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 **February 26, 2022**

or

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

Commission File Number: 001-38695

CAL-MAINE FOODS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**64-0500378**
(State or other jurisdiction of incorporation or organization)	(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:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
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	☑	Accelerated filer	☐
Non – Accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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 44,140,283 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 March 29, 2022.

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

	February 26, 2022	May 29, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 15,589	$ 57,352
Investment securities available-for-sale	81,125	112,158
Trade and other receivables, net	138,654	84,123
Income tax receivable	41,383	42,516
Inventories	240,087	218,375
Prepaid expenses and other current assets	5,872	5,407
Total current assets	522,710	519,931
Property, plant & equipment, net	671,373	589,417
Finance lease right-of-use asset, net	409	525
Operating lease right-of-use asset, net	1,168	1,724
Investments in unconsolidated entities	15,794	54,941
Goodwill	44,006	35,525
Intangible assets, net	18,686	20,341
Other long-term assets	7,849	6,770
Total Assets	$ 1,281,995	$ 1,229,174
Liabilities and Stockholders’ Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 120,665	$ 89,191
Current portion of finance lease obligation	222	215
Current portion of operating lease obligation	486	691
Total current liabilities	121,373	90,097
Long-term finance lease obligation	271	438
Long-term operating lease obligation	682	1,034
Other noncurrent liabilities	10,673	10,416
Deferred income taxes, net	118,753	114,408
Total liabilities	251,752	216,393
Commitments and contingencies - see Note 13		
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	66,909	64,044
Retained earnings	992,523	975,977
Accumulated other comprehensive loss, net of tax	(1,413)	(558)
Common stock in treasury at cost – 26,121 shares at February 26, 2022 and 26,202 shares at May 29, 2021	(28,439)	(27,433)
Total Cal-Maine Foods, Inc. stockholders’ equity	1,030,331	1,012,781
Noncontrolling interest in consolidated entity	(88)	—
Total stockholders’ equity	1,030,243	1,012,781
Total Liabilities and Stockholders’ Equity	$ 1,281,995	$ 1,229,174

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		Thirty-nine Weeks Ended	
	February 26, 2022	February 27, 2021	February 26, 2022	February 27, 2021
Net sales	$ 477,485	$ 359,080	$ 1,184,195	$ 999,189
Cost of sales	385,903	311,563	1,042,221	876,457
Gross profit	91,582	47,517	141,974	122,732
Selling, general and administrative	52,686	47,656	146,991	135,494
(Gain) loss on disposal of fixed assets	(674)	354	(2,855)	476
Operating income (loss)	39,570	(493)	(2,162)	(13,238)
Other income (expense):				
Interest income, net	79	591	440	2,181
Royalty income	326	321	877	906
Patronage dividends	10,120	9,004	10,120	9,004
Equity income of unconsolidated entities	1,809	1,872	2,208	1,886
Other, net	1,144	537	8,169	1,485
Total other income, net	13,478	12,325	21,814	15,462
Income before income taxes	53,048	11,832	19,652	2,224
Income tax expense (benefit)	13,594	(1,716)	(2,921)	(4,080)
Net income	39,454	13,548	22,573	6,304
Less: Loss attributable to noncontrolling interest	(63)	—	(91)	—
Net income attributable to Cal-Maine Foods, Inc.	$ 39,517	$ 13,548	$ 22,664	$ 6,304
Net income per common share:				
Basic	$ 0.81	$ 0.28	$ 0.46	$ 0.13
Diluted	$ 0.81	$ 0.28	$ 0.46	$ 0.13
Weighted average shares outstanding:				
Basic	48,886	48,530	48,888	48,511
Diluted	49,036	48,659	49,035	48,649

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		Thirty-nine Weeks Ended	
	February 26, 2022	February 27, 2021	February 26, 2022	February 27, 2021
Net income	$ 39,454	$ 13,548	$ 22,573	$ 6,304
Other comprehensive income (loss), before tax:				
Unrealized holding loss on available-for-sale securities, net of reclassification adjustments	(551)	(378)	(1,130)	(283)
Income tax benefit related to items of other comprehensive income	134	92	275	69
Other comprehensive loss, net of tax	(417)	(286)	(855)	(214)
Comprehensive income	39,037	13,262	21,718	6,090
Less: Comprehensive loss attributable to the noncontrolling interest	(63)	—	(91)	—
Comprehensive income attributable to Cal-Maine Foods, