

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 **December 2, 2023**

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 44,182,613 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 January 3, 2024.

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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)*

	December 2, 2023	June 3, 2023
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 361,783	\$ 292,824
Investment securities available-for-sale	206,045	355,090
Trade and other receivables, net	165,391	120,247
Income tax receivable	33,771	66,966
Inventories	287,270	284,418
Prepaid expenses and other current assets	9,673	5,380
Total current assets	1,063,933	1,124,925
Property, plant & equipment, net	815,468	744,540
Investments in unconsolidated entities	14,370	14,449
Goodwill	45,776	44,006
Intangible assets, net	17,074	15,897
Other long-term assets	10,184	10,708
Total Assets	<u>\$ 1,966,805</u>	<u>\$ 1,954,525</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 98,144	\$ 82,590
Accrued wages and benefits	20,164	38,733
Accrued income taxes payable	8,445	8,288
Dividends payable	5,682	37,130
Accrued expenses and other liabilities	21,352	15,990
Total current liabilities	153,787	182,731
Other noncurrent liabilities	30,571	9,999
Deferred income taxes, net	158,483	152,212
Total liabilities	342,841	344,942
Commitments and contingencies - see Note 10		
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	74,214	72,112
Retained earnings	1,583,071	1,571,112
Accumulated other comprehensive loss, net of tax	(1,614)	(2,886)
Common stock in treasury at cost – 26,078 shares at December 2, 2023 and 26,077 shares at June 3, 2023	(30,014)	(30,008)
Total Cal-Maine Foods, Inc. stockholders' equity	1,626,408	1,611,081
Noncontrolling interest in consolidated entity	(2,444)	(1,498)
Total stockholders' equity	1,623,964	1,609,583
Total Liabilities and Stockholders' Equity	<u>\$ 1,966,805</u>	<u>\$ 1,954,525</u>

See Notes to Condensed Consolidated Financial Statements.

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

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	December 2, 2023	November 26, 2022	December 2, 2023	November 26, 2022
Net sales	\$ 523,234	\$ 801,700	\$ 982,578	\$ 1,460,044
Cost of sales	432,104	483,851	846,015	924,705
Gross profit	91,130	317,849	136,563	535,339
Selling, general and administrative	76,578	57,952	128,824	111,559
Loss on disposal of fixed assets	318	29	262	62
Operating income	14,234	259,868	7,477	423,718
Other income (expense):				
Interest income, net	6,987	1,930	14,333	2,833
Royalty income	301	344	650	772
Equity income (loss) of unconsolidated entities	29	(987)	(441)	(843)
Other, net	567	1,113	832	1,268
Total other income, net	7,884	2,400	15,374	4,030
Income before income taxes	22,118	262,268	22,851	427,748
Income tax expense	5,540	63,974	5,862	104,320
Net income	16,578	198,294	16,989	323,428
Less: Loss attributable to noncontrolling interest	(431)	(293)	(946)	(446)
Net income attributable to Cal-Maine Foods, Inc.	\$ 17,009	\$ 198,587	\$ 17,935	\$ 323,874
Net income per common share:				
Basic	\$ 0.35	\$ 4.08	\$ 0.37	\$ 6.66
Diluted	\$ 0.35	\$ 4.07	\$ 0.37	\$ 6.63
Weighted average shares outstanding:				
Basic	48,690	48,624	48,691	48,624
Diluted	48,866	48,840	48,854	48,827

See Notes to Condensed Consolidated Financial Statements.

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

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	December 2, 2023	November 26, 2022	December 2, 2023	November 26, 2022
Net income	\$ 16,578	\$ 198,294	\$ 16,989	\$ 323,428
Other comprehensive income (loss), before tax:				
Unrealized holding gain (loss) on available-for-sale securities, net of reclassification adjustments	895	(974)	1,681	(1,971)
Income tax benefit (expense) related to items of other comprehensive income	(218)	237	(409)	480
Other comprehensive income (loss), net of tax	677	(737)	1,272	(1,491)
Comprehensive income	17,255	197,557	18,261	321,937
Less: Comprehensive loss attributable to the noncontrolling interest	(431)	(293)	(946)	(446)
Comprehensive income attributable to Cal-Maine Foods, Inc.	\$ 17,686	\$ 197,850	\$ 19,207	\$ 322,383

See Notes to Condensed Consolidated Financial Statements.

**Cal-Maine Foods, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Cash Flows**  
*(In thousands)*  
*(Unaudited)*

	Twenty-six Weeks Ended	
	December 2, 2023	November 26, 2022
Cash flows from operating activities:		
Net income	\$ 16,989	\$ 323,428
Depreciation and amortization	39,394	34,729
Deferred income taxes	5,862	(540)
Other adjustments, net	11,407	(12,830)
Net cash provided by operations	73,652	344,787
Cash flows from investing activities:		
Purchases of investment securities	(43,569)	(152,365)
Sales and maturities of investment securities	196,104	65,279
Investment in unconsolidated entities	(363)	—
Acquisition of business	(53,746)	—
Purchases of property, plant and equipment	(65,774)	(59,709)
Net proceeds from disposal of property, plant and equipment	150	92
Net cash provided by (used in) investing activities	32,802	(146,703)
Cash flows from financing activities:		
Payments of dividends	(37,276)	(78,394)
Purchase of common stock by treasury	(5)	(45)
Principal payments on finance lease	(214)	(94)
Net cash used in financing activities	(37,495)	(78,533)
Net change in cash and cash equivalents	68,959	119,551
Cash and cash equivalents at beginning of period	292,824	59,084
Cash and cash equivalents at end of period	<u>\$ 361,783</u>	<u>\$ 178,635</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 June 3, 2023 (the “2023 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 and year-to-date periods ended on December 2, 2023 and November 26, 2022 included 13 weeks and 26 weeks, respectively.

*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*

The Company has determined that its debt securities are available-for-sale investments. We classify these securities as current because the amounts invested are available for current operations. Available-for-sale securities are carried at fair value, based on quoted market prices as of the balance sheet date, with unrealized gains and losses recorded in other comprehensive income. The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity and is recorded in interest income. 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 allowance for credit losses, limited to the amount that fair value was less than the amortized cost basis.

Investments in mutual funds are recorded at fair value and are classified as “Other long-term assets” in the Company’s Condensed Consolidated Balance Sheets. Unrealized gains and losses for equity securities are recorded in other income (expenses) as Other, net in the Company’s Condensed Consolidated Statements of Income.

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 Income. Interest and dividends on securities classified as available-for-sale are recorded in interest income.

*Trade Receivables*

Trade receivables are stated at their carrying values, which include a reserve for credit losses. As of December 2, 2023 and June 3, 2023, reserves for credit losses were \$536 thousand and \$579 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.

*Goodwill*

Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets acquired. Goodwill is evaluated for impairment annually by first performing a qualitative assessment to determine whether a quantitative goodwill

test is necessary. After assessing the totality of events or circumstances, if we determine it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then we perform additional quantitative tests to determine the magnitude of any impairment.

#### *Intangible Assets*

Intangible assets are initially recorded at fair value in business acquisitions, which include franchise rights, customer relationships, non-compete agreements, trademark and right of use intangibles. They are amortized over their estimated useful lives of 5 to 15 years. The gross cost and accumulated amortization of intangible assets are removed when the recorded amounts are fully amortized and the asset is no longer in use or the contract has expired. When certain events or changes in operating conditions occur, asset lives may be adjusted and an impairment assessment may be performed on the recoverability of the carrying amounts.

