

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended **August 27, 2022**

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission File Number: 001-38695

CAL-MAINE FOODS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

64-0500378

(I.R.S Employer Identification No.)

1052 Highland Colony Pkwy, Suite 200, Ridgeland, Mississippi 39157

(Address of principal executive offices)

(Zip Code)

(601) 948-6813

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.01 par value per share	CALM	The NASDAQ Global Select Market

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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large Accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non – Accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

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

Yes No

There were 44,135,851 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 September 27, 2022.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
Cal-Maine Foods, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands, except for par value amounts)
(Unaudited)

	August 27, 2022	May 28, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 136,021	\$ 59,084
Investment securities available-for-sale	145,784	115,429
Trade and other receivables, net	178,217	177,257
Income tax receivable	42,147	42,147
Inventories	265,754	263,316
Prepaid expenses and other current assets	10,965	4,286
Total current assets	778,888	661,519
Property, plant & equipment, net	688,656	677,796
Investments in unconsolidated entities	15,674	15,530
Goodwill	44,006	44,006
Intangible assets, net	17,592	18,131
Other long-term assets	9,913	10,507
Total Assets	<u>\$ 1,554,729</u>	<u>\$ 1,427,489</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 188,689	\$ 148,018
Dividends payable	41,742	36,656
Total current liabilities	230,431	184,674
Other noncurrent liabilities	9,706	10,274
Deferred income taxes, net	126,629	128,196
Total liabilities	366,766	323,144
Commitments and contingencies - see Note 11		
Stockholders' equity:		
Common stock (\$0.01 par value):		
Common stock - authorized 120,000 shares, issued 70,261 shares	703	703
Class A convertible common stock - authorized and issued 4,800 shares	48	48
Paid-in capital	69,017	67,989
Retained earnings	1,149,399	1,065,854
Accumulated other comprehensive loss, net of tax	(2,350)	(1,596)
Common stock in treasury at cost – 26,125 shares at August 27, 2022 and 26,121 shares at May 28, 2022	(28,495)	(28,447)
Total Cal-Maine Foods, Inc. stockholders' equity	1,188,322	1,104,551
Noncontrolling interest in consolidated entity	(359)	(206)
Total stockholders' equity	1,187,963	1,104,345
Total Liabilities and Stockholders' Equity	<u>\$ 1,554,729</u>	<u>\$ 1,427,489</u>

See Notes to Condensed Consolidated Financial Statements.

Cal-Maine Foods, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

	Thirteen Weeks Ended	
	August 27, 2022	August 28, 2021
Net sales	\$ 658,344	\$ 324,986
Cost of sales	440,854	318,341
Gross profit	217,490	6,645
Selling, general and administrative	53,607	46,525
(Gain) loss on disposal of fixed assets	33	(213)
Operating income (loss)	163,850	(39,667)
Other income (expense):		
Interest income, net	903	232
Royalty income	428	273
Equity income of unconsolidated entities	144	135
Other, net	155	5,163
Total other income, net	1,630	5,803
Income (loss) before income taxes	165,480	(33,864)
Income tax expense (benefit)	40,346	(15,838)
Net income (loss)	125,134	(18,026)
Less: Loss attributable to noncontrolling interest	(153)	—
Net income (loss) attributable to Cal-Maine Foods, Inc.	\$ 125,287	\$ (18,026)
Net income (loss) per common share:		
Basic	\$ 2.58	\$ (0.37)
Diluted	\$ 2.57	\$ (0.37)
Weighted average shares outstanding:		
Basic	48,623	48,858
Diluted	48,811	48,858

See Notes to Condensed Consolidated Financial Statements.

Cal-Maine Foods, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income (Loss)
(In thousands)
(Unaudited)

	<u>Thirteen Weeks Ended</u>	
	<u>August 27, 2022</u>	<u>August 28, 2021</u>
Net income (loss)	\$ 125,134	\$ (18,026)
Other comprehensive income (loss), before tax:		
Unrealized holding loss on available-for-sale securities, net of reclassification adjustments	(997)	(224)
Income tax benefit related to items of other comprehensive income	243	54
Other comprehensive loss, net of tax	<u>(754)</u>	<u>(170)</u>
Comprehensive income (loss)	124,380	(18,196)
Less: Comprehensive loss attributable to the noncontrolling interest	<u>(153)</u>	<u>—</u>
Comprehensive income (loss) attributable to Cal-Maine Foods, Inc.	<u>\$ 124,533</u>	<u>\$ (18,196)</u>

See Notes to Condensed Consolidated Financial Statements.

Cal-Maine Foods, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows

(In thousands)
(Unaudited)

	Thirteen Weeks Ended	
	August 27, 2022	August 28, 2021
Cash flows from operating activities:		
Net income (loss)	\$ 125,134	\$ (18,026)
Depreciation and amortization	17,312	17,389
Deferred income taxes	(1,324)	(15,838)
Other adjustments, net	31,690	(7,637)
Net cash provided by (used in) operations	172,812	(24,112)
Cash flows from investing activities:		
Purchases of investment securities	(51,834)	(1,388)
Sales and maturities of investment securities	20,296	39,388
Distributions from unconsolidated entities	—	400
Acquisition of business, net of cash acquired	—	(44,823)
Purchases of property, plant and equipment	(27,662)	(11,233)
Net proceeds from disposal of property, plant and equipment	78	1,171
Net cash used in investing activities	(59,122)	(16,485)
Cash flows from financing activities:		
Payments of dividends	(36,653)	—
Purchase of common stock by treasury	(45)	(18)
Principal payments on finance lease	(55)	(53)
Net cash used in financing activities	(36,753)	(71)
Net change in cash and cash equivalents	76,937	(40,668)
Cash and cash equivalents at beginning of period	59,084	57,352
Cash and cash equivalents at end of period	<u>\$ 136,021</u>	<u>\$ 16,684</u>

See Notes to Condensed Consolidated Financial Statements.

Cal-Maine Foods, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1 - Summary of Significant Accounting Policies

Basis of Presentation

The unaudited condensed consolidated financial statements of Cal-Maine Foods, Inc. and its subsidiaries (the “Company,” “we,” “us,” “our”) have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial reporting and should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended May 28, 2022 (the “2022 Annual Report”). These statements reflect all adjustments that are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented and, in the opinion of management, consist of adjustments of a normal recurring nature. Operating results for the interim periods are not necessarily indicative of operating results for the entire fiscal year.

Fiscal Year

The Company's fiscal year ends on the Saturday closest to May 31. Each of the three-month periods ended on August 27, 2022 and August 28, 2021 included 13 weeks.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Investment Securities

Our investment securities are accounted for in accordance with ASC 320, “Investments - Debt and Equity Securities” (“ASC 320”). The Company considers all its debt securities for which there is a determinable fair market value, and there are no restrictions on the Company's ability to sell within the next 12 months, as available-for-sale. We classify these securities as current, because the amounts invested are available for current operations. Available-for-sale securities are carried at fair value, with unrealized gains and losses reported as a separate component of stockholders' equity. The Company regularly evaluates changes to the rating of its debt securities by credit agencies and economic conditions to assess and record any expected credit losses through the allowance for credit losses, limited to the amount that fair value was less than the amortized cost basis. The cost basis for realized gains and losses on available-for-sale securities is determined by the specific identification method. Gains and losses are recognized in other income (expenses) as Other, net in the Company's Condensed Consolidated Statements of Operations. Investments in mutual funds are classified as “Other long-term assets” in the Company's Condensed Consolidated Balance Sheets.

