales in California, and could also affect egg production and supply, and therefore increase or decrease prices, throughout the country. This legislation is effective January 1, 2015. We continue to monitor the effects of this legislation and how it could impact our business.

For the quarter ended November 29, 2014, we produced approximately 76% of the total number of shell eggs we sold. Approximately 5% of such production was provided by contract producers. Contract producers utilize their facilities in the production of shell eggs by layers owned by us. We own the shell eggs produced under these arrangements. Approximately 24% of the shell eggs sold by us were purchased from outside producers for resale.

Our cost of production is materially affected by feed costs. Feed costs averaged about 62% and 63% of our total farm egg production cost for the thirteen and twenty-six weeks ended November 29, 2014. Changes in market prices for corn and soybean meal, the primary ingredients in the feed we use, result in changes in our cost of goods sold. The cost of our feed ingredients, which are commodities, are subject to factors over which we have little or no control such as volatile price changes caused by weather, size of harvest, transportation and storage costs, demand and the agricultural and energy policies of the U.S. and foreign governments. Favorable weather conditions and improved yields for the 2014 crop increased available supplies for both corn and soybean meal which favorably impacted our results for the first half of fiscal 2015, and should result in lower feed prices in the second half of fiscal 2015 as compared to the same period of fiscal 2014.

## RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, certain items from our Condensed Consolidated Statements of Income expressed as a percentage of net sales.

|  | Percentage of Net Sales |          |                |          |
|--|-------------------------|----------|----------------|----------|
|  | 13 Weeks Ended          |          | 26 Weeks Ended |          |
|  | November                | November | November       | November |
|  | 29, 2014                | 30, 2013 | 29, 2014       | 30, 2013 |
| Net sales                                    | 100.0 %                 | 100.0 %  | 100.0 %        | 100.0 %  |
| Cost of sales                                | 75.5                    | 78.9     | 76.4           | 82.3     |
| Gross profit                                 | 24.5                    | 21.1     | 23.6           | 17.7     |
| Selling, general, and administrative expense | 9.8                     | 9.5      | 10.4           | 10.0     |
| Operating income                             | 14.7                    | 11.6     | 13.2           | 7.7      |
| Other income (expense):                      |                         |          |                |          |
| Interest expense, net                        | (0.1)                   | (0.2)    | (0.1)          | (0.2)    |
| Royalty income                               | 0.4                     | 0.2      | 0.3            | 0.4      |



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|  |       |       |       |       |
|--|-------|-------|-------|-------|
| Patronage dividends                                      | 0.0   | 0.0   | 0.0   | 0.0   |
| Equity in income of affiliates                           | 0.1   | 0.0   | 0.1   | 0.0   |
| Other  | (0.1) | 0.0   | (0.0) | 0.3   |
|  | 0.3   | (0.0) | 0.3   | 0.5   |
| Income before income taxes and noncontrolling interest   | 15.0  | 11.6  | 13.6  | 8.2   |
| Income tax expense                                       | 5.2   | 4.1   | 4.7   | 2.9   |
| Net income before noncontrolling interest                | 9.8   | 7.5   | 8.9   | 5.3   |
| Less: Net income attributable to noncontrolling interest | 0.1   | 0.1   | 0.2   | 0.1   |
| Net income attributable to Cal-Maine Foods, Inc.         | 9.7   | % 7.4 | % 8.7 | % 5.2 |

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## NET SALES

Approximately 97% of our net sales consist of shell egg sales and approximately 3% are egg products. Net sales for the thirteen weeks ended November 29, 2014 were \$378.6 million, an increase of \$24.3 million, or 6.9%, compared to net sales of \$354.3 million for the thirteen weeks ended November 30, 2013. Total dozens of eggs sold and egg selling prices increased for the current thirteen-week period compared to the same period in fiscal 2014. Dozens sold for the second quarter of fiscal year 2015 were 263.5 million, an increase of 10.7 million, or 4.2%, compared to 252.8 million for the second quarter of fiscal 2014. Our net average selling price per dozen of shell eggs for the thirteen weeks ended November 29, 2014 was \$1.379, compared to \$1.340 for the thirteen weeks ended November 30, 2013, an increase of 2.9%. Net average selling price is the blended price for all sizes and grades of shell eggs, including non-graded shell egg sales, breaking stock, and undergrades.

Net sales for the twenty-six weeks ended November 29, 2014 were \$735.6 million, an increase of \$61.8 million, or 9.2%, compared to net sales of \$673.8 million for the twenty-six weeks ended November 30, 2013. Total dozens of eggs sold and egg selling prices increased for the current twenty-six week period compared to the same period in fiscal 2014. Dozens sold for the current twenty-six week period of fiscal year 2015 were 515.2 million, an increase of 19.9 million, or 4.0%, compared to 495.3 million for the same period of fiscal 2014. For the twenty-six weeks ended November 29, 2014 our average selling price per dozen was \$1.367, compared to \$1.297 for the same period last year, an increase of 5.4%.