Indefinite life assets are recorded at fair value in business acquisitions and represents water rights. They are not amortized, but are reviewed for impairment at least annually or more frequently if impairment indicators arise.

#### *Dividends Payable*

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. The dividend policy is subject to periodic review by the Board of Directors.

#### *Business Combinations*

The Company applies the acquisition method of accounting, which requires that once control is obtained, all the assets acquired and liabilities assumed, including amounts attributable to noncontrolling interests, are recorded at their respective fair values at the date of acquisition. We determine the fair values of identifiable assets and liabilities internally, which requires estimates and the use of various valuation techniques. When a market value is not readily available, our internal valuation methodology considers the remaining estimated life of the assets acquired and what management believes is the market value for those assets.

We typically use the income method approach for intangible assets acquired in a business combination. Significant estimates in valuing certain intangible assets include, but are not limited to, the amount and timing of future cash flows, growth rates, discount rates and useful lives. The excess of the purchase price over fair values of identifiable assets and liabilities is recorded as goodwill.

#### *Loss Contingencies*

Certain conditions may exist as of the date the financial statements are issued that may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates it is probable that a material loss has been incurred and the amount of the liability can be estimated, the estimated liability would be 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 estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

The Company expenses the costs of litigation as they are incurred.

### *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 - Acquisition**

Effective September 30, 2023, the Company acquired the assets of Fassio Egg Farms, Inc. ("Fassio"), related to its commercial shell egg production and processing business. Fassio owns and operates commercial shell egg production and processing facilities with a capacity at the time of acquisition of approximately 1.2 million laying hens, primarily cage-free, a feed mill, pullets, a fertilizer production and composting operation and land located in Erda, Utah, outside Salt Lake City. The Company accounted for the acquisition as a business combination.

The following table summarizes the consideration paid for Fassio and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date (in thousands):

Cash consideration paid	\$	53,746
Fair value of contingent consideration		1,000
Total estimated purchase consideration		54,746
Recognized amounts of identifiable assets acquired and liabilities assumed		
Inventory	\$	6,164
Property, plant and equipment		44,540
Intangible assets		2,272
Other long-term assets		143
Liabilities assumed		(143)
Total identifiable net assets		52,976
Goodwill		1,770
	\$	54,746

Inventory consisted primarily of flock, feed ingredients, packaging, and egg inventory. Flock inventory was valued at carrying value as management believes that its carrying value best approximates its fair value. Feed ingredients, packaging and egg inventory were all valued based on market prices as of September 30, 2023.

Property, plant and equipment were valued utilizing the cost approach which is based on replacement or reproduction costs of the assets and subtracting any depreciation resulting from physical deterioration and/or functional or economic obsolescence.

Intangible assets consisted primarily of water rights within the property acquired. Water rights were valued using the sales comparison approach.

Contingent consideration liability was recorded and represents potential future cash payment to the sellers contingent on the acquired business meeting certain return on profitability milestones over a three-year period, commencing on the date of the acquisition. The fair value of the contingent consideration is estimated using a discounted cash flow model. Key assumptions and unobservable inputs that require significant judgement used in the estimate include weighted average cost of capital, egg prices, projected revenue and expenses over which the contingent considered is measured, and the probability assessments with respect to the likelihood of achieving the forecasted projections. A range of potential outcomes cannot be reasonably estimated due to market volatility of egg prices.

Goodwill represents the excess of the purchase price of the acquired business over the acquisition date fair value of the net assets acquired. Goodwill recorded in connection with the Fassio acquisition is primarily attributable to improved efficiencies from integrating the assets of Fassio with the operations of the Company. The Company recognized goodwill of \$1.8 million as a result of the acquisition.

**Note 3 - Investment Securities**

The following represents the Company's investment securities as of December 2, 2023 and June 3, 2023 (in thousands):

December 2, 2023	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Municipal bonds	\$ 6,141	\$ —	\$ 108	\$ 6,033
Commercial paper	2,791	—	2	2,789
Corporate bonds	98,202	—	535	97,667
Certificates of deposits	1,125	—	6	1,119
US government and agency obligations	88,470	—	116	88,354
Asset backed securities	10,045	38	—	10,083
<b>Total current investment securities</b>	<b>\$ 206,774</b>	<b>\$ 38</b>	<b>\$ 767</b>	<b>\$ 206,045</b>
Mutual funds	\$ 2,190	\$ —	\$ 24	\$ 2,166
<b>Total noncurrent investment securities</b>	<b>\$ 2,190</b>	<b>\$ —</b>	<b>\$ 24</b>	<b>\$ 2,166</b>

June 3, 2023	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Municipal bonds	\$ 16,571	\$ —	\$ 275	\$ 16,296
Commercial paper	56,486	—	77	56,409
Corporate bonds	139,979	—	1,402	138,577
Certificates of deposits	675	—	—	675
US government and agency obligations	101,240	—	471	100,769
Asset backed securities	13,459	—	151	13,308
Treasury bills	29,069	—	13	29,056
<b>Total current investment securities</b>	<b>\$ 357,479</b>	<b>\$ —</b>	<b>\$ 2,389</b>	<b>\$ 355,090</b>
Mutual funds	\$ 2,172	\$ —	\$ 91	\$ 2,081
<b>Total noncurrent investment securities</b>	<b>\$ 2,172</b>	<b>\$ —</b>	<b>\$ 91</b>	<b>\$ 2,081</b>

*Available-for-sale*

Proceeds from sales and maturities of investment securities available-for-sale were \$196.1 million and \$65.3 million during the twenty-six weeks ended December 2, 2023 and November 26, 2022, respectively. Gross realized gains for the twenty-six weeks ended December 2, 2023 and November 26, 2022 were \$7 thousand and \$2 thousand, respectively. Gross realized losses for the twenty-six weeks ended December 2, 2023 and November 26, 2022 were \$8 thousand and \$63 thousand, respectively. There were no allowances for credit losses at December 2, 2023 and June 3, 2023.

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 December 2, 2023 are as follows (in thousands):

	Estimated Fair Value
Within one year	\$ 145,788
1-5 years	60,257
<b>Total</b>	<b>\$ 206,045</b>

*Noncurrent*

There were no sales of noncurrent investment securities during the twenty-six weeks ended December 2, 2023 and November 26, 2022.

**Note 4 - 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.

*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 December 2, 2023 and June 3, 2023 (in thousands):

December 2, 2023	Level 1	Level 2	Level 3	Balance
<b>Assets</b>				
Municipal bonds	\$ —	\$ 6,033	\$ —	\$ 6,033
Commercial paper	—	2,789	—	2,789
Corporate bonds	—	97,667	—	97,667
Certificates of deposits	—	1,119	—	1,119
US government and agency obligations	—	88,354	—	88,354
Asset backed securities	—	10,083	—	10,083
Mutual funds	2,166	—	—	2,166
<b>Total assets measured at fair value</b>	<b>\$ 2,166</b>	<b>\$ 206,045</b>	<b>\$ —</b>	<b>\$ 208,211</b>
<b>Liabilities</b>				
Contingent consideration	\$ —	\$ —	\$ 1,000	\$ 1,000
<b>Total liabilities measured at fair value</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1,000</b>	<b>\$ 1,000</b>
June 3, 2023	Level 1	Level 2	Level 3	Balance
<b>Assets</b>				
Municipal bonds	\$ —	\$ 16,296	\$ —	\$ 16,296
Commercial paper	—	56,409	—	56,409
Corporate bonds	—	138,577	—	138,577
Certificates of deposits	—	675	—	675
US government and agency obligations	—	100,769	—	100,769
Asset backed securities	—	13,308	—	13,308
Treasury bills	—	29,056	—	29,056
Mutual funds	2,081	—	—	2,081
<b>Total assets measured at fair value</b>	<b>\$ 2,081</b>	<b>\$ 355,090</b>	<b>\$ —</b>	<b>\$ 357,171</b>

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.