Trade Receivables

Trade receivables are stated at their carrying values, which include a reserve for credit losses. As of August 27, 2022 and May 28, 2022, reserves for credit losses were \$716 thousand and \$775 thousand, respectively. The Company extends credit to customers based on an evaluation of each customer's financial condition and credit history. Collateral is generally not required. The Company minimizes exposure to counter party credit risk through credit analysis and approvals, credit limits, and monitoring procedures. In determining our reserve for credit losses, receivables are assigned an expected loss based on historical loss information adjusted as needed for economic and other forward-looking factors.

Immaterial Error Correction

Effective on May 30, 2021, the Company acquired the remaining 50% membership interest in Red River Valley Egg Farm, LLC (“Red River”), including certain liabilities. During the Company's third quarter of fiscal 2022, management determined that it had not properly eliminated select intercompany sales and cost of sales transactions between Red River and the corresponding other wholly-owned subsidiaries of the Company in its first and second quarter 2022 Condensed Consolidated Statements of Operations. The errors resulted in an overstatement of Net Sales and Cost of Sales of \$6.7 million in the first

quarter of fiscal 2022 and \$9.2 million in the second quarter of fiscal 2022. There was no impact to Operating loss, Net income (loss) or Net income (loss) per share.

We evaluated the errors quantitatively and qualitatively in accordance with Staff Accounting Bulletin ("SAB") No. 99 Materiality, and SAB No. 108 Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in the Current Year Financial Statements, and determined that the related impact was not material to our condensed consolidated financial statements for the first or second quarters of fiscal 2022, but that correcting the cumulative impact of the errors would be relevant to our Condensed Consolidated Statements of Operations for the third quarter ended February 26, 2022. Accordingly, we have reflected the correction of the immaterial error for the first quarter of fiscal 2022 as a reduction of Net Sales and Cost of Sales in the accompanying Condensed Consolidated Statements of Operations.

New Accounting Pronouncements and Policies

No new accounting pronouncement issued or effective during the fiscal year had or is expected to have a material impact on our Consolidated Financial Statements.

Note 2 - Investment Securities

The following represents the Company's investment securities as of August 27, 2022 and May 28, 2022 (in thousands):

August 27, 2022	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Municipal bonds	\$ 15,032	\$ —	\$ 155	\$ 14,877
Commercial paper	15,936	—	53	15,883
Corporate bonds	81,711	—	1,237	80,474
Certificates of deposits	3,263	—	48	3,215
US government and agency obligations	8,190	—	87	8,103
Asset backed securities	15,620	—	227	15,393
Treasury bills	7,870	—	31	7,839
Total current investment securities	<u>\$ 147,622</u>	<u>\$ —</u>	<u>\$ 1,838</u>	<u>\$ 145,784</u>
Mutual funds	\$ 3,467	\$ —	\$ 130	\$ 3,337
Total noncurrent investment securities	<u>\$ 3,467</u>	<u>\$ —</u>	<u>\$ 130</u>	<u>\$ 3,337</u>

May 28, 2022	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Municipal bonds	\$ 10,136	\$ —	\$ 32	\$ 10,104
Commercial paper	14,940	—	72	14,868
Corporate bonds	74,167	—	483	73,684
Certificates of deposits	1,263	—	18	1,245
US government and agency obligations	2,205	4	—	2,209
Asset backed securities	13,456	—	137	13,319
Total current investment securities	<u>\$ 116,167</u>	<u>\$ 4</u>	<u>\$ 742</u>	<u>\$ 115,429</u>
Mutual funds	\$ 3,826	\$ —	\$ 74	\$ 3,752
Total noncurrent investment securities	<u>\$ 3,826</u>	<u>\$ —</u>	<u>\$ 74</u>	<u>\$ 3,752</u>

Available-for-sale

Proceeds from sales and maturities of investment securities available-for-sale were \$ 20.3 million and \$39.4 million during the thirteen weeks ended August 27, 2022 and August 28, 2021, respectively. Gross realized gains for the thirteen weeks ended August 27, 2022 and August 28, 2021 were \$2 thousand and \$127 thousand, respectively. Gross realized losses for the thirteen weeks ended August 27, 2022 and August 28, 2021 were \$ 27 thousand and \$60 thousand, respectively. There were no allowances for credit losses at August 27, 2022 and May 28, 2022.

Actual maturities may differ from contractual maturities as some borrowers have the right to call or prepay obligations with or without penalties. Contractual maturities of current investments at August 27, 2022 are as follows (in thousands):

	Estimated Fair Value
Within one year	\$ 64,148
1-5 years	81,636
Total	<u>\$ 145,784</u>

Noncurrent

There were no sales of noncurrent investment securities during the thirteen weeks ended August 27, 2022. Proceeds from sales and maturities of noncurrent investment securities were \$385 thousand during the thirteen weeks ended August 28, 2021. Gross realized gains for the thirteen weeks ended August 28, 2021 were \$130 thousand. There were no realized losses for the thirteen weeks ended August 28, 2021.

Note 3 - 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, including:
 - Quoted prices for similar assets or liabilities in active markets
 - Quoted prices for identical or similar assets in non-active markets
 - Inputs other than quoted prices that are observable for the asset or liability
 - Inputs derived principally from or corroborated by other observable market data
- *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 disclosures of fair value of certain financial assets and liabilities that are recorded at cost are as follows:

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

Lease obligations: The carrying value of the Company's lease obligations is at its present value which approximates fair value.

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 August 27, 2022 and May 28, 2022 (in thousands):

August 27, 2022	Level 1	Level 2	Level 3	Balance
Assets				
Municipal bonds	\$ —	\$ 14,877	\$ —	\$ 14,877
Commercial paper	—	15,883	—	15,883
Corporate bonds	—	80,474	—	80,474
Certificates of deposits	—	3,215	—	3,215
US government and agency obligations	—	8,103	—	8,103
Asset backed securities	—	15,393	—	15,393
Treasury bills	—	7,839	—	7,839
Mutual funds	3,337	—	—	3,337
Total assets measured at fair value	\$ 3,337	\$ 145,784	\$ —	\$ 149,121
May 28, 2022				
Assets				
Municipal bonds	\$ —	\$ 10,104	\$ —	\$ 10,104
Commercial paper	—	14,868	—	14,868
Corporate bonds	—	73,684	—	73,684
Certificates of deposits	—	1,245	—	1,245
US government and agency obligations	—	2,209	—	2,209
Asset backed securities	—	13,319	—	13,319
Mutual funds	3,752	—	—	3,752
Total assets measured at fair value	\$ 3,752	\$ 115,429	\$ —	\$ 119,181

Investment securities – available-for-sale classified as Level 2 consist of securities with maturities of three months or longer when purchased. We classified these securities as current because amounts invested are readily available for current operations. Observable inputs for these securities are yields, credit risks, default rates, and volatility.

Note 4 - Inventories

Inventories consisted of the following as of August 27, 2022 and May 28, 2022 (in thousands):

	August 27, 2022	May 28, 2022
Flocks, net of amortization	\$ 152,264	\$ 144,051
Eggs and egg products	24,548	26,936
Feed and supplies	88,942	92,329
	\$ 265,754	\$ 263,316

We grow and maintain flocks of layers (mature female chickens), pullets (female chickens, under 18 weeks of age), and breeders (male and female chickens used to produce fertile eggs to hatch for egg production flocks). Our total flock at August 27, 2022 and May 28, 2022 consisted of approximately 11.4 million and 11.5 million pullets and breeders and 41.1 million and 42.2 million layers, respectively.

Note 5 - Accrued Dividends Payable and Dividends per Common Share

We accrue dividends at the end of each quarter according to the Company’s dividend policy adopted by its Board of Directors. 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 GAAP 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 pays 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 most recent quarter for which a dividend was paid. For the first quarter of fiscal 2023, we will pay a cash dividend of approximately \$0.853 per share to holders of our Common Stock and Class A Common Stock.