The table below represents an analysis of our non-specialty and specialty shell egg sales (in thousands, except percentage data). Following the table is a discussion of the information presented in the table.

| (Amounts in thousands)                              | 13 Weeks Ended       |                      | 26 Weeks Ended       |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | November 29,<br>2014 | November 30,<br>2013 | November 29,<br>2014 | November 30,<br>2013 |
| Total net sales                                     | \$ 378,617           | \$ 354,275           | \$ 735,561           | \$ 673,803           |
| Non-specialty shell egg sales                       | \$ 254,286 69.4%     | \$ 244,489 68.8%     | \$ 492,786 69.3%     | \$ 461,329 71.4%     |
| Specialty shell egg sales                           | 98,149 26.8%         | 80,602 23.7%         | 190,279 26.8%        | 155,820 24.1%        |
| Co-pack specialty shell egg sales                   | 10,869 3.0%          | 12,914 3.8%          | 21,006 3.0%          | 24,868 3.8%          |
| Other   | 3,313 0.9%           | 2,612 0.8%           | 6,021 0.8%           | 4,032 0.6%           |
| Net shell egg sales                                 | \$ 366,617 100.0%    | \$ 340,610 100.0%    | \$ 710,092 100.0%    | \$ 646,049 100.0%    |
| Net shell egg sales as a percent of total net sales | 97%                  | 96%                  | 97%                  | 96%                  |
| Non-specialty shell egg dozens sold                 | 207,873 78.9%        | 204,528 78.9%        | 407,131 79.0%        | 401,716 81.1%        |
| Specialty shell egg dozens sold                     | 50,141 19.0%         | 41,579 16.4%         | 97,374 18.9%         | 80,756 16.3%         |
|   | 5,474 2.1%           | 6,659 2.6%           | 10,666 2.1%          | 12,843 2.6%          |

Co-pack specialty shell egg dozens  
sold

|                   |         |        |         |        |         |        |         |        |
|-------------------|---------|--------|---------|--------|---------|--------|---------|--------|
| Total dozens sold | 263,488 | 100.0% | 252,760 | 100.0% | 515,171 | 100.0% | 495,315 | 100.0% |
|-------------------|---------|--------|---------|--------|---------|--------|---------|--------|

Non-specialty shell eggs include all shell egg sales not specifically identified as specialty shell egg sales. The non-specialty shell egg market is characterized by an inelasticity of demand, and small increases or decreases in production or demand can have a large positive or adverse effect on selling prices.

Specialty shell eggs, which include nutritionally enhanced, cage free, organic and brown eggs, continue to make up a significant portion of our sales volume. Specialty egg retail prices are less cyclical than non-specialty shell egg prices and are generally higher due to consumer willingness to pay for the perceived benefits from these products. For the thirteen weeks ended November 29, 2014, specialty shell egg dozens sold increased approximately 20.6% and the average selling price increased 1.0% to \$1.96 from \$1.94 for the same period of the prior year. For the twenty-six weeks ended

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November 29, 2014, specialty shell egg dozens sold increased approximately 20.6% and the average selling price increased 1.0% from \$1.93 to \$1.95 for the same period of the prior year.

Co-pack specialty shell eggs are sold primarily through co-pack arrangements, a common practice in the industry whereby production and processing of certain products is outsourced to another producer. Shell egg sales in this category represented 5.5 million and 6.7 million dozen for the thirteen weeks ended November 29, 2014 and November 30, 2013, respectively. Co-pack specialty shell eggs sold during the twenty-six weeks ended November 29, 2014 and November 30, 2013 were 10.7 million and 12.8 million dozen, respectively. Prior to fiscal 2014, these dozens were reported under non-specialty shell egg sales.

The shell egg sales classified as “Other” represent sales of hard cooked eggs, hatching eggs, and other egg products, which are included with our shell egg operations.

Egg products are shell eggs that are broken and sold in liquid, frozen, or dried form. Our egg products are sold through our consolidated subsidiaries American Egg Products, LLC (“AEP”) and Texas Egg Products, LLC (“TEP”). For the second quarter of fiscal 2015, egg product sales were \$11.8 million, an increase of \$1.6 million, or 15.7%, compared to \$10.2 million for the same period of 2014. Pounds sold for the second quarter of fiscal year 2015 were 12.5 million pounds, an increase of 561,000 pounds, or 4.7%, compared to 11.9 million pounds for the second quarter of fiscal year 2014.