Contingent consideration classified as Level 3 consists of the potential obligation to pay an earnout to the sellers of Fassio contingent on the acquired business meeting certain return on profitability milestones over a three-year period, commencing on the date of the acquisition. The fair value of the contingent consideration is estimated using a discounted cash flow model. Key assumptions and unobservable inputs that require significant judgement used in the estimate include weighted average cost of capital, egg prices, projected revenue and expenses over which the contingent considered is measured, and the probability assessments with respect to the likelihood of achieving the forecasted projections. See further discussion in [Note 2 - Acquisition](#).

#### Note 5 - Inventories

Inventories consisted of the following as of December 2, 2023 and June 3, 2023 (in thousands):

	December 2, 2023	June 3, 2023
Flocks, net of amortization	\$ 162,323	\$ 164,540
Eggs and egg products	30,485	28,318
Feed and supplies	94,462	91,560
	<u>\$ 287,270</u>	<u>\$ 284,418</u>

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 December 2, 2023 and June 3, 2023 consisted of approximately 10.6 million and 10.8 million pullets and breeders and 43.3 million and 41.2 million layers, respectively.

#### Note 6 - Equity

The following reflects equity activity for the thirteen weeks ended December 2, 2023 and November 26, 2022 (in thousands):

	Thirteen Weeks Ended December 2, 2023							
	Cal-Maine Foods, Inc. Stockholders							
	Common Stock				Accum. Other Comp. Loss	Retained Earnings	Noncontrolling Interest	Total
	Amount	Class A Amount	Treasury Amount	Paid In Capital				
Balance at September 2, 2023	\$ 703	\$ 48	\$ (30,014)	\$ 73,153	\$ (2,291)	\$ 1,571,744	\$ (2,013)	\$ 1,611,330
Other comprehensive income, net of tax	—	—	—	—	677	—	—	677
Stock compensation plan transactions	—	—	—	1,061	—	—	—	1,061
Dividends (\$0.116 per share)								
Common	—	—	—	—	—	(5,125)	—	(5,125)
Class A common	—	—	—	—	—	(557)	—	(557)
Net income (loss)	—	—	—	—	—	17,009	(431)	16,578
Balance at December 2, 2023	<u>\$ 703</u>	<u>\$ 48</u>	<u>\$ (30,014)</u>	<u>\$ 74,214</u>	<u>\$ (1,614)</u>	<u>\$ 1,583,071</u>	<u>\$ (2,444)</u>	<u>\$ 1,623,964</u>

Thirteen Weeks Ended November 26, 2022

Cal-Maine Foods, Inc. Stockholders								
Common Stock								
	Class A	Treasury	Paid In	Accum. Other	Retained	Noncontrolling	Total	
	Amount	Amount	Amount	Capital	Comp. Loss	Earnings	Interest	
Balance at May 28, 2022	\$ 703	\$ 48	\$ (28,495)	\$ 69,017	\$ (2,350)	\$ 1,149,399	\$ (359)	\$ 1,187,963
Other comprehensive loss, net of tax	—	—	—	—	(737)	—	—	(737)
Stock compensation plan transactions	—	—	(1)	988	—	—	—	987
Dividends (\$1.353 per share)								
Common	—	—	—	—	—	(59,708)	—	(59,708)
Class A common	—	—	—	—	—	(6,494)	—	(6,494)
Net income (loss)	—	—	—	—	—	198,587	(293)	198,294
Balance at November 26, 2022	\$ 703	\$ 48	\$ (28,496)	\$ 70,005	\$ (3,087)	\$ 1,281,784	\$ (652)	\$ 1,320,305

Twenty-six Weeks Ended December 2, 2023

Cal-Maine Foods, Inc. Stockholders								
Common Stock								
	Class A	Treasury	Paid In	Accum. Other	Retained	Noncontrolling	Total	
	Amount	Amount	Amount	Capital	Comp. Loss	Earnings	Interest	
Balance at June 3, 2023	\$ 703	\$ 48	\$ (30,008)	\$ 72,112	\$ (2,886)	\$ 1,571,112	\$ (1,498)	\$ 1,609,583
Other comprehensive income, net of tax	—	—	—	—	1,272	—	—	1,272
Stock compensation plan transactions	—	—	(6)	2,102	—	—	—	2,096
Dividends (\$0.122 per share)								
Common	—	—	—	—	—	(5,390)	—	(5,390)
Class A common	—	—	—	—	—	(586)	—	(586)
Net income (loss)	—	—	—	—	—	17,935	(946)	16,989
Balance at December 2, 2023	\$ 703	\$ 48	\$ (30,014)	\$ 74,214	\$ (1,614)	\$ 1,583,071	\$ (2,444)	\$ 1,623,964

Twenty-six Weeks Ended November 26, 2022									
Cal-Maine Foods, Inc. Stockholders									
Common Stock							Noncontrolling		
	Amount	Class A Amount	Treasury Amount	Paid In Capital	Accum. Comp.	Other Loss	Retained Earnings	g 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	—	—	—	—		(1,491)	—	—	(1,491)
Stock compensation plan transactions	—	—	(49)	2,016		—	—	—	1,967
Contributions	—	—	—	—		—	—	—	—
Dividends (\$2.206 per share)									
Common	—	—	—	—		—	(97,355)	—	(97,355)
Class A common	—	—	—	—		—	(10,589)	—	(10,589)
Net income (loss)	—	—	—	—		—	323,874	(446)	323,428
Balance at November 26, 2022	\$ 703	\$ 48	\$ (28,496)	\$ 70,005	\$	(3,087)	\$ 1,281,784	(652)	\$ 1,320,305

**Note 7 - Net Income per Common Share**

Basic net income 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.

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

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	December 2, 2023	November 26, 2022	December 2, 2023	November 26, 2022
<b>Numerator</b>				
Net income	\$ 16,578	\$ 198,294	\$ 16,989	\$ 323,428
Less: Loss attributable to noncontrolling interest	(431)	(293)	(946)	(446)
Net income attributable to Cal-Maine Foods, Inc.	\$ 17,009	\$ 198,587	\$ 17,935	\$ 323,874
<b>Denominator</b>				
Weighted-average common shares outstanding, basic	48,690	48,624	48,691	48,624
Effect of dilutive restricted shares	176	216	163	203
Weighted-average common shares outstanding, diluted	48,866	48,840	48,854	48,827
<b>Net income per common share attributable to Cal-Maine Foods, Inc.</b>				
Basic	\$ 0.35	\$ 4.08	\$ 0.37	\$ 6.66
Diluted	\$ 0.35	\$ 4.07	\$ 0.37	\$ 6.63

**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 expected customer returns using historical return data compared to current period sales and accounts receivable. The allowance is recorded as a reduction of sales in the same period the revenue is recognized.