On our Condensed Consolidated Statements of Operations, we determine dividends per common share in accordance with the computation in the following table (in thousands, except per share data):

	Thirteen Weeks Ended	
	August 27, 2022	August 28, 2021
Net income (loss) attributable to Cal-Maine Foods, Inc.	\$ 125,287	\$ (18,026)
Cumulative loss to be recovered prior to payment of dividend at beginning of period	—	(4,244)
Net income available for dividend	\$ 125,287	\$ —
1/3 of net income attributable to Cal-Maine Foods, Inc. available for dividend	41,762	—
Common stock outstanding (shares)	44,136	44,057
Class A common stock outstanding (shares)	4,800	4,800
Total common stock outstanding (shares)	48,936	48,857
Dividends per common share*	\$ 0.853	\$ —

*Dividends per common share = 1/3 of Net income attributable to Cal-Maine Foods, Inc. available for dividend ÷ Total common stock outstanding (shares).

Note 6 - Equity

The following reflects equity activity for the thirteen weeks ended August 27, 2022 and August 28, 2021 (in thousands):

	Thirteen Weeks Ended August 27, 2022							
	Cal-Maine Foods, Inc. Stockholders							
	Common Stock							
	Amount	Class A Amount	Treasury Amount	Paid In Capital	Accum. Other Comp. Loss	Retained Earnings	Noncontrolling Interest	Total
Balance at May 28, 2022	\$ 703	\$ 48	\$ (28,447)	\$ 67,989	\$ (1,596)	\$ 1,065,854	\$ (206)	\$ 1,104,345
Other comprehensive loss, net of tax	—	—	—	—	(754)	—	—	(754)
Stock compensation plan transactions	—	—	(48)	1,028	—	—	—	980
Dividends	—	—	—	—	—	(41,742)	—	(41,742)
Net income (loss)	—	—	—	—	—	125,287	(153)	125,134
Balance at August 27, 2022	\$ 703	\$ 48	\$ (28,495)	\$ 69,017	\$ (2,350)	\$ 1,149,399	\$ (359)	\$ 1,187,963

	Thirteen Weeks Ended August 28, 2021							
	Cal-Maine Foods, Inc. Stockholders							
	Common Stock							
	Amount	Class A Amount	Treasury Amount	Paid In Capital	Accum. Other Comp. Loss	Retained Earnings	Noncontrolling Interest	Total
Balance at May 29, 2021	\$ 703	\$ 48	\$ (27,433)	\$ 64,044	\$ (558)	\$ 975,977	\$ —	\$ 1,012,781
Other comprehensive loss, net of tax	—	—	—	—	(170)	—	—	(170)
Stock compensation plan transactions	—	—	(18)	1,000	—	—	—	982
Net loss	—	—	—	—	—	(18,026)	—	(18,026)
Balance at August 28, 2021	\$ 703	\$ 48	\$ (27,451)	\$ 65,044	\$ (728)	\$ 957,951	\$ —	\$ 995,567

Note 7 - Net Income (Loss) per Common Share

Basic net income (loss) per share is based on the weighted average Common Stock and Class A Common Stock outstanding. Diluted net income per share is based on weighted-average common shares outstanding during the relevant period adjusted for the dilutive effect of share-based awards. Restricted shares of 131 thousand were antidilutive due to the net loss for the first quarter of fiscal 2022. These shares were not included in the diluted net loss per share calculation.

The following table provides a reconciliation of the numerators and denominators used to determine basic and diluted net income (loss) per common share (amounts in thousands, except per share data):

	Thirteen Weeks Ended	
	August 27, 2022	August 28, 2021
Numerator		
Net income (loss)	\$ 125,134	\$ (18,026)
Less: Loss attributable to noncontrolling interest	(153)	—
Net income (loss) attributable to Cal-Maine Foods, Inc.	<u>\$ 125,287</u>	<u>\$ (18,026)</u>
Denominator		
Weighted-average common shares outstanding, basic	48,623	48,858
Effect of dilutive restricted shares	188	—
Weighted-average common shares outstanding, diluted	<u>48,811</u>	<u>48,858</u>
Net income (loss) per common share attributable to Cal-Maine Foods, Inc.		
Basic	<u>\$ 2.58</u>	<u>\$ (0.37)</u>
Diluted	<u>\$ 2.57</u>	<u>\$ (0.37)</u>

Note 8 – Revenue from Contracts with Customers

Satisfaction of Performance Obligation

The vast majority of the Company’s revenue is derived from agreements with customers based on the customer placing an order for products. Pricing for the most part is determined when the Company and the customer agree upon the specific order, which establishes the contract for that order.

Revenues are recognized in an amount that reflects the net consideration we expect to receive in exchange for the goods. Our shell eggs are sold at prices related to independently quoted wholesale market prices or formulas related to our costs of production. The Company’s sales predominantly contain a single performance obligation. We recognize revenue upon satisfaction of the performance obligation with the customer which typically occurs within days of the Company and the customer agreeing upon the order.

Returns and Refunds

Some of our contracts include a guaranteed sale clause, pursuant to which we credit the customer’s account for product that the customer is unable to sell before expiration. The Company records an allowance for returns and refunds by using historical return data and comparing to current period sales and accounts receivable. The allowance is recorded as a reduction in sales with a corresponding reduction in trade accounts receivable.

Sales Incentives Provided to Customers

The Company periodically provides incentive offers to its customers to encourage purchases. Such offers include current discount offers (e.g., percentage discounts off current purchases), inducement offers (e.g., offers for future discounts subject to a minimum current purchase), and other similar offers. Current discount offers, when accepted by customers, are treated as a reduction to the sales price of the related transaction, while inducement offers, when accepted by customers, are treated as a reduction to the sales price based on estimated future redemption rates. Redemption rates are estimated using the Company’s historical experience for similar inducement offers. Current discount and inducement offers are presented as a net amount in “Net sales.”

Disaggregation of Revenue

The following table provides revenue disaggregated by product category (in thousands):

	Thirteen Weeks Ended	
	August 27, 2022	August 28, 2021
Conventional shell egg sales	\$ 425,589	\$ 182,030
Specialty shell egg sales	200,820	132,458
Egg products	27,640	9,366
Other	4,295	1,132
	<u>\$ 658,344</u>	<u>\$ 324,986</u>

Contract Costs

The Company can incur costs to obtain or fulfill a contract with a customer. If the amortization period of these costs is less than one year, they are expensed as incurred. When the amortization period is greater than one year, a contract asset is recognized and is amortized over the contract life as a reduction in net sales. As of August 27, 2022 and May 28, 2022, the balance for contract assets is immaterial.

Contract Balances

The Company receives payment from customers based on specified terms that are generally less than 30 days from delivery. There are rarely contract assets or liabilities related to performance under the contract.

Note 9 - Stock Based Compensation

Total stock-based compensation expense was \$ 1.0 million for the thirteen weeks ended August 27, 2022 and August 28, 2021.

Unrecognized compensation expense as a result of non-vested shares of restricted stock outstanding under the Amended and Restated 2012 Omnibus Long-Term Incentive Plan at August 27, 2022 of \$ 5.9 million will be recorded over a weighted average period of 1.9 years. Refer to Part II Item 8, Notes to Consolidated Financial Statements and Supplementary Data, Note 16: Stock Compensation Plans in our 2022 Annual Report for further information on our stock compensation plans.

The Company's restricted share activity for the thirteen weeks ended August 27, 2022 follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding, May 28, 2022	317,844	\$ 39.12
Vested	(3,240)	38.31
Forfeited	(2,778)	39.48
Outstanding, August 27, 2022	<u>311,826</u>	<u>\$ 39.12</u>

Note 10 – Income Taxes

For the first quarters of fiscal 2023 and 2022, the Company recorded income tax expense of \$ 40.3 million and income tax benefit of \$ 15.8 million which reflects an effective tax rate of 24.4% and 46.8%, respectively. Excluding the impact of discrete items related to an \$8.3 million net tax benefit recorded in the first quarter of fiscal 2022 in connection with the Red River Valley Egg Farm, LLC acquisition, the adjusted effective tax rate for the first quarter of fiscal 2022 is 22.4%.