For the twenty-six weeks ended November 29, 2014, egg product sales were \$25.0 million, an increase of \$5.1 million, or 25.6%, compared to \$19.9 million for the same period of 2014. Pounds sold for the twenty-six weeks ended November 29, 2014 were 25.4 million pounds, an increase of 1.1 million pounds, or 4.5%, compared to 24.3 million pounds for the same period of fiscal year 2014. The increase in sales volume for the thirteen and twenty-six weeks ended November 29, 2014 is combined with significantly higher market prices for liquid whole eggs and egg whites due to increased industry demand for egg products, driven by the quick serve restaurant industry as well as export sales.

**COST OF SALES**

Cost of sales consists of costs directly related to the production, processing and packing of shell eggs, purchases of shell eggs from outside producers, processing and packing of liquid and frozen egg products, and other non-egg costs. Farm production costs are those costs incurred at the egg production facility, including feed, facility, hen amortization, and other related farm production costs.



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The following table presents the key variables affecting cost of sales (in thousands, except cost per dozen data).

| (Amounts in thousands)   | 13 Weeks Ended       |                      |                   | 26 Weeks Ended       |                      |                   |
|--|----------------------|----------------------|-------------------|----------------------|----------------------|-------------------|
|  | November<br>29, 2014 | November<br>30, 2013 | Percent<br>Change | November<br>29, 2014 | November<br>30, 2013 | Percent<br>Change |
| Cost of Sales:   |                      |                      |                   |                      |                      |                   |
| Farm production  | \$ 138,470           | \$ 132,437           | 4.6 %             | \$ 278,576           | \$ 272,472           | 2.2 %             |
| Processing and packaging   | 43,076               | 37,571               | 14.7 %            | 83,017               | 73,948               | 12.3 %            |
| Outside egg purchases and other (including<br>change in inventory) | 95,592               | 101,182              | (5.5) %           | 182,547              | 190,933              | (4.4) %           |
| Total shell eggs   | 277,138              | 271,190              | 2.2 %             | 544,140              | 537,353              | 1.3 %             |
| Egg products   | 8,531                | 8,243                | 3.5 %             | 17,157               | 16,131               | 6.4 %             |
| Other  | 239                  | 175                  | 36.6 %            | 454                  | 741                  | (38.7) %          |
| Total  | \$ 285,908           | \$ 279,608           | 2.3 %             | \$ 561,751           | \$ 554,225           | 1.4 %             |
| Farm production cost (cost per dozen<br>produced)                  |                      |                      |                   |                      |                      |                   |
| Feed   | \$ 0.43              | \$ 0.49              | (12.2) %          | \$ 0.46              | \$ 0.51              | (9.8) %           |
| Other  | 0.27                 | 0.24                 | 12.5 %            | 0.26                 | 0.25                 | 4.0 %             |
| Total  | \$ 0.70              | \$ 0.73              | (4.1) %           | \$ 0.72              | \$ 0.76              | (5.3) %           |
| Outside egg purchases (average cost per<br>dozen)                  | \$ 1.38              | \$ 1.35              | 2.2 %             | \$ 1.36              | \$ 1.30              | 4.6 %             |
| Dozen Produced   | 201,283              | 185,538              | 8.5 %             | 393,498              | 365,265              | 7.7 %             |
| Dozen Sold   | 263,488              | 252,766              | 4.2 %             | 515,071              | 495,315              | 4.0 %             |

Cost of sales for the second quarter of fiscal 2015 was \$285.9 million, an increase of \$6.3 million, or 2.3%, compared to cost of sales of \$279.6 million for the second quarter of fiscal 2014. Cost of sales as a percentage of net sales decreased compared to the same quarter last year due to significantly lower feed costs per dozen produced and higher net average selling prices of eggs. Feed cost per dozen for the fiscal 2015 second quarter was \$0.432, compared to \$0.486 per dozen for the comparable fiscal 2014 quarter, a decrease of 11%. The decrease in feed costs and the increase in net average selling price increased gross profit margin to 24.5% from 21.1% of net sales for the thirteen weeks ended November 30, 2013

For the twenty-six weeks ended November 29, 2014, total cost of sales was \$561.8 million, an increase of \$7.5 million, or 1.4%, compared to cost of sales of \$554.2 million for the same period of fiscal 2014. Cost of sales as a percentage of net sales decreased compared to the same quarter last year due to significantly lower feed costs per dozen produced and higher selling prices of eggs. Feed cost for the twenty-six weeks ended November 29, 2014 was \$0.457 per dozen compared to \$0.512 per dozen for the same period of fiscal 2014, a decrease of 11%. Gross profit increased from 17.7% of net sales for the twenty-six weeks ended November 30, 2013 to 23.6% of net sales for the same period of fiscal 2014.