*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 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		Twenty-six Weeks Ended	
	December 2, 2023	November 26, 2022	December 2, 2023	November 26, 2022
Conventional shell egg sales	\$ 280,599	\$ 541,917	\$ 505,879	\$ 967,506
Specialty shell egg sales	217,905	227,778	426,586	428,598
Egg products	20,012	28,052	42,235	55,692
Other	4,718	3,953	7,878	8,248
	<u>\$ 523,234</u>	<u>\$ 801,700</u>	<u>\$ 982,578</u>	<u>\$ 1,460,044</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 December 2, 2023 and June 3, 2023, the balance for contract assets was 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 \$ 2.1 and \$2.0 million for the twenty-six weeks ended December 2, 2023 and November 26, 2022, respectively.

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 December 2, 2023 of \$5.0 million will be recorded over a weighted average period of 1.7 years. Refer to Part II Item 8, Notes to Consolidated Financial Statements and Supplementary Data, Note 14 - Stock Compensation Plans in our 2023 Annual Report for further information on our stock compensation plans.

The Company's restricted share activity for the twenty-six weeks ended December 2, 2023 follows:

	<b>Number of Shares</b>	<b>Weighted Average Grant Date Fair Value</b>
Outstanding, June 3, 2023	294,140	\$ 43.72
Vested	(305)	37.70
Forfeited	(1,329)	44.68
Outstanding, December 2, 2023	<u>292,506</u>	<u>\$ 43.72</u>

**Note 10 - Commitments and Contingencies**

**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. On October 31, 2022, the Company and WCF appealed the First District Court's decision to the Supreme Court of Texas. On September 29, 2023, the Supreme Court of Texas denied the Company's Petition for Review so the case will be remanded to the trial court for further proceedings. 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 January 9, 2023, the court entered an order and final judgement granting the Company's motion to dismiss.

On February 8, 2023, the plaintiffs appealed the lower court's judgement to the United States Court of Appeals for the Fifth Circuit, Case No. 23-50112. The parties filed their respective appellate briefs, but the court has not ruled on these submissions. 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, until a subsequent settlement was reached as described below, 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 alleged 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 attacked certain features of the United Egg Producers animal-welfare guidelines and program used by the Company and many other egg producers.

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 trial of this case began on October 17, 2023. On December 1, 2023, the jury returned a decision awarding the Egg Products Plaintiffs \$17.8 million in damages. If the jury's decision is ultimately upheld, the defendants would be jointly and severally liable for treble damages, or \$53.3 million, subject to credit for the Kellogg settlement described above and certain other settlements with previous settling defendants, plus the Egg Product Plaintiffs' reasonable attorneys' fees. This decision is not final and remains subject to the defendants' motion for a directed verdict noted below and appeals by the parties. During our second fiscal quarter of 2024, we recorded an accrued expense of \$19.6 million in selling, general and administrative expenses in the Company's Condensed Consolidated Statements of Income and classified as other noncurrent liabilities in the Company's Condensed Consolidated Balance Sheets. The accrual represents our estimate of the Company's proportional share of the reasonably possible ultimate damages award, excluding the Egg Product Plaintiffs' attorneys' fees that we believe would be approximately offset by the credits noted above. We and the other defendants are discussing apportionment, and our accrual may change in the future based on the outcome of those discussions. Our accrual may also be revised in whole or in part in the future to the extent we are successful in further proceedings in the litigation. On November 29, 2023, the defendants, including the Company, filed a motion for judgment as a matter of law in their favor, known as a directed verdict, notwithstanding the jury's decision. The Company intends to continue to vigorously defend the claims asserted by the Egg Products Plaintiffs.

#### **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., Cobb-Vantress, Inc., Cargill, Inc., George's, Inc., Peterson Farms, Inc. and Simmons Foods, Inc., and certain of their affiliates. The State of Oklahoma claims that through the disposal of chicken litter the defendants polluted the Illinois River Watershed. This watershed provides water to eastern Oklahoma. The complaint sought injunctive relief and monetary damages, but the claim for monetary damages was dismissed by the court. Cal-Maine Foods, Inc. discontinued operations in the watershed in or around 2005. 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. We also have a number of small contract producers that operate in the area.

The non-jury trial in the case began in September 2009 and concluded in February 2010. On January 18, 2023, the court entered findings of fact and conclusions of law in favor of the State of Oklahoma, but no penalties were assessed. The court found the defendants liable for state law nuisance, federal common law nuisance, and state law trespass. The court also found the producers vicariously liable for the actions of their contract producers. The court directed the parties to confer in attempt to reach agreement on appropriate remedies. On June 12, 2023, the court ordered the parties to mediate before the retired Tenth Circuit Chief Judge Deanell Reece Tacha. On October 26, 2023, the parties filed separate status reports informing the court that the mediation was unsuccessful. Also on October 26, 2023, the defendants filed a post-trial motion to dismiss and supporting brief arguing that the case should be dismissed due to the state record before the court, the resulting mootness of the case, and violation of due process. On November 10, 2023, the State of Oklahoma filed its response in opposition to the motion to dismiss and on November 17, 2023, the defendants filed their reply. The court has not ruled on the motion. While management believes there is a reasonable possibility of a material loss from the case, 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: uncertainties inherent in any assessment of potential costs associated with injunctive relief or other penalties based on a decision in a case tried over 13 years ago based on environmental conditions that existed at the time, the lack of guidance from the court as to what might be considered appropriate remedies, the ongoing litigation with the State of Oklahoma and motion to dismiss before the court, and uncertainty regarding what our proportionate share of any remedy would be, although we believe that our share compared to the other defendants is small.

#### **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.

#### **Note 11 - Subsequent Events**

On December 12, 2023, the Company reported that one of the Company's facilities in Kansas experienced an outbreak of highly pathogenic avian influenza ("HPAI"), affecting approximately 684,000 laying hens. Subsequent to the initial outbreak, nearby facilities in Kansas experienced an outbreak of HPAI, affecting approximately an additional 842,000 laying hens and 240,000 pullets. The total of the combined outbreaks represented 3.3% of our total flock as of December 2, 2023.

The Company has and continues to follow all guidelines provided by the United States Department of Agriculture (the "USDA") and other regulatory agencies to depopulate and sanitize the facilities. As such, Cal-Maine will be eligible to participate in the USDA indemnity program and other programs designed to compensate for the loss of birds and eggs. The Company's plans are to repopulate the facilities and resume normal operations at the facilities within 3-5 months. Due to volatility in the market prices of eggs and uncertain future supply, demand and other market conditions, an estimate of the net income effect cannot be reasonably made.

## 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 June 3, 2023 (the "2023 Annual Report"), and the accompanying financial statements and notes included in Part II Item 8 of the 2023 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 and egg products 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 recent resurgence in United States ("U.S.") commercial table egg layer flocks of the highly pathogenic avian influenza ("HPAI") outbreak, potential future impact on our business of inflation and rising interest rates, potential future impact on our business of new legislation, rules or policies, potential outcomes of legal proceedings, including loss contingency accruals and factors that may result in changes in the amounts recorded, 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 2023 Annual Report, the risk factors (if any) set forth in Part II Item 1A Risk Factors and elsewhere in this report as well as those included in other reports we file from time to time with the Securities and Exchange Commission (the "SEC") (including our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K), (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 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 and that first impacted our flock in December 2023, (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 increased costs and higher and potentially further increases in, inflation and interest rates, (vii) our ability to retain existing customers, acquire new customers and grow our product mix, (viii) adverse results in pending litigation matters, (ix) global instability, including as a result of the wars in Ukraine and Israel and attacks on shipping in the Red Sea, and (x) any potential resurgence of COVID-19. 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 and we have one operating and reportable segment. We are the largest producer and distributor of fresh shell eggs in the U.S. Our total flock of approximately 43.3 million layers and 10.6 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 located primarily 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 do not sell eggs directly to consumers or set the prices at which eggs are sold to consumers.