Our effective tax rate differs from the federal statutory income tax rate due to state income taxes, certain federal tax credits 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, certain nondeductible expenses and net income or loss attributable to noncontrolling interest.

Note 11 - Commitments and Contingencies

Financial Instruments

The Company maintained standby letters of credit (“LOCs”) totaling \$4.1 million at August 27, 2022, which were issued under the Company's Credit Facility. The outstanding LOCs are for the benefit of certain insurance companies and are not recorded as a liability on the consolidated balance sheets.

LEGAL PROCEEDINGS

State of Texas v. Cal-Maine Foods, Inc. d/b/a Wharton; and Wharton County Foods, LLC

On April 23, 2020, the Company and its subsidiary Wharton County Foods, LLC (“WCF”) were named as defendants in *State of Texas v. Cal-Maine Foods, Inc. d/b/a Wharton; and Wharton County Foods, LLC*, Cause No. 2020-25427, in the District Court of Harris County, Texas. The State of Texas (the “State”) asserted claims based on the Company's and WCF's alleged violation of the Texas Deceptive Trade Practices—Consumer Protection Act, Tex. Bus. & Com. Code §§ 17.41-17.63 (“DTPA”). The State claimed that the Company and WCF offered shell eggs at excessive or exorbitant prices during the COVID-19 state of emergency and made misleading statements about shell egg prices. The State sought temporary and permanent injunctions against the Company and WCF to prevent further alleged violations of the DTPA, along with over \$100,000 in damages. On August 13, 2020, the court granted the defendants' motion to dismiss the State's original petition with prejudice. On September 11, 2020, the State filed a notice of appeal, which was assigned to the Texas Court of Appeals for the First District. On August 16, 2022, the appeals court reversed and remanded the case back to the trial court for further proceedings. The Company and WCF are considering whether to appeal this decision from the First District. Management believes the risk of material loss related to this matter to be remote.

Bell et al. v. Cal-Maine Foods et al.

On April 30, 2020, the Company was named as one of several defendants in *Bell et al. v. Cal-Maine Foods et al.*, Case No. 1:20-cv-461, in the Western District of Texas, Austin Division. The defendants include numerous grocery stores, retailers, producers, and farms. Plaintiffs assert that defendants violated the DTPA by allegedly demanding exorbitant or excessive prices for eggs during the COVID-19 state of emergency. Plaintiffs request certification of a class of all consumers who purchased eggs in Texas sold, distributed, produced, or handled by any of the defendants during the COVID-19 state of emergency. Plaintiffs seek to enjoin the Company and other defendants from selling eggs at a price more than 10% greater than the price of eggs prior to the declaration of the state of emergency and damages in the amount of \$10,000 per violation, or \$250,000 for each violation impacting anyone over 65 years old. On December 1, 2020, the Company and certain other defendants filed a motion to dismiss the plaintiffs' amended class action complaint. The plaintiffs subsequently filed a motion to strike, and the motion to dismiss and related proceedings were referred to a United States magistrate judge. On July 14, 2021, the magistrate judge issued a report and recommendation to the court that the defendants' motion to dismiss be granted and the case be dismissed without prejudice for lack of subject matter jurisdiction. On September 20, 2021, the court dismissed the case without prejudice. On July 13, 2022, the court denied the plaintiffs' motion to set aside or amend the judgment to amend their complaint.

On March 15, 2022, plaintiffs filed a second suit against the Company and several defendants in *Bell et al. v. Cal-Maine Foods et al.*, Case No. 1:22-cv-246, in the Western District of Texas, Austin Division alleging the same assertions as laid out in the first complaint. On August 12, 2022, the Company and other defendants in the case filed a motion to dismiss the plaintiffs' class action complaint. On September 6, 2022, the plaintiffs' filed their opposition to the motion to dismiss and the Company and other defendants filed their reply on September 13, 2022. The court has not issued a ruling. Management believes the risk of material loss related to both matters to be remote.

Kraft Foods Global, Inc. et al. v. United Egg Producers, Inc. et al.

As previously reported, on September 25, 2008, the Company was named as one of several defendants in numerous antitrust cases involving the United States shell egg industry. The Company settled all of these cases, except for the claims of certain plaintiffs who sought substantial damages allegedly arising from the purchase of egg products (as opposed to shell eggs). These remaining plaintiffs are Kraft Food Global, Inc., General Mills, Inc., and Nestle USA, Inc. (the “Egg Products Plaintiffs”) and The Kellogg Company.

On September 13, 2019, the case with the Egg Products Plaintiffs was remanded from a multi-district litigation proceeding in the United States District Court for the Eastern District of Pennsylvania, *In re Processed Egg Products Antitrust Litigation*, MDL No. 2002, to the United States District Court for the Northern District of Illinois, *Kraft Foods Global, Inc. et al. v. United*

Egg Producers, Inc. et al., Case No. 1:11-cv-8808, for trial. The Egg Products Plaintiffs allege that the Company and other defendants violated Section 1 of the Sherman Act, 15 U.S.C. § 1, by agreeing to limit the production of eggs and thereby illegally to raise the prices that plaintiffs paid for processed egg products. In particular, the Egg Products Plaintiffs are attacking certain features of the United Egg Producers animal-welfare guidelines and program used by the Company and many other egg producers. The Egg Products Plaintiffs seek to enjoin the Company and other defendants from engaging in antitrust violations and seek treble money damages. On May 2, 2022, the court set trial for October 24, 2022, but on September 20, 2022, the court cancelled the trial date due to COVID-19 protocols and converted the trial date to a status hearing to reschedule the jury trial. We anticipate the trial being rescheduled for the first or second calendar quarter of 2023.

In addition, on October 24, 2019, the Company entered into a confidential settlement agreement with The Kellogg Company dismissing all claims against the Company for an amount that did not have a material impact on the Company's financial condition or results of operations. On November 11, 2019, a stipulation for dismissal was filed with the court, and on March 28, 2022, the court dismissed the Company with prejudice.

The Company intends to continue to defend the remaining case with the Egg Products Plaintiffs as vigorously as possible based on defenses which the Company believes are meritorious and provable. Adjustments, if any, which might result from the resolution of this remaining matter with the Egg Products Plaintiffs have not been reflected in the financial statements. While management believes that there is still a reasonable possibility of a material adverse outcome from the case with the Egg Products Plaintiffs, at the present time, it is not possible to estimate the amount of monetary exposure, if any, to the Company due to a range of factors, including the following, among others: two earlier trials based on substantially the same facts and legal arguments resulted in findings of no conspiracy and/or damages; this trial will be before a different judge and jury in a different court than prior related cases; there are significant factual issues to be resolved; and there are requests for damages other than compensatory damages (i.e., injunction and treble money damages).

State of Oklahoma Watershed Pollution Litigation

On June 18, 2005, the State of Oklahoma filed suit, in the United States District Court for the Northern District of Oklahoma, against Cal-Maine Foods, Inc. and Tyson Foods, Inc. and affiliates, Cobb-Vantress, Inc., Cargill, Inc. and its affiliate, George's, Inc. and its affiliate, Peterson Farms, Inc. and Simmons Foods, Inc. The State of Oklahoma claims that through the disposal of chicken litter the defendants have polluted the Illinois River Watershed. This watershed provides water to eastern Oklahoma. The complaint seeks injunctive relief and monetary damages, but the claim for monetary damages has been dismissed by the court. Cal-Maine Foods, Inc. discontinued operations in the watershed. Accordingly, we do not anticipate that Cal-Maine Foods, Inc. will be materially affected by the request for injunctive relief unless the court orders substantial affirmative remediation. Since the litigation began, Cal-Maine Foods, Inc. purchased 100% of the membership interests of Benton County Foods, LLC, which is an ongoing commercial shell egg operation within the Illinois River Watershed. Benton County Foods, LLC is not a defendant in the litigation.