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## SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Selling, general, and administrative expenses include costs of marketing, distribution, accounting, and corporate overhead. The following table presents an analysis of our selling, general, and administrative expenses (in thousands).

| (Amounts in thousands)     | 13 Weeks Ended    |                   |          |
|----------------------------|-------------------|-------------------|----------|
|                            | November 29, 2014 | November 30, 2013 | Change   |
| Stock compensation expense | \$ 565            | \$ 415            | \$ 150   |
| Specialty egg expense      | 11,828            | 11,764            | 64       |
| Payroll and overhead       | 7,976             | 6,502             | 1,474    |
| Other expenses             | 4,950             | 4,785             | 165      |
| Delivery expense           | 11,793            | 10,343            | 1,450    |
| Total                      | \$ 37,112         | \$ 33,809         | \$ 3,303 |

Selling, general, and administrative expense for the thirteen weeks ended November 29, 2014 was \$37.1 million, an increase of 9.8%, compared to \$33.8 million for the thirteen weeks ended November 30, 2013. Stock compensation expense is dependent on the closing price of the Company's stock. Our stock compensation expense for the restricted shares classified as equity awards is recognized over the vesting period. For stock compensation arrangements classified as liability awards, we recognize increases or decreases in the value of such arrangements to stock compensation expense. As a percentage of net sales, payroll and overhead was 2.1% and 1.8% and delivery expense was 3.1% and 2.9%, for the second quarters of fiscal 2015 and 2014, respectively.

| (Amounts in thousands)     | 26 Weeks Ended    |                   |          |
|----------------------------|-------------------|-------------------|----------|
|                            | November 29, 2014 | November 30, 2013 | Change   |
| Stock compensation expense | \$ 1,200          | \$ 656            | \$ 544   |
| Specialty egg expense      | 25,467            | 21,766            | 3,701    |
| Payroll and overhead       | 15,382            | 13,118            | 2,264    |
| Other expenses             | 11,741            | 11,720            | 21       |
| Delivery expense           | 23,260            | 20,390            | 2,870    |
| Total                      | \$ 77,050         | \$ 67,650         | \$ 9,400 |

Selling, general, and administrative expense for the twenty-six weeks ended November 29, 2014 was \$77.1 million, an increase of 13.9%, compared to \$67.7 million for the twenty-six weeks ended November 30, 2013. A 20.6% increase in specialty shell egg dozens sold combined with an increase in franchisor's fee schedules for advertising promotions



and franchise fees resulted in a 17% increase in specialty egg expense for the first half of fiscal 2015 compared to the same period of fiscal 2014. As a percentage of net sales, payroll and overhead was 2.1% and 1.9% and delivery expense was 3.2% and 3.0%, for the twenty-six weeks ended November 29, 2014 and November 30, 2014, respectively.

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OPERATING INCOME

As a result of the above, operating income was \$55.6 million for the second quarter of fiscal 2015, compared to \$40.9 million for the fiscal 2014 second quarter. Operating income as a percent of net sales was 14.7% for the second quarter of fiscal 2015, compared to 11.6% for the second quarter of fiscal 2014.

For the twenty-six weeks ended November 29, 2014, operating income was \$96.8 million compared to \$51.9 million for the same period of fiscal 2014. Operating income as a percent of net sales was 13.2% for the current period of fiscal 2015 compared to 7.7% for the same period of fiscal 2014.

OTHER INCOME (EXPENSE)

Total other income (expense) consists of income (expenses) not directly charged to, or related to, operations such as interest expense, royalty income, and patronage income, among other items. Other income for the thirteen weeks ended November 29, 2014 was \$912,000, an increase of \$854,000, compared to \$58,000 for the thirteen weeks ended November 30, 2013. As a percent of net sales, other income was 0.3% and 0.0% for the thirteen weeks ended November 29, 2014 compared to the same period of fiscal 2014.

Royalty income, related to oil and gas wells located on property we own in Texas, was \$1.5 million for the thirteen weeks ended November 29, 2014, an increase of \$904,000 primarily due to a bonus received for a new mineral rights lease signed during the period, compared to \$548,000 in the same period of fiscal 2014.

Other income for the twenty-six weeks ended November 29, 2014 was \$2.5 million, a decrease of \$234,000, compared to \$2.8 million for the twenty-six weeks ended November 30, 2013. As a percent of net sales, other income was 0.3% and 0.5% for the twenty-six weeks ended November 29, 2014 compared to the same period of fiscal 2014.