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.

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. Basis is the difference between the local cash price for grain and the applicable futures price. A basis contract is a common transaction in the grain market that allows us to lock-in a basis level for a specific delivery period and wait to set the futures price at a later date. 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, agricultural, energy and trade policies in the U.S. and internationally, and global instability that could disrupt the supply chain.

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.

#### 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. California, Massachusetts, and Colorado, which collectively represent approximately 16% of the total estimated U.S. population, have cage-free legislation currently in effect. Oregon, Washington and Nevada have cage-free legislation going into effect starting January 1, 2024, which represents an additional 5% of the total estimated U.S. population. Although we do not sell the majority of our eggs in these ten states, these state laws have impacted egg production practices nationally.

A significant number of our customers have announced goals to either exclusively offer cage-free eggs or significantly increase the volume of cage-free egg sales in the future, subject in most cases to availability of supply, affordability and consumer demand, among other contingencies. 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 focused on adjusting our cage-free production capacity with a goal of meeting the future needs of our customers in light of changing state requirements and our customer's goals. As always, we strive to offer a product mix that aligns with current and anticipated customer purchase decisions. We are engaging with our customers to help them meet their announced goals and needs. 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. Our volume of cage-free egg sales has continued to increase and account for a larger share of our product mix. Cage-free egg revenue represented approximately 30.4% of our total net shell egg revenue for the second quarter of fiscal year 2024. At the same time, we understand the importance of our continued ability to provide 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 2023 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."

## ACQUISITIONS

During the second quarter of fiscal 2024, we acquired the assets of Fassio Egg Farms, Inc. (“Fassio”) related to its commercial shell egg production and processing business. The assets acquired included commercial shell egg production and processing facilities with a current capacity of approximately 1.2 million laying hens, primarily cage-free, a feed mill, pullets, a fertilizer production and composting operation and land located in Erda, Utah, outside Salt Lake City. See further discussion in [Note 2 – Acquisition](#) of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report.

Following the end of the second quarter, we announced a definitive agreement to acquire from Tyson Foods, Inc. a recently closed broiler processing plant, hatchery and feed mill located in Dexter, Missouri. We expect to complete the acquisition in our third fiscal quarter and to repurpose the assets for use in egg and egg products production.

## HPAI

Outbreaks of HPAI continue to occur in U.S. poultry flocks. Prior to November 2023, there were no reported significant outbreaks of HPAI in commercial table egg layer flocks since December 2022. On January 3, 2024, the USDA division of Animal and Plant Health Inspection Service (“APHIS”) reported that approximately 12.9 million commercial table egg layers and 1.5 million commercial table egg pullets have been depopulated as a result of HPAI outbreaks since the beginning of November 2023.

Cal-Maine Foods experienced HPAI outbreaks within our facilities in Kansas, resulting in depopulation of approximately 1.5 million layers and 240 thousand pullets, or approximately 3.3% of our total flock as of December 2, 2023, subsequent to period-end. Cal-Maine Foods believes that we can mitigate the loss of production through flock rotations. Cal-Maine Foods remains dedicated to robust biosecurity programs across our locations; however, no farm is immune from HPAI. HPAI is still present in the wild bird population and the extent of possible future outbreaks, particularly during the migration seasons, cannot be predicted. According to the U.S. Centers for Disease Control and Prevention, these detections do not present an immediate public health concern. For additional information, see the 2023 Annual Report, Part II Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations – HPAI.”

We believe the HPAI outbreak will continue to impact the overall supply of eggs until the layer hen flock is fully replenished. The layer hen flock five-year average for the month of December from 2018 through 2022 is 330.1 million hens. According to the USDA, the U.S. flock consisted of 321.6 million layers producing table or market type eggs as of December 1, 2023, which is 2.6% below the five-year average.

## EXECUTIVE OVERVIEW

For the second quarter and first two quarters of fiscal 2024, we recorded a gross profit of \$91.1 million and \$136.6 million, respectively, compared to \$317.8 million and \$535.3 million, respectively, for the same periods of fiscal 2023, with the decreases due primarily to lower conventional shell egg prices. The decrease in gross profit was partially offset by lower feed ingredient prices in the second quarter and first two quarters of fiscal 2024 compared to the same periods of fiscal 2023. Our operating income and net income for the second quarter of fiscal 2024 were impacted by a \$19.6 million litigation loss contingency accrual for pending anti-trust litigation, reflected in selling, general and administrative expenses in the Company’s Condensed Consolidated Statements of Income and classified as accrued expenses and other liabilities in the Company’s Condensed Consolidated Balance Sheets.

Our net average selling price per dozen for the second quarter of fiscal 2024 was \$1.730 compared to \$2.709 in the prior-year period. Conventional egg prices per dozen were \$1.458 compared to \$2.883 for the prior-year period, and specialty egg prices per dozen were \$2.277 compared to \$2.370 for the prior-year period. Conventional egg prices were lower in the second quarter of fiscal 2024 compared to the prior-year period as the U.S. egg supply started to recover from outbreaks of HPAI. There has been a resurgence of HPAI starting in November 2023, and although prices rose in November 2023 they remained lower than comparable 2022 prices. Our net average selling price per dozen for the first two quarters of fiscal 2024 was \$1.661 compared to \$2.469 in the prior-year period. Conventional egg prices per dozen were \$1.353 compared to \$2.631 for the prior-year period, and specialty egg prices per dozen were \$2.277 compared to \$2.236 for the prior-year period. The daily average price for the Urner Barry southeast large index for the second quarter of fiscal 2024 and first two quarters of fiscal 2024 decreased 49.6% and 49.2%, respectively, from the comparable periods in the prior year. For information about historical shell egg prices, see Part I Item I of our 2023 Annual Report.

Our total dozens sold increased 1.4% to 288.2 million dozen shell eggs for the second quarter of fiscal 2024 compared to 284.1 million dozen for the same period of fiscal 2023. For the year-to-date period, total dozens sold increased slightly from 559.4 million dozen to 561.3 million dozen. For the second quarter of fiscal 2024, conventional dozens sold increased 2.4% and

specialty dozens sold decreased 0.4% as compared to the same quarter in fiscal 2023. Demand for specialty eggs decreased in the second quarter of fiscal 2024 compared to the same prior year period due primarily to the large decrease in prices for conventional eggs compared to the same prior year period. For the year-to-date period, conventional dozens sold increased 1.7% and specialty dozens sold decreased 2.3% compared to the prior year period.

Our farm production costs per dozen produced for the second quarter and first two quarters of fiscal 2024 decreased 8.0%, or \$0.86, and 4.6%, or \$0.05, respectively, compared to the prior year periods, primarily due to lower feed costs. Feed costs per dozen produced decreased 19.1%, or \$0.13, compared to the second quarter of fiscal 2023 primarily due to reduced corn prices, our primary feed ingredient. For information about historical corn and soybean meal prices, see Part I Item 1 of our 2023 Annual Report.