The trial in the case began in September 2009 and concluded in February 2010. The case was tried without a jury, and the court has not yet issued its ruling. Management believes the risk of material loss related to this matter to be remote.

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.

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

The following should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations included in Part II Item 7 of the Company's Annual Report on Form 10-K for its fiscal year ended May 28, 2022 (the "2022 Annual Report"), and the accompanying financial statements and notes included in Part II Item 8 of the 2022 Annual Report and in [Part I Item 1](#) of this Quarterly Report on Form 10-Q ("Quarterly Report").

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 future production data, expected construction schedules, projected construction costs, potential future supply of and demand for our products, potential future corn and soybean price trends, potential future impact on our business of the COVID-19 pandemic, potential future impact on our business of new legislation, rules or policies, potential outcomes of legal proceedings, and other projected 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," "projected," "contemplates," "anticipates," or similar words. Actual outcomes or results 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 Part I Item 1A of the 2022 Annual Report (ii) the risks and hazards inherent in the shell egg business (including disease, pests, weather conditions, and potential for product recall), including but not limited to the current outbreak of highly pathogenic avian influenza (HPAI) affecting poultry in the U.S., Canada and other countries that was first detected in commercial flocks in the U.S. in February 2022, (iii) changes in the demand for and market prices of shell eggs and feed costs, (iv) our ability to predict and meet demand for cage-free and other specialty eggs, (v) risks, changes, or obligations that could result from our future acquisition of new flocks or businesses and risks or changes that may cause conditions to completing a pending acquisition not to be met, (vi) risks relating to the evolving COVID-19 pandemic, including without limitation increased costs and rising inflation and interest rates, which generally have been exacerbated by Russia's invasion of Ukraine starting February 2022, (vii) our ability to retain existing customers, acquire new customers and grow our product mix and (viii) 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.

GENERAL

Cal-Maine Foods, Inc. (the "Company," "we," "us," "our") is primarily engaged in the production, grading, packaging, marketing and distribution of fresh shell eggs. Our operations are fully integrated under one operating segment. We are the largest producer and distributor of fresh shell eggs in the United States ("U.S."). Our total flock of approximately 41.1 million layers and 11.4 million pullets and breeders is the largest in the U.S. We sell most of our shell eggs to a diverse group of customers, including national and regional grocery store chains, club stores, companies servicing independent supermarkets in the U.S., food service distributors, and egg product consumers in states across the southwestern, southeastern, mid-western and mid-Atlantic regions of the U.S.

Our operating results are materially impacted by market prices for eggs and feed grains (corn and soybean meal), which are highly volatile, independent of each other, and out of our control. Generally, higher market prices for eggs have a positive impact on our financial results while higher market prices for feed grains have a negative impact on our financial results. Although we use a variety of pricing mechanisms in pricing agreements with our customers, we sell most of our conventional shell eggs based on formulas that consider, in varying ways, independently quoted regional wholesale market prices for shell eggs or formulas related to our costs of production which include the cost of corn and soybean meal.

We routinely fill our storage bins during harvest season when prices for feed ingredients are generally lower. To ensure continued availability of feed ingredients, we may enter into contracts for future purchases of corn and soybean meal, and as part of these contracts, we may lock-in the basis portion of our grain purchases several months in advance. Furthermore, due to the more limited supply for organic ingredients, we may commit to purchase organic ingredients in advance to help ensure supply. Ordinarily, we do not enter into long-term contracts beyond a year to purchase corn and soybean meal or hedge against

increases in the prices of corn and soybean meal. Corn and soybean meal are commodities and are subject to volatile price changes due to weather, various supply and demand factors, transportation and storage costs, speculators and agricultural, energy and trade policies in the U.S. and internationally and most recently the Russia-Ukraine war.

An important competitive advantage for Cal-Maine Foods is our ability to meet our customers' evolving needs with a favorable product mix of conventional and specialty eggs, including cage-free, organic and other specialty offerings, as well as egg products. We have also enhanced our efforts to provide free-range and pasture-raised eggs that meet consumers' evolving choice preferences. While a small part of our current business, the free-range and pasture-raised eggs we produce and sell represent attractive offerings to a subset of consumers, and therefore our customers, and help us continue to serve as the trusted provider of quality food choices.

Retail sales of shell eggs historically have been highest during the fall and winter months and lowest during the summer months. Prices for shell eggs fluctuate in response to seasonal demand factors and a natural increase in egg production during the spring and early summer. Historically, shell egg prices tend to increase with the start of the school year and tend to be highest prior to holiday periods, particularly Thanksgiving, Christmas and Easter. Consequently, and all other things being equal, we would expect to experience lower selling prices, sales volumes and net income (and may incur net losses) 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.

HPAI

We are closely monitoring the current outbreak of highly pathogenic avian influenza ("HPAI"), that was first detected in commercial flocks in the U.S. in February 2022 and which was most recently detected in commercial flocks in the U.S. in September 2022. According to the U.S. Centers for Disease Control and Prevention, these detections do not present an immediate public health concern. There have been no positive tests for HPAI at any Cal-Maine Foods' owned or contracted production facility as of September 27, 2022. The USDA division of Animal and Plant Health Inspection Service ("APHIS") reported that approximately 35.6 million commercial layer hens and 1.0 million pullets have been depopulated due to HPAI. According to APHIS, the most recently reported outbreaks of HPAI affecting commercial layer hens and pullets occurred September 21, 2022 and June 9, 2022, respectively. We believe the HPAI outbreak will continue to have an impact on the overall supply of eggs through the balance of this calendar year and possibly beyond. According to LEAP Market Analytics, layer hen inventory is not projected to exceed the 320 million mark until October of 2023.

While no farm is immune from HPAI, we believe we have implemented and continue to maintain robust biosecurity programs across our locations. We are also working closely with federal, state and local government officials and focused industry groups to mitigate the risk of this and future outbreaks and effectively manage our response, if needed.

CAGE-FREE EGGS

Ten states have passed legislation or regulations mandating minimum space or cage-free requirements for egg production or mandated the sale of only cage-free eggs and egg products in their states, with implementation of these laws ranging from January 2022 to January 2026. These states represent approximately 27% of the U.S. total population according to the 2020 U.S. Census. In California and Massachusetts, which collectively represent 14% of the total U.S. population according to the 2020 U.S. Census, cage-free legislation went into effect January 1, 2022. However, these laws are subject to judicial challenge, and the Supreme Court of the U.S. recently announced that in October 2022 it will review a case challenging California's law that requires the sale of only cage-free eggs in that state. These laws have already affected and, if upheld, will continue to affect sourcing, production and pricing of eggs (conventional as well as specialty) as the national demand for cage-free production could be greater than the current supply, which would increase the price of cage-free eggs, unless more cage-free production capacity is constructed. Likewise, the national supply for eggs from conventional production could exceed consumer demand which would decrease the price of conventional eggs.

A significant number of our customers have previously announced goals to offer cage-free eggs exclusively on or before 2026, subject in most cases to availability of supply, affordability and customer demand, among other contingencies. Some of these customers have recently changed those goals to offer 70% cage-free eggs by the end of 2030. Our customers typically do not commit to long-term purchases of specific quantities or types of eggs with us, and as a result, it is difficult to accurately predict customer requirements for cage-free eggs. We are, however, engaging with our customers in an effort to achieve a smooth transition in meeting their announced goals and needs. Sales of cage-free eggs represented approximately 19.4% of our shell egg revenues for the first quarter of fiscal 2023. We have invested significant capital in recent years to acquire and construct cage-free facilities, and we expect our focus for future expansion will continue to include cage-free facilities. At the same time,

we understand the importance of our continued ability to provide more affordable conventional eggs in order to provide our customers with a variety of egg choices and to address hunger in our communities.

For additional information, see the 2022 Annual Report, Part I, Item 1, “Business – Specialty Eggs,” “Business – Growth Strategy” and “Business – Government Regulation,” and the first risk factor in Part I Item 1A, “Risk Factors” under the sub-heading “Legal and Regulatory Risk Factors.”

EXECUTIVE OVERVIEW

For the first quarter of fiscal 2023, we recorded a gross profit of \$217.5 million compared to \$6.6 million for the same period of fiscal 2022, with the increase due primarily to higher shell egg prices and increased volume of specialty eggs sold, partially offset by the increased cost of feed ingredients and processing, packaging and warehouse costs. Our total dozens sold increased 8.1% to 275.3 million dozen shell eggs for the first quarter of fiscal 2023 compared to 254.6 million dozen for the same period of fiscal 2022. For the first quarter of fiscal 2023, conventional dozens sold decreased 2.3% and specialty dozens sold increased 35.1% as compared to the same quarter in fiscal 2022. Demand for specialty eggs increased in the first quarter of fiscal 2023 compared to the same prior year period due primarily to the higher prices for conventional eggs. Further, demand for specialty eggs continued to increase as retailers continued to shift to selling cage-free products and cage-free legislation went into full effect in California and Massachusetts on January 1, 2022. We benefited from the strong demand for specialty eggs as we placed more of our cage-free facilities into production and better utilized our existing cage-free production capacity.

Conventional egg prices increased in the first quarter of fiscal 2023 primarily due to decreased supply caused by the HPAI outbreak compounded with good customer demand. See the discussion under the heading “HPAI” above. The daily average price for the UB southeast large index for the first quarter of fiscal 2023 increased 133.8% from the comparable period in the prior year. Our net average selling price per dozen for the first quarter of fiscal 2023 was \$2.275 compared to \$1.235 in the prior-year period. Layer hen numbers reported by the USDA as of September 21, 2022, were 305.3 million, which represents a decrease of 4.6% compared with the layer hen inventory a year ago. The USDA also reported that the hatch from April 2022 through August 2022 decreased 0.5% as compared with the prior-year period. As of September 1, 2022, however, eggs in incubators were up 9.0% year-over-year, indicating that layer flocks may increase in the future.

Our farm production costs per dozen produced for the first quarter of fiscal 2023 increased 16.5%, or \$0.148, compared to the first quarter of fiscal 2022. This increase was primarily due to increased prices for feed ingredients and a higher basis in corn in most of our production areas. For the first quarter of fiscal 2023, the average Chicago Board of Trade (“CBOT”) daily market price was \$6.65 per bushel for corn and \$456 per ton for soybean meal, representing increases of 11.5% and 25.4%, respectively, compared to the average daily CBOT prices for the comparable period in the prior year.

RESULTS OF OPERATIONS

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

	Thirteen Weeks Ended	
	August 27, 2022	August 28, 2021
Net sales	100.0 %	100.0 %
Cost of sales	67.0 %	98.0 %
Gross profit	33.0 %	2.0 %
Selling, general and administrative	8.1 %	14.3 %
(Gain) loss on disposal of fixed assets	— %	(0.1) %
Operating income (loss)	24.9 %	(12.2) %
Total other income, net	0.2 %	1.8 %
Income (loss) before income taxes	25.1 %	(10.4) %
Income tax expense (benefit)	6.1 %	(4.9) %
Net income (loss)	19.0 %	(5.5) %

NET SALES

Total net sales for the first quarter of fiscal 2023 were a record \$658.3 million compared to \$325.0 million for the same period of fiscal 2022.

Net shell egg sales represented 95.8% and 97.1% of total net sales for the first quarters of fiscal 2023 and 2022, respectively. Shell egg sales classified as “Other” represent sales of hard-cooked eggs and other miscellaneous byproducts included with our shell egg operations.

The table below presents an analysis of our conventional and specialty shell egg sales (in thousands, except percentage data):

	Thirteen Weeks Ended			
	August 27, 2022		August 28, 2021	
Total net sales	\$ 658,344		\$ 324,986	
Conventional	\$ 425,589	67.5 %	\$ 182,030	57.6 %
Specialty	200,820	31.8 %	132,458	42.0 %
Egg sales, net	626,409	99.3 %	314,488	99.6 %
Other	4,295	0.7 %	1,132	0.4 %
Net shell egg sales	<u>\$ 630,704</u>	<u>100.0 %</u>	<u>\$ 315,620</u>	<u>100.0 %</u>
Net shell egg sales as a percent of total net sales	95.8 %		97.1 %	
Dozens sold:				
Conventional	179,712	65.3 %	183,872	72.2 %
Specialty	95,605	34.7 %	70,750	27.8 %
Total dozens sold	<u>275,317</u>	<u>100.0 %</u>	<u>254,622</u>	<u>100.0 %</u>
Net average selling price per dozen:				
Conventional	\$ 2.368		\$ 0.990	
Specialty	\$ 2.101		\$ 1.872	
All shell eggs	\$ 2.275		\$ 1.235	
Egg products sales:				
Egg products net sales	27,640		9,366	
Pounds sold	16,502		15,269	
Net average selling price per pound	1.675		0.613	

Shell egg net sales

First Quarter – Fiscal 2023 vs. Fiscal 2022

- In the first quarter of fiscal 2023, conventional egg sales increased \$243.6 million, or 133.8%, compared to the first quarter of fiscal 2022, primarily due to the increase in price for conventional shell eggs, partially offset by a decrease in volume of conventional eggs sold. Changes in price resulted in a \$247.6 million increase and the change in volume resulted in a \$4.1 million decrease in net sales, respectively.
- We believe prices for conventional eggs were positively impacted by a better alignment of the size of the conventional production layer hen flock and customer and consumer demand. Conventional egg prices further increased in the first quarter of fiscal 2023 primarily due to decreased supply caused by the HPAI outbreak, discussed above.
- Conventional egg prices generally respond more quickly to market conditions as we sell the majority of our conventional shell eggs based on formulas that adjust periodically and take into account, in varying ways, independently quoted regional wholesale market prices for shell eggs or formulas related to our costs of production. The majority of our specialty eggs are typically sold at prices and terms negotiated directly with customers and therefore do not fluctuate as much as conventional pricing. As a result of these independently quoted whole markets for conventional eggs reaching near historical highs, the average selling price for conventional eggs exceeded the average selling price for specialty eggs in the first quarter of fiscal 2023.
- Specialty egg sales increased \$68.4 million, or 51.6%, in the first quarter of fiscal 2023 compared to the first quarter of fiscal 2022, primarily due to a 35.1% increase in the volume of specialty eggs sold, which resulted in a \$46.5 million increase in net sales.
- According to Information Resources, Inc., Total US – Multi Outlet for the latest 13 weeks ended August 27, 2022, cage-free eggs dozens sold (including free-range, pasture-raised and organic) increased 34.9%. We believe this increase in demand was positively impacted by the higher conventional egg prices as compared to the same period in

the prior year. Demand for specialty eggs was further positively affected by California’s and Massachusetts’s cage-free mandates going into effect January 1, 2022, as well as more retailers shifting to selling more cage-free products.