Net interest expense decreased \$475,000 compared to the twenty-six weeks ended November 30, 2013 primarily due to an increase in interest income on available for sale securities and reduction of interest expense due to lower Company debt.

Royalty income, related to oil and gas wells located on property we own in Texas, was \$2.0 million for the twenty-six weeks ended November 29, 2014, a decrease of \$388,000 compared to \$2.4 million in the same period of fiscal 2014, primarily due to declining well production the current year partially offset by a bonus received for a new mineral

rights lease signed during fiscal 2015.

## INCOME TAXES

Pre-tax income, less net income attributable to noncontrolling interest, was \$56.3 million for the thirteen weeks ended November 29, 2014, compared to \$40.8 million for last year's comparable period. For the current thirteen-week period, income tax expense of \$19.6 million was recorded, with an effective tax rate of 34.8%, compared to \$14.7 million, with an effective rate of 35.9%, for last year's comparable thirteen-week period.

For the twenty-six weeks ended November 29, 2014, pre-tax income, less net income attributable to noncontrolling interest, was \$98.5 million, compared to \$54.4 million for last year's comparable period. For the twenty-six weeks ended November 29, 2014, income tax expense of \$34.2 million was recorded, with an effective tax rate of 34.8%, compared to \$19.6 million, with an effective rate of 35.9%, for last year's comparable twenty-six week period. The effective rate decrease for the twenty-six weeks ended November 29, 2014 was primarily related to the increase in the domestic manufacturer's deduction resulting from an increase in taxable income associated with the book to tax difference in depreciation expense.

Our effective rate differs from the federal statutory income tax rate of 35% due to state income taxes and certain items included in income for financial reporting purposes that are not included in taxable income for income tax purposes, including tax exempt interest income, domestic manufacturers deduction, and net income or loss attributable to noncontrolling interest.

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NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTEREST

For the thirteen weeks ended November 29, 2014, net income attributable to noncontrolling interest was \$258,000, compared to \$141,000 for the same thirteen-week period of fiscal 2014.

For the twenty-six weeks ended November 29, 2014, net income attributable to noncontrolling interest was \$788,000, compared to \$283,000 for the same thirteen-week period of fiscal 2014.

NET INCOME ATTRIBUTABLE TO CAL-MAINE FOODS, INC.

Net income for the thirteen weeks ended November 29, 2014 was \$36.6 million, or \$0.76 per basic and diluted share, compared to net income of \$26.1 million, or \$0.54 per basic and diluted share for the same period last year.

Net income for the twenty-six weeks ended November 29, 2014 was \$64.3 million, or \$1.34 per basic share and \$1.33 per diluted share, compared to net income of \$34.9 million, or \$0.73 per basic share and \$0.72 per diluted share for the same period last year.

CAPITAL RESOURCES AND LIQUIDITY

Our working capital at November 29, 2014 was \$330.1 million, compared to \$324.3 million at May 31, 2014.

Working capital is defined as current assets less current liabilities. Our current ratio was 3.35 at November 29, 2014, compared with 3.68 at May 31, 2014. The current ratio is calculated by dividing current assets by current liabilities. Our need for working capital generally is highest in the fiscal quarters ending in May/June and August/September, respectively, when egg prices are normally at seasonal lows. We have \$3.3 million in outstanding standby letters of credit, which are collateralized by cash. Our long-term debt at November 29, 2014, including current maturities, amounted to \$55.9 million, compared to \$61.1 million at May 31, 2014. Refer to Note 9 of our May 31, 2014 audited financial statements for further information on our long-term debt.

For the twenty-six weeks ended November 29, 2014, \$68.1 million in net cash was provided by operating activities, an increase of \$58.6 million, compared to net cash provided by operations of \$9.5 million for the comparable period in fiscal 2014. Improved operating income as a result of improved gross profit margins contributed greatly to our increase in cash flow from operations, as well as the impact on the first quarter of fiscal 2014 of the payment of the \$28.0 million legal settlement described in Note 14 of our May 31, 2014 audited financial statements.

For the twenty-six weeks ended November 29, 2014, approximately \$72.2 million was provided from the sale of short-term investments and \$69.2 million was used to purchase short-term investments. We used \$8.2 million in investment in our previously disclosed Southwest Specialty, LLC joint venture. Approximately \$43.0 million was used to purchase property, plant and equipment, including construction projects which are discussed in detail below. We used approximately \$5.2 million for principal payments on long-term debt and \$19.7 million for payment of dividends. These activities resulted in a cash decrease of approximately \$4.6 million since May 31, 2014.