## 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.

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	December 2, 2023	November 26, 2022	December 2, 2023	November 26, 2022
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	82.6 %	60.4 %	86.1 %	63.3 %
Gross profit	17.4 %	39.6 %	13.9 %	36.7 %
Selling, general and administrative	14.5 %	7.2 %	13.1 %	7.6 %
Loss on disposal of fixed assets	0.1 %	— %	— %	— %
Operating income	2.8 %	32.4 %	0.8 %	29.1 %
Total other income, net	1.5 %	0.3 %	1.6 %	0.3 %
Income before income taxes	4.3 %	32.7 %	2.4 %	29.4 %
Income tax expense	1.1 %	8.0 %	0.6 %	7.1 %
Net income	3.2 %	24.7 %	1.8 %	22.3 %
Less: Loss attributable to noncontrolling interest	(0.1) %	— %	(0.1) %	— %
Net income attributable to Cal-Maine Foods, Inc.	3.3 %	24.7 %	1.9 %	22.3 %

## NET SALES

Total net sales for the second quarter of fiscal 2024 were \$523.2 million compared to \$801.7 million for the same period of fiscal 2023.

Net shell egg sales represented 96.2% and 96.5% of total net sales for the second quarters of fiscal 2024 and 2023, respectively. Shell egg sales classified as “Other” represent sales of miscellaneous byproducts and resale products included with our shell egg operations.

Total net sales for the twenty-six weeks ended December 2, 2023 were \$982.6 million, compared to \$1.46 billion for the comparable period of fiscal 2023.

Net shell egg sales represented 95.7% and 96.2% of total net sales for the twenty-six weeks ended December 2, 2023 and November 26, 2022, respectively.

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

	Thirteen Weeks Ended				Twenty-six Weeks Ended			
	December 2, 2023		November 26, 2022		December 2, 2023		November 26, 2022	
Total net sales	\$ 523,234		\$ 801,700		\$ 982,578		\$ 1,460,044	
Conventional	\$ 280,599	55.8 %	\$ 541,917	70.1 %	\$ 505,879	53.8 %	\$ 967,506	68.9 %
Specialty	217,905	43.3 %	227,778	29.4 %	426,586	45.4 %	428,598	30.5 %
Egg sales, net	498,504	99.1 %	769,695	99.5 %	932,465	99.2 %	1,396,104	99.4 %
Other	4,718	0.9 %	3,953	0.5 %	7,878	0.8 %	8,248	0.6 %
Net shell egg sales	\$ 503,222		\$ 773,648		\$ 940,343		\$ 1,404,352	
	100.0 %		100.0 %		100.0 %		100.0 %	
Net shell egg sales as a percent of total net sales	96.2 %		96.5 %		95.7 %		96.2 %	
Dozens sold:								
Conventional	192,462	66.8 %	187,976	66.2 %	373,992	66.6 %	367,688	65.7 %
Specialty	95,711	33.2 %	96,110	33.8 %	187,307	33.4 %	191,715	34.3 %
Total dozens sold	288,173		284,086		561,299		559,403	
	100.0 %		100.0 %		100.0 %		100.0 %	
Net average selling price per dozen:								
Conventional	\$ 1.458		\$ 2.883		\$ 1.353		\$ 2.631	
Specialty	\$ 2.277		\$ 2.370		\$ 2.277		\$ 2.236	
All shell eggs	\$ 1.730		\$ 2.709		\$ 1.661		\$ 2.496	
Egg products sales:								
Egg products net sales	\$ 20,012		\$ 28,052		\$ 42,235		\$ 55,692	
Pounds sold	16,998		15,702		36,351		32,204	
Net average selling price per pound	\$ 1.177		\$ 1.787		\$ 1.162		\$ 1.729	

**Shell egg net sales**

**Second Quarter – Fiscal 2024 vs. Fiscal 2023**

- In the second quarter of fiscal 2024, conventional egg sales decreased \$261.3 million, or 48.2%, compared to the second quarter of fiscal 2023, primarily due to a 49.4% decrease in the prices for conventional eggs, which resulted in a \$274.3 million decrease in net sales, partially offset by a 2.4% increase in the volume of conventional eggs sold, which resulted in a \$12.9 million increase in net sales.
- Conventional egg prices were lower in the second quarter of fiscal 2024 compared to the second quarter of fiscal 2023 as the U.S. egg supply started to recover from outbreaks of HPAI. There has been a resurgence of HPAI starting in November 2023, and although prices rose in November 2023, they remained lower than comparable 2022 prices.
- Specialty egg sales decreased \$9.9 million, or 4.3%, in the second quarter of fiscal 2024 compared to the second quarter of fiscal 2023, primarily due to a 3.9% decrease in the prices for specialty eggs, which resulted in a \$9.3 million decrease in net sales.
- Cage-free egg revenue for the second quarter of fiscal 2024 represented 30.4% of our total net shell egg revenue versus 18.2% for the same prior year period due to the lower conventional egg prices causing conventional egg revenue to represent a smaller proportion of our total sales.

**Twenty-six weeks – Fiscal 2024 vs. Fiscal 2023**

- For the twenty-six weeks ended December 2, 2023, conventional egg sales decreased \$461.6 million, or 47.7%, compared to the same period of fiscal 2023, primarily due to the decrease in the prices for conventional shell eggs. Changes in prices resulted in a \$478.0 million decrease in net sales, partially offset by a 1.7% increase in the volume of conventional eggs sold, which resulted in a \$16.6 million increase in net sales.

Egg products net sales

Second Quarter – Fiscal 2024 vs. Fiscal 2023

- Egg products net sales decreased \$8.0 million, or 28.7%, for the second quarter of fiscal 2024 compared to the same period of fiscal 2023, primarily due to a 34.1% selling price decrease, which had a \$10.4 million negative impact on net sales.
- Our egg products net average selling price decreased in the second quarter of fiscal 2024, compared to the second quarter of fiscal 2023 as the supply of shell eggs used to produce egg products increased.

Twenty-six weeks – Fiscal 2024 vs. Fiscal 2023

- Egg products net sales decreased \$13.5 million, or 24.2%, primarily due to a 32.8% selling price decrease compared to the first twenty-six weeks of fiscal 2023, which had a \$20.6 million negative impact on net sales.

**COST OF SALES**

Costs of sales for the second quarter of fiscal 2024 were \$432.1 million compared to \$483.9 million for the same period of fiscal 2023. Costs of sales for the year-to-date period were \$846.0 million compared to \$924.7 million for the prior year period.

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

	Thirteen Weeks Ended			Twenty-six Weeks Ended		
	December 2, 2023	November 26, 2022	% Change	December 2, 2023	November 26, 2022	% Change
<b>Cost of Sales:</b>						
Farm production	\$ 258,367	\$ 276,008	(6.4) %	\$ 511,874	\$ 542,659	(5.7) %
Processing, packaging, and warehouse	84,767	83,639	1.3	166,673	165,056	1.0
Egg purchases and other (including change in inventory)	71,654	97,973	(26.9)	132,451	166,271	(20.3)
Total shell eggs	414,788	457,620	(9.4)	810,998	873,986	(7.2)
Egg products	17,316	26,231	(34.0)	35,017	50,719	(31.0)
<b>Total</b>	<b>\$ 432,104</b>	<b>\$ 483,851</b>	<b>(10.7) %</b>	<b>\$ 846,015</b>	<b>\$ 924,705</b>	<b>(8.5) %</b>
<b>Farm production costs (per dozen produced)</b>						
Feed	\$ 0.554	\$ 0.685	(19.1) %	\$ 0.575	\$ 0.676	(14.9) %
Other	\$ 0.431	\$ 0.386	11.7 %	\$ 0.435	\$ 0.383	13.6 %
Total	\$ 0.985	\$ 1.071	(8.0) %	\$ 1.010	\$ 1.059	(4.6) %
<b>Outside egg purchases (average cost per dozen)</b>						
	\$ 2.03	\$ 3.14	(35.4) %	\$ 1.84	\$ 2.88	(36.1) %
Dozens produced	265,101	261,358	1.4 %	515,457	519,012	(0.7) %
Percent produced to sold	92.0%	92.0%	— %	91.8%	92.8%	(1.1) %

Farm Production

Second Quarter – Fiscal 2024 vs. Fiscal 2023

- Feed costs per dozen produced decreased 19.1% in the second quarter of fiscal 2024 compared to the second quarter of fiscal 2023. This decrease was primarily due to lower prices for corn, our primary feed ingredient. Basis levels for corn and soybean meal were lower in our areas of operations compared to our prior year second fiscal quarter. The decrease in feed cost per dozen resulted in a decrease in cost of sales of \$34.7 million for the second quarter of fiscal 2024 compared to the prior period quarter.