- Our specialty egg sales in the first quarter of fiscal 2023 versus the prior-year period benefitted from the strong demand for specialty eggs as we placed more of our cage-free facilities into production, and we better utilized our existing cage-free production capacity. Cage-free egg sales for the first quarter of fiscal 2023 represented 19.4% of our total net shell egg sales versus 22.1% for the same prior year period due the higher conventional egg prices. Cage-free dozens sold increased 58% in the first of quarter of fiscal 2023 as compared to the first quarter of fiscal 2022.

Egg products net sales

First Quarter – Fiscal 2023 vs. Fiscal 2022

- Egg products net sales increased \$18.3 million or 195.1% for the first quarter of fiscal 2023 compared to the same period of fiscal 2022, primarily due to a 173.2% selling price increase, which had a \$17.5 million positive impact on net sales.
- Our egg products net average selling price increased in the first quarter of fiscal 2023, compared to the first quarter of fiscal 2022 as the supply decreased due to the HPAI outbreak that started in February 2022. We believe 13.4 million of the 33.7 million layers culled as a result of the HPAI outbreak were located at facilities dedicated to support inline breaking facilities in Iowa and Ohio.

COST OF SALES

Costs of sales for the first quarter of fiscal 2023 were \$440.9 million compared to \$318.3 million for the same period of fiscal 2022.

Cost of sales consists of costs directly related to producing, processing and packing 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.

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

	Thirteen Weeks Ended		
	August 27, 2022	August 28, 2021	% Change
Cost of Sales:			
Farm production	\$ 266,651	\$ 207,495	28.5 %
Processing, packaging, and warehouse	81,417	65,059	25.1
Egg purchases and other (including change in inventory)	68,298	37,973	79.9
Total shell eggs	416,366	310,527	34.1
Egg products	24,488	7,814	213.4
Total	\$ 440,854	\$ 318,341	38.5 %
Farm production costs (per dozen produced)			
Feed	\$ 0.667	\$ 0.545	22.4 %
Other	\$ 0.379	\$ 0.353	7.4 %
Total	\$ 1.046	\$ 0.898	16.5 %
Outside egg purchases (average cost per dozen)	\$ 2.57	\$ 1.35	90.4 %
Dozens produced	257,654	236,458	9.0 %
Percent produced to sold	93.6%	92.9%	0.8 %

Farm Production

First Quarter – Fiscal 2023 vs. Fiscal 2022

- Feed costs per dozen produced increased 22.4% in the first quarter of fiscal 2023 compared to the first quarter of fiscal 2022. This increase was primarily due to increased prices for corn, our primary feed ingredient.

- For the first quarter of fiscal 2023, the average daily Chicago Board of Trade (“CBOT”) market price was \$6.65 per bushel for corn and \$456 per ton of soybean meal representing increases of 11.5% and 25.4%, respectively, as compared to the average daily CBOT prices for the first quarter of fiscal 2022.

Supplies of corn and soybean remained tight relative to demand in the first quarter of fiscal 2023 as evidenced by a low stock-to-use ratio for corn, as a result of weather-related shortfalls in production and yields, ongoing disruptions related to the COVID-19 global pandemic and the Russia-Ukraine war and its impact on the export markets. Basis levels for corn ran significantly higher in our area of operations compared to our prior year first fiscal quarter. For fiscal 2023, we expect continued corn and soybean upward pricing pressures and further market volatility to affect feed costs.

Processing, packaging, and warehouse

First Quarter – Fiscal 2023 vs. Fiscal 2022

- Cost of packaging materials increased 16.1% compared to the first quarter of fiscal 2022 due to rising inflation.
- Labor costs increased 24.4% due to wage increases and increased use of contract labor in response to labor shortages .
- Dozens processed increased 8.6% compared to the first quarter of fiscal 2022, which resulted in a \$2.2 million increase in costs.

Egg purchases and other (including change in inventory)

First Quarter – Fiscal 2023 vs. Fiscal 2022

- Costs in this category increased primarily due to higher egg prices, partially offset by the decrease in the volume of outside egg purchases, as our percentage of produced to sold increased to 93.6% from 92.9%.

GROSS PROFIT

Gross profit for the first quarter of fiscal 2023 was \$217.5 million compared to \$6.6 million for the same period of fiscal 2022. The increase of \$210.9 million was primarily due to higher egg prices as well as the increased volume of specialty eggs sold, partially offset by the increased cost of feed ingredients and processing, packaging and warehouse costs.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

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

	Thirteen Weeks Ended			
	August 27, 2022	August 28, 2021	\$ Change	% Change
Specialty egg expense	\$ 13,067	\$ 13,715	\$ (648)	(4.7) %
Delivery expense	19,916	13,936	5,980	42.9 %
Payroll, taxes and benefits	10,987	9,939	1,048	10.5 %
Stock compensation expense	1,025	1,001	24	2.4 %
Other expenses	8,612	7,934	678	8.5 %
Total	\$ 53,607	\$ 46,525	\$ 7,082	15.2 %

First Quarter – Fiscal 2023 vs. Fiscal 2022

Specialty egg expense

- Specialty egg expense, which includes franchise fees, advertising and promotion costs, generally aligns with specialty egg volumes, which were up 35.1% for the first quarter of fiscal 2023 compared to the same period of fiscal 2022. However, our specialty egg expense decreased by 4.7%, primarily due to increased sales to other Egghand’s Best, Inc. (“EB”) franchisees, including unconsolidated affiliates, Specialty Eggs, LLC and Southwest Specialty Eggs, LLC. These franchisees that were responsible for the franchise fees, advertising and promotion costs associated with those sales, which resulted in reduced costs for us. Also, the higher prices for conventional eggs and the comparatively lower prices for specialty eggs diminished the need to promote specialty eggs; as a result, EB temporarily reduced the related franchise fees for certain specialty egg products to encourage continued production of these products.

Delivery expense

- The increased delivery expense is primarily due to the increase in fuel and labor costs for both our fleet and contract trucking.

Payroll, taxes and benefits expense

- The increase in payroll, taxes and benefits expense is primarily due to increased wages for all employees due to the inflationary market.

OPERATING INCOME (LOSS)

For the first quarter of fiscal 2023, we recorded operating income of \$163.9 million compared to operating loss of \$39.7 million for the same period of fiscal 2022.

OTHER INCOME (EXPENSE)

Total other income (expense) consists of items not directly charged or related to operations, such as interest income and expense, royalty income, equity income or loss of unconsolidated entities, and patronage income, among other items.

For the first quarter of fiscal 2023, we earned \$1.1 million of interest income compared to \$290 thousand for the same period of fiscal 2022. The increase resulted from significantly higher investment balances. The Company recorded interest expense of \$148 thousand and \$58 thousand for the first quarters ended August 27, 2022 and August 28, 2021, respectively.

Other, net for the first quarter ended August 27, 2022, was income of \$155 thousand compared to income of \$5.2 million for the same period of fiscal 2022. The decrease is primarily due to our acquisition of the remaining 50% membership interest in Red River in the first quarter of fiscal 2022 as we recognized a \$4.5 million gain due to the remeasurement of our equity investment.

INCOME TAXES

For the first quarter of fiscal 2023, pre-tax income was \$165.5 million compared to pre-tax loss of \$33.9 million for the same period of fiscal 2022. We recorded income tax expense of \$40.3 million for the first quarter of fiscal 2023, which reflects an effective tax rate of 24.4%, compared to an income tax benefit of \$15.8 million in the prior year period, which reflects an effective tax rate of 46.8%. Excluding the impact of discrete items related to a \$8.3 million net tax benefit recorded in the first quarter of fiscal 2022 in connection with the Red River Valley Egg Farm, LLC ("Red River") acquisition, income tax benefit for the comparable period of fiscal 2022 was \$7.6 million, which reflects an adjusted effective tax rate of 22.4%.

Our effective tax rate differs from the federal statutory income tax rate due to state income taxes, certain federal tax credits 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, certain nondeductible expenses and net income or loss attributable to noncontrolling interest.