Certain property, plant, and equipment is pledged as collateral on our notes payable and senior secured notes. Unless otherwise approved by our lenders, we are required by provisions of our loan agreements to (1) maintain minimum levels of working capital (current ratio of not less than 1.25 to 1) and net worth (minimum of \$90.0 million tangible net worth, plus 45% of cumulative net income since the fiscal year ended May 28, 2005); (2) limit dividends paid in any given quarter to not exceed an amount equal to one third of the previous quarter's consolidated net income (allowed if no events of default); (3) maintain minimum total funded debt to total capitalization (debt to total tangible capitalization ratio not to exceed 55%); and (4) maintain various cash-flow coverage ratios (1.25 to 1), among other restrictions. At November 29, 2014, we were in compliance with the financial covenant requirements of all loan agreements. Under certain of the loan agreements, the lenders have the option to require the prepayment of any outstanding borrowings in the event we undergo a change in control, as defined in the applicable loan agreement. Our debt agreements require Fred R. Adams, Jr., our Founder and Chairman Emeritus, or his family, to maintain ownership of Company shares representing not less than 50% of the outstanding voting power of the Company. In addition, with the fiscal 2014 acquisition of Delta Egg, we assumed certain debt (\$5.7 million as of November 29, 2014, due in fiscal 2019) that contains restrictive covenants. We are in compliance with those covenants at November 29, 2014.

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The following table represents material construction projects currently approved:

| Location       | Project                         | Projected Completion  | Projected Cost | Spent as of November 29, 2014 | Remaining Projected Cost |
|----------------|---------------------------------|-----------------------|----------------|-------------------------------|--------------------------|
| Dade City, FL  | Refurbish Pullet Houses         | Completed             | \$ 7,815       | \$ 7,815                      | \$ -                     |
| Okeechobee, FL | Layer House Expansions          | January 2015          | 12,400         | 8,665                         | 3,735                    |
| South Texas    | Cage Free Layer & Pullet Houses | Dec. 2014 - Feb. 2015 | 50,910         | 41,820                        | 9,090                    |
| Bremen, KY     | Cage Free Layer & Pullet Houses | November 2016         | 16,470         | 9,100                         | 7,370                    |
| Wharton, TX    | Layer House Expansions          | May 2015              | 5,910          | 3,385                         | 2,525                    |
| Shady Dale, GA | Pullet Houses & Layer Houses    | February 2015         | 7,680          | 1,795                         | 5,885                    |
| Chase, KS      | Organic Facility Expansion      | May 2016              | 17,175         | 5,515                         | 11,660                   |
|                |                                 |                       | \$ 118,360     | \$ 78,095                     | \$ 40,265                |

Looking forward to the rest of fiscal 2015, we believe our current cash balances, investments, borrowing capacity, and cash flows from operations will be sufficient to fund our current and projected capital needs.

#### IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

There were no new accounting standards issued during the quarter ended November 29, 2014 that we expect will have a material impact on our consolidated financial statements.

#### CRITICAL ACCOUNTING POLICIES

We suggest our Summary of Significant Accounting Policies, as described in Note 1 of the Notes to Consolidated Financial Statements included our Annual Report on Form 10-K for the fiscal year ended May 31, 2014, be read in conjunction with this Management's Discussion and Analysis of Financial Condition and Results of Operations. There

have been no changes to critical accounting policies identified in our Annual Report on Form 10-K for the year ended May 31, 2014.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the market risk reported in the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2014.

### ITEM 4. CONTROLS AND PROCEDURES

#### Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit 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 by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on an evaluation of our disclosure controls and procedures conducted by our Chief Executive Officer and Chief Financial Officer, together with other financial officers, such officers concluded that our disclosure controls and procedures were effective as of November 29, 2014 at the reasonable assurance level.

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Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the first quarter ended November 29, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Refer to the discussion of certain legal proceedings involving the Company and/or its subsidiaries in our Quarterly Report on Form 10-Q for the period ended August 30, 2014, under Part II Item 1: Legal Proceedings, and in our Annual Report on Form 10-K for the year ended May 31, 2014, under Part I, Item 3: Legal Proceedings, and Part II Item 8, Notes to Consolidated Condensed Financial Statements, Note 14: Contingencies, which discussions are incorporated herein by reference, as well as the following:

Egg Antitrust Litigation

Since September 25, 2008, the Company has been named as one of several defendants in numerous antitrust cases involving the United States shell egg industry. In some of these cases, the named plaintiffs allege that they purchased eggs or egg products directly from a defendant and have sued on behalf of themselves and a putative class of others who claim to be similarly situated. In other cases, the named plaintiffs allege that they purchased shell eggs and egg products directly from one or more of the defendants but sue only for their own alleged damages and not on behalf of a putative class. In the remaining cases, the named plaintiffs are individuals or companies who allege that they purchased shell eggs and egg products indirectly from one or more of the defendants - that is, they purchased from retailers that had previously purchased from defendants or other parties - and have sued on behalf of themselves and a putative class of others who claim to be similarly situated.