- For the second quarter of fiscal 2024, the average Chiago Board of Trade (“CBOT”) daily market price was \$4.79 per bushel for corn and \$417 per ton of soybean meal, representing decreases of 29.3% and 1.6%, respectively, as compared to the average CBOT daily market prices for the second quarter of fiscal 2023.
- Other farm production costs increased primarily due to higher flock amortization and facility costs. Flock amortization increased primarily due to the increased capitalized value of our flocks. This is primarily due to the higher feed costs incurred during the growing phase of the flocks.
- Facility costs increased due primarily to increased labor costs. Labor costs increased 12.5% compared to the second quarter of fiscal 2023 primarily due to an increase in contract labor in response to labor shortages.

Twenty-six weeks – Fiscal 2024 vs. Fiscal 2023

- Feed costs per dozen produced decreased 14.9% in the twenty-six weeks ended December 2, 2023 compared to the same period of fiscal 2023, primarily due to lower feed ingredient prices. The decrease in feed cost per dozen resulted in a decrease in cost of sales of \$52.1 million compared to the prior year period.
- For the year-to-date period, the average CBOT daily market price was \$5.05 per bushel for corn and \$420 per ton for soybean meal, representing decreases of 24.8% and 4.6%, respectively, compared to the average CBOT daily market prices for the comparable period in the prior year.
- Other farm production costs increased due to higher facility costs and flock amortization, for the reasons described above.

Current indications for corn project an overall better stocks-to-use ratio implying potentially lower prices in the near term; however, as long as outside factors remain uncertain (including weather patterns and global supply chain disruptions), volatility could remain. Soybean meal supply has remained tight relative to demand in the first two quarters of fiscal 2024.

Processing, packaging, and warehouse

Second Quarter – Fiscal 2024 vs. Fiscal 2023

- Processing, packaging, and warehouse costs increased 1.3% compared to the second quarter of fiscal 2023, primarily due to an increase in dozens processed in the second quarter of fiscal 2024 compared to the second quarter of fiscal 2023.

Twenty-six weeks – Fiscal 2024 vs. Fiscal 2023

- Processing, packaging, and warehouse costs increased 1.0% compared to the first two quarters of fiscal 2023, primarily due an increase in labor costs of 4.2% due to wage increases in response to labor shortages, partially offset by decrease in dozens processed.

Egg purchases and other (including change in inventory)

Second Quarter – Fiscal 2024 vs. Fiscal 2023

- Costs in this category decreased primarily due to lower shell egg prices as the average cost per dozen of outside egg purchases decreased 35.4% compared to second quarter of fiscal 2023 .

Twenty-six weeks – Fiscal 2024 vs. Fiscal 2023

- Costs in this category decreased primarily due to lower shell egg prices as the average cost per dozen of outside egg purchases decreased 36.1% compared to fiscal 2023, partially offset by an increase of 13.0% in dozens purchased.

**GROSS PROFIT**

Gross profit for the second quarter of fiscal 2024 was \$91.1 million compared to \$317.8 million for the same period of fiscal 2023. Gross profit for the twenty-six weeks ended December 2, 2023 was \$136.6 million compared to \$535.3 million for the same period of 2023. The decrease for both periods was primarily due to lower conventional egg prices, partially offset by lower feed ingredient prices.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

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

	Thirteen Weeks Ended			
	December 2, 2023	November 26, 2022	\$ Change	% Change
Specialty egg expense	\$ 15,924	\$ 14,673	\$ 1,251	8.5 %
Delivery expense	17,706	18,175	(469)	(2.6) %
Payroll, taxes and benefits	11,076	13,827	(2,751)	(19.9) %
Stock compensation expense	1,061	987	74	7.5 %
Litigation loss contingency accrual	19,648	—	19,648	N.M
Other expenses	11,163	10,290	873	8.5 %
<b>Total</b>	<b>\$ 76,578</b>	<b>\$ 57,952</b>	<b>\$ 18,626</b>	<b>32.1 %</b>

N.M. – Not Meaningful

Second Quarter – Fiscal 2024 vs. Fiscal 2023

Specialty egg expense

- During the second part of fiscal year 2023, the higher prices for conventional eggs and the comparatively lower prices for specialty eggs diminished the need to promote specialty eggs. During the second quarter of fiscal year 2024, we significantly increased promotional programs, resulting in higher advertising fees. This was partially offset by a decrease in a reduction in franchise fees to Egglund’s Best, Inc.

Delivery expense

- The decreased delivery expense is primarily due to a decrease in fuel and contract trucking expenses in the second quarter of fiscal 2024 compared to the second quarter of fiscal 2023.

Payroll, taxes and benefits expense

- The decrease in payroll, taxes and benefits expense is due to a decrease in accrued bonuses compared to the second quarter of fiscal year 2023.

Litigation loss contingency accrual

- The litigation loss contingency accrual of \$19.6 million relates to a jury decision returned on December 1, 2023 in pending anti-trust litigation. See further discussion in [Note 10 – Commitments and Contingencies](#) of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report.

Other expense

- The increase in other expense is primarily due to increased legal costs incurred compared to the second quarter of fiscal 2023.

	Twenty-six Weeks Ended			
	December 2, 2023	November 26, 2022	\$ Change	% Change
Specialty egg expense	\$ 27,929	\$ 27,740	\$ 189	0.7 %
Delivery expense	35,397	38,091	(2,694)	(7.1) %
Payroll, taxes and benefits	23,142	24,814	(1,672)	(6.7) %
Stock compensation expense	2,101	2,012	89	4.4 %
Litigation loss contingency accrual	19,648	—	19,648	N.M.
Other expenses	20,607	18,902	1,705	9.0 %
<b>Total</b>	<b>\$ 128,824</b>	<b>\$ 111,559</b>	<b>\$ 17,265</b>	<b>15.5 %</b>

N.M. - Not Meaningful

Twenty-six weeks – Fiscal 2024 vs. Fiscal 2023

Specialty egg expense

- Specialty egg expense increased by 0.7%, as advertising expense increased in fiscal 2024 as discussed above and was offset by the reduction in franchise fees to Egghand's Best, Inc.

Delivery expense

- The decreased delivery expense is primarily due to a decrease in fuel and contract trucking expenses in fiscal 2024.

Payroll, taxes and benefits expense

- The decrease in payroll, taxes and benefits expense is primarily due to a decrease in accrued bonuses in the first two quarters of fiscal 2024 compared to the prior year period.