NET INCOME ATTRIBUTABLE TO CAL-MAINE FOODS, INC.

Net income attributable to Cal-Maine Foods, Inc. for the first quarter ended August 27, 2022, was \$125.3 million, or \$2.58 per basic and \$2.57 per diluted common share, compared to net loss attributable to Cal-Maine Foods, Inc. of \$18.0 million or \$0.37 per basic and diluted common share for the same period of fiscal 2022.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital and Current Ratio

Our working capital at August 27, 2022 was \$548.5 million, compared to \$476.8 million at May 28, 2022. The calculation of working capital is defined as current assets less current liabilities. Our current ratio was 3.4 at August 27, 2022, compared with 3.6 at May 28, 2022. The current ratio is calculated by dividing current assets by current liabilities.

Cash Flows from Operating Activities

For the thirteen weeks ended August 27, 2022, \$172.8 million in net cash was provided by operating activities, compared to \$24.1 million used by operating activities for the comparable period in fiscal 2022. The increase in cash flow from operating

activities resulted primarily from higher selling prices for conventional and specialty eggs as well as increased volume of specialty egg sales, partially offset by increased costs of feed ingredients compared to the prior-year period. The increase in Other adjustments, net is primarily due to a \$67.4 million balance for income taxes payable as of August 27, 2022.

Cash Flows from Investing Activities

We continue to invest in our facilities, with \$27.7 million used to purchase property, plant and equipment for the thirteen weeks ended August 27, 2022, compared to \$11.2 million in the same period of fiscal 2022. In the first quarter of fiscal 2022, we acquired the remaining 50% membership interest in Red River Valley Egg Farm, LLC for \$44.8 million, net of cash acquired. Purchases of investments were \$51.8 million in the first quarter of fiscal 2023, compared to \$1.4 million in fiscal 2022. The increase in purchases of investments is primarily due to the increased cash provided by operating activities noted above. Sales and maturities of investment securities were \$20.3 million for the thirteen weeks ended August 27, 2022, compared to \$39.4 million for the comparable period in fiscal 2022.

Cash Flows from Financing Activities

We paid dividends of \$36.7 million in the first quarter of fiscal 2023.

As of August 27, 2022, cash increased \$76.9 million since May 28, 2022, compared to a decrease of \$40.7 million during the same period of fiscal 2022.

Credit Facility

We had no long-term debt outstanding at August 27, 2022 or May 28, 2022. On November 15, 2021, we entered into a credit agreement that provides for a senior secured revolving credit facility (the “Credit Facility”), in an initial aggregate principal amount of up to \$250 million with a five-year term. As of August 27, 2022, no amounts were borrowed under the Credit Facility. We have \$4.1 million in outstanding standby letters of credit, issued under our Credit Facility for the benefit of certain insurance companies. Refer to Part II Item 8. Notes to the Financial Statements, Note 10 – Credit Facility included in our 2022 Annual Report for further information regarding our long-term debt.

Material Cash Requirements

We continue to monitor the increasing demand for cage-free eggs and to engage with our customers in efforts to achieve a smooth transition toward their announced commitment timeline for cage-free egg sales. As previously reported, during the first quarter of fiscal 2023, our Board of Directors approved another capital project to expand our cage-free production capabilities. The project at Chase, Kansas will convert existing conventional layer capacity to cage-free capacity for approximately 1.5 million cage-free hens and include remodels of all remaining pullet facilities. Project completion is expected by year-end 2025. The following table presents material construction projects approved as of August 27, 2022 (in thousands):

Project(s) Type	Projected Completion	Projected Cost	Spent as of August 27, 2022	Remaining Projected Cost
Cage-Free Layer & Pullet Houses/Processing Facility	Fiscal 2023	\$ 132,161	115,343	16,818
Cage-Free Layer & Pullet Houses	Fiscal 2023	24,923	19,548	5,375
Cage-Free Layer & Pullet Houses	Fiscal 2024	42,591	383	42,208
Cage-Free Layer & Pullet Houses	Fiscal 2025	94,183	7,729	86,454
		<u>\$ 293,858</u>	<u>\$ 143,003</u>	<u>\$ 150,855</u>

We believe our current cash balances, investments, cash flows from operations, and Credit Facility will be sufficient to fund our current capital needs for at least the next 12 months.

IMPACT OF RECENTLY ISSUED/ADOPTED ACCOUNTING STANDARDS

For information on changes in accounting principles and new accounting policies, see [Note 1 - Summary of Significant Accounting Policies](#) of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report.

CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates are those estimates made in accordance with U.S. generally accepted accounting principles that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on our financial condition or results of operations. There have been no changes to our critical accounting estimates identified in our 2022 Annual Report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our exposure to market risk during the thirteen weeks ended August 27, 2022 from the information provided in Item 7A. Quantitative and Qualitative Disclosures About Market Risk in our 2022 Annual Report.

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 August 27, 2022 at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the quarter ended August 27, 2022 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 (i) our 2022 Annual Report, Part I Item 3 Legal Proceedings, and Part II Item 8, Notes to Consolidated Financial Statements and Supplementary Data, Note 18: Commitments and Contingencies, and (ii) in this Quarterly Report in [Note 11: Commitments and Contingencies](#) of the Notes to Condensed Consolidated Financial Statements, which discussions are incorporated herein by reference.

ITEM 1A. RISK FACTORS

There have been no material changes in the risk factors previously disclosed in the Company’s 2022 Annual Report.

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

The following table is a summary of our first quarter 2023 share repurchases:

Period	Issuer Purchases of Equity Securities		Total Number of Shares Purchased as Part of Publicly Announced Plans Or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
	Total Number of Shares Purchased (1)	Average Price Paid per Share		
05/29/22 to 06/25/22	286	\$ 47.04	—	—
06/26/22 to 07/23/22	609	52.48	—	—
07/24/22 to 08/27/22	—	—	—	—
	895	\$ 50.74	—	—

(1) As permitted under our Amended and Restated 2012 Omnibus Long-Term Incentive Plan, these shares were withheld by us to satisfy tax withholding obligations for employees in connection with the vesting of restricted common stock.

ITEM 6. EXHIBITS

Exhibits

No.	Description
3.1	Second Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 in the Registrant’s Form 8-K, filed July 20, 2018)
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
101.SCH*+	Inline XBRL Taxonomy Extension Schema Document
101.CAL*+	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*+	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*+	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*+	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)
*	Filed herewith as an Exhibit.
**	Furnished herewith as an Exhibit.
+	Submitted electronically with this Quarterly Report.

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: September 27, 2022

/s/ Max P. Bowman

Max P. Bowman

Vice President, Chief Financial Officer
(Principal Financial Officer)

Date: September 27, 2022

/s/ Matthew S. Glover

Matthew S. Glover

Vice President – Accounting
(Principal Accounting Officer)

Certification
Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934,
As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Adolphus B. Baker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cal-Maine Foods, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Adolphus B. Baker

Adolphus B. Baker

Chief Executive Officer and Chairman of the Board

Date: September 27, 2022

Certification
Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934,
As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Max P. Bowman, certify that

1. I have reviewed this Quarterly Report on Form 10-Q of Cal-Maine Foods, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Max P. Bowman

Max P. Bowman

Vice President and Chief Financial Officer

Date: September 27, 2022

**Certifications Pursuant to 18 U.S.C. §1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Solely for the purposes of complying with 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, we, the undersigned Chief Executive Officer and Chief Financial Officer of Cal-Maine Foods, Inc. (the “Company”), hereby certify, based on our knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended August 27, 2022 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Adolphus B. Baker

Adolphus B. Baker

Chief Executive Officer and Chairman of the Board

/s/ Max P. Bowman

Max P. Bowman

Vice President and Chief Financial Officer

Date: September 27, 2022