The Judicial Panel on Multidistrict Litigation consolidated all of the putative class actions (as well as certain other cases in which the Company was not a named defendant) for pretrial proceedings in the United States District Court for the Eastern District of Pennsylvania. The Pennsylvania court has organized the putative class actions around two groups (direct purchasers and indirect purchasers) and has named interim lead counsel for the named plaintiffs in each group.

The Direct Purchaser Putative Class Action. The direct purchaser putative class cases were consolidated into In re: Processed Egg Products Antitrust Litigation, No. 2:08-md-02002-GP, in the United States District Court for the Eastern District of Pennsylvania. On February 28, 2014, the Court entered an order granting preliminary approval of the Company's previously-reported settlement of these cases, conditionally certifying the class for settlement purposes and approving the Notice Plan submitted by the parties. The Court held a final fairness hearing on the settlement on



September 18, 2014. No parties objected to the settlement. On October 10, 2014, the Court entered an order granting final approval to the settlement. On November 25, 2014, the Court entered final judgment dismissing all claims against the Company with prejudice and dismissing the Company from the case.

The Indirect Purchaser Putative Class Action. The indirect purchaser putative class cases were consolidated into In re: Processed Egg Products Antitrust Litigation, No. 2:08-md-02002-GP, in the United States District Court for the Eastern District of Pennsylvania. The court granted with prejudice the defendants' renewed motion to dismiss damages claims arising outside the limitations period applicable to most causes of action. Under the current schedule, the Court will hold a hearing on April 20-21, 2015, on the indirect purchaser plaintiffs' motion for class certification.

The Non-Class Cases. Seven of the cases in which plaintiffs do not seek to certify a class have been consolidated with the putative class actions into In re: Processed Egg Products Antitrust Litigation, No. 2:08-md-02002-GP, in the United States District Court for the Eastern District of Pennsylvania. The court granted with prejudice the defendants' renewed motion to dismiss the non-class plaintiffs' claims for damages arising before September 24, 2004. The parties have completed nearly all fact discovery related to these cases and expert analysis and proceedings are underway. The deadline for parties to file dispositive motions is July 2, 2015.

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On November 20, 2014, more than six (6) years after the filing of the original cases in these proceedings, Marsh Supermarkets, LLC filed a new case against the Company and certain other defendants asserting substantially the same allegations as were raised in the other non-class cases. The Company has agreed in principle to settle all claims brought by Marsh Supermarkets, LLC and is in the process of finalizing formal settlement papers. The terms of the settlement are confidential. The Company is settling this case for an amount and on terms that are not expected to have a material impact on the Company's results of operations.

On May 6, 2014, the Company agreed in principle to settle all claims brought by the four plaintiffs in one of the non-class cases pending in the United States District Court for the Eastern District of Pennsylvania. Winn-Dixie Stores, Inc.; Roundy's Supermarkets, Inc.; C&S Wholesale Grocers, Inc.; and H.J. Heinz Company, L.P. v. Michael Foods, Inc., et al., Case No. 2:11-cv-00510-GP. The parties are still in the process of finalizing their formal settlement papers. The terms of the settlement are confidential. The Company is settling this case for an amount and on terms that are not expected to have a material impact on the Company's results of operations.

**Allegations in Each Case.** In all of the cases described above, the plaintiffs allege that the Company and certain other large domestic egg producers conspired to reduce the domestic supply of eggs in a concerted effort to raise the price of eggs to artificially high levels. In each case, plaintiffs allege that all defendants agreed to reduce the domestic supply of eggs by: (a) agreeing to limit production; (b) manipulating egg exports; and (c) implementing industry-wide animal welfare guidelines that reduced the number of hens and eggs.

The named plaintiffs in the remaining indirect purchaser putative class action seek treble damages and injunctive relief on behalf of themselves and all other putative class members in the United States. Although plaintiffs allege a class period starting on January 1, 2000 and running "through the present," the Court ruled that the plaintiffs cannot recover damages allegedly incurred outside the state-specific statute of limitations period applicable to most causes of action asserted, with the precise damages period determined on a state-by-state and claim-by-claim basis. The indirect purchaser putative class actions seek injunctive relief under the Sherman Act and damages under the statutes and common-law of various states and the District of Columbia.

Five non-class cases remain pending against the Company (not counting the cases in which the Company is finalizing formal settlement papers). In four of the remaining non-class cases, the plaintiffs seek damages and injunctive relief under the Sherman Act. In the other remaining non-class case, the plaintiff seeks damages and injunctive relief under the Sherman Act and the Ohio antitrust act (known as the Valentine Act).

The Pennsylvania court has entered a series of orders related to case management, discovery, class certification, and scheduling. The Pennsylvania court has not set a trial date for any of the Company's remaining consolidated cases (non-class and indirect purchaser cases).

The Company intends to continue to defend the remaining cases as vigorously as possible based on defenses which the Company believes are meritorious and provable. While management believes that the likelihood of a material adverse outcome in the overall egg antitrust litigation has been significantly reduced as a result of the settlements described above, there is still a reasonable possibility of a material adverse outcome in the remaining egg antitrust litigation. At the present time, however, it is not possible to estimate the amount of monetary exposure, if any, to the Company because of these cases. Accordingly, adjustments, if any, which might result from the resolution of these remaining legal matters, have not been reflected in the financial statements.



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Environmental Information Request

In July 2011, the Company received an information request (“Request”) from the United States Environmental Protection Agency (“EPA”) pursuant to Section 308 of the Clean Water Act (“Act”). The Request stated that the information was sought by the EPA to investigate compliance with the Act and requested information pertaining to facilities involved in animal feeding operations, which are owned or operated by the Company or its affiliates. On October 19, 2011, the Company timely responded to the Request by providing information on each of the subject facilities. The EPA subsequently sent a notice of noncompliance (“Notice”) dated March 29, 2012 to the Company which involved allegations of potential non-compliance with the Request and/or the Act. The Notice related to the Company’s Edwards, Mississippi facility only. The Company timely responded to the Notice on May 2, 2012. The EPA and the Mississippi Department of Environmental Quality (“MDEQ”) provided certain preliminary findings to the Company alleging potential violations of the Act and/or the Mississippi Air and Water Pollution Control Law concerning unpermitted discharges of pollutants to water of the United States and/or Mississippi and violations of certain conditions established under the Company’s National Pollution Discharge Elimination System (NPDES) permit for the Edwards, Mississippi facility. The Company has reached an agreement in principle with the EPA and the MDEQ to settle all claims related to the Edwards, Mississippi facility only, and the parties are in the process of finalizing formal settlement papers. The terms and conditions of the proposed settlement related only to the Edwards, Mississippi facility and are not expected to have a material impact to the Company’s results of operations.

Other Matters

In addition to the above, the Company is involved in various other claims and litigation incidental to its business. Although the outcome of these matters cannot be determined with certainty, management, upon the advice of counsel, is of the opinion that the final outcome should not have a material effect on the Company’s consolidated results of operations or financial position.

At this time, it is not possible for us to predict the ultimate outcome of the matters set forth above.

ITEM 1A. RISK FACTORS

There have been no material changes in the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2014.

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ITEM 6. EXHIBITS

a. Exhibits

| No.       | Description   |
|-----------|---|
| 3.1*      | Composite Certificate of Incorporation of the Company   |
| 3.2       | Composite Bylaws of the Company (incorporated by reference to Exhibit 3.2 in the Registrant's Form 10-Q for the quarter ended March 2, 2013, filed April 5, 2013).                      |
| 31.1*     | Rule 13a-14(a) Certification of the Chief Executive Officer   |
| 31.2*     | Rule 13a-14(a) Certification of the Chief Financial Officer   |
| 32**      | Section 1350 Certification of the Chief Executive Officer and the Chief Financial Officer   |
| 99.1      | Press release dated December 23, 2014 announcing interim period financial information (incorporated by reference to Exhibit 99.1 in the Company's Form 8-K, filed on December 23, 2014) |
| 101.INS*+ | XBRL Instance Document Exhibit  |
| 101.SCH*+ | XBRL Taxonomy Extension Schema Document Exhibit   |
| 101.CAL*+ | XBRL Taxonomy Extension Calculation Linkbase Document Exhibit   |
| 101.LAB*+ | XBRL Taxonomy Extension Label Linkbase Document Exhibit   |
| 101.PRE*+ | XBRL Taxonomy Extension Presentation Linkbase Document  |
| *         | Filed herewith as an Exhibit.   |
| **        | Furnished herewith as an Exhibit.   |
| +         | Submitted electronically with this Quarterly Report.  |

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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.

CAL-MAINE FOODS, INC.

(Registrant)

Date: December 29, 2014 /s/ Timothy A. Dawson  
Timothy A. Dawson  
Vice President, Chief Financial Officer  
  
(Principal Financial Officer)

Date: December 29, 2014 /s/ Michael D. Castleberry  
Michael D. Castleberry  
Vice President, Controller  
  
(Principal Accounting Officer)