Litigation loss contingency accrual

- The increase relates to the litigation loss contingency accrual discussed above.

Other expenses

- The increase in other expense is primarily due to increased legal costs incurred in the year-to-date period.

OPERATING INCOME (LOSS)

For the second quarter of fiscal 2024, we recorded operating income of \$14.2 million compared to operating income of \$259.9 million for the same period of fiscal 2023.

For the twenty-six weeks ended December 2, 2023, we recorded an operating income of \$7.5 million compared to an operating income of \$423.7 million for the same period of fiscal 2023.

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 second quarter of fiscal 2024, we earned \$7.1 million of interest income compared to \$2.1 million for the same period of fiscal 2023. The increase resulted from significantly higher investment balances and higher interest rates. The Company recorded interest expense of \$134 thousand and \$143 thousand for the second quarters ended December 2, 2023 and November 26, 2022, respectively.

For the twenty-six weeks ended December 2, 2023, we earned \$14.6 million of interest income compared to \$3.1 million for the same period of fiscal 2023. The increase resulted from significantly higher investment balances and higher interest rates. The Company recorded interest expense of \$276 thousand and \$291 thousand for the twenty-six weeks ended December 2, 2023 and November 26, 2022, respectively.

INCOME TAXES

For the second quarter of fiscal 2024, pre-tax income was \$22.1 million compared to \$262.2 million for the same period of fiscal 2023. We recorded income tax expense of \$5.5 million for the second quarter of fiscal 2024, which reflects an effective tax rate of 25.0%. Income tax expense was \$64.0 million for the comparable period of fiscal 2023, which reflects an effective tax rate of 24.4%.

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 our noncontrolling interest.

NET INCOME ATTRIBUTABLE TO CAL-MAINE FOODS, INC.

Net income attributable to Cal-Maine Foods, Inc. for the second quarter ended December 2, 2023, was \$17.0 million, or \$0.35 per basic and diluted common share, compared to net income attributable to Cal-Maine Foods, Inc. of \$198.6 million, or \$4.08 per basic and \$4.07 per diluted common share for the same period of fiscal 2023.

Net income attributable to Cal-Maine Foods, Inc. for the twenty-six weeks ended December 2, 2023, was \$17.9 million, or \$.37 per basic and diluted common share, compared to net income attributable to Cal-Maine Foods, Inc. of \$323.9 million or \$6.66 per basic and \$6.63 per diluted common share, for the same period of fiscal 2023.

## LIQUIDITY AND CAPITAL RESOURCES

### Working Capital and Current Ratio

Our working capital at December 2, 2023 was \$910.1 million, compared to \$942.2 million at June 3, 2023. The calculation of working capital is defined as current assets less current liabilities. Our current ratio was 6.9 at December 2, 2023, compared with 6.2 at June 3, 2023. The current ratio is calculated by dividing current assets by current liabilities.

### Cash Flows from Operating Activities

For the twenty-six weeks ended December 2, 2023, \$74.0 million in net cash was provided by operating activities, compared to \$344.8 million provided by operating activities for the comparable period in fiscal 2023. The decrease in cash flow from operating activities resulted primarily from lower selling prices for conventional eggs compared to the prior-year period.

### Cash Flows from Investing Activities

For the twenty-six weeks ended December 2, 2023, \$32.4 million was provided by investing activities, primarily due to the sales and maturities of investment securities, partially offset by the acquisition of assets of Fassio Egg Farms, Inc. This compares to \$146.7 million used in investing activities in the same period of fiscal 2023, primarily due to purchases of investment securities. Sales and maturities of investment securities were \$196.1 million in first two quarters of fiscal 2024, compared to \$65.3 million in the first two quarters fiscal 2023. The increase in sales and maturities of investment securities is primarily due to the maturities of short-term investments during the period. Purchases of property, plant and equipment were \$66.2 million and \$59.7 million in the first two quarters of fiscal 2024 and 2023, respectively, primarily reflecting progress on our construction projects.

### Cash Flows from Financing Activities

We paid dividends of \$37.3 million for the twenty-six weeks ended December 2, 2023 compared to \$78.4 million in the same prior-year period.

As of December 2, 2023, cash increased \$69.0 million since June 3, 2023, compared to an increase of \$119.6 million during the same period of fiscal 2023.

### Credit Facility

We had no long-term debt outstanding at December 2, 2023 or June 3, 2023. 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 December 2, 2023, no amounts were borrowed under the Credit Facility. We have \$4.3 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 Consolidated Financial Statements and Supplementary Data, Note 10 - Credit Facility included in our 2023 Annual Report for further information regarding our long-term debt.

### Dividends

In accordance with our variable dividend policy, we will pay a cash dividend totaling approximately \$5.7 million, or approximately \$0.116 per share to holders of our common and Class A common stock with respect to our second fiscal quarter of 2024. The amount paid per share will vary based on the number of outstanding shares on the record date. The dividend is payable on February 15, 2024 to holders of record on January 31, 2024.

### 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 timelines for cage-free egg sales. The following table presents material construction projects approved as of December 2, 2023 (in thousands):

Project(s) Type	Projected Completion	Projected Cost	Spent as of December 2, 2023	Remaining Projected Cost
Cage-Free Layer & Pullet Houses	Fiscal 2025	54,702	36,370	18,332
Feed Mill	Fiscal 2025	10,486	2,486	8,000
Cage-Free Layer & Pullet Houses	Fiscal 2026	78,982	59,000	19,982
Cage-Free Layer & Pullet Houses	Fiscal 2027	56,732	29,334	27,398
		<u>\$ 200,902</u>	<u>\$ 127,190</u>	<u>\$ 73,712</u>

We believe our current cash balances, investments, cash flows from operations, and Credit Facility will be sufficient to fund our current cash 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 2023 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 December 2, 2023 from the information provided in Part II Item 7A, Quantitative and Qualitative Disclosures About Market Risk in our 2023 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 December 2, 2023 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 December 2, 2023 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 2023 Annual Report, Part I Item 3 Legal Proceedings, and Part II Item 8, Notes to Consolidated Financial Statements and Supplementary Data, Note 16 - Commitments and Contingencies, and (ii) in this Quarterly Report in [Note 10 - 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 2023 Annual Report, except as reported herein in Part I Item 2 under the heading “HPAI.”

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

There were no purchases of Common Stock made by or on behalf of our Company or any affiliated purchaser during the second quarter of fiscal 2024.

**ITEM 6. EXHIBITS**

Exhibits

<u>No.</u>	<u>Description</u>
3.1	<a href="#">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)</a>
3.2	<a href="#">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)</a>
31.1*	<a href="#">Rule 13a-14(a) Certification of the Chief Executive Officer</a>
31.2*	<a href="#">Rule 13a-14(a) Certification of the Chief Financial Officer</a>
32**	<a href="#">Section 1350 Certification of the Chief Executive Officer and the Chief Financial Officer</a>
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: January 3, 2024

/s/ Max P. Bowman

Max P. Bowman

Vice President, Chief Financial Officer  
(Principal Financial Officer)

Date: January 3, 2024

/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, Sherman L. Miller, 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/ Sherman L. Miller

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Sherman L. Miller

President and Chief Executive Officer

Date: January 3, 2024

**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: January 3, 2024

**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 December 2, 2023 (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/ Sherman L. Miller

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Sherman L. Miller

President and Chief Executive Officer

/s/ Max P. Bowman

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Max P. Bowman

Vice President and Chief Financial Officer

Date: January 3, 2024

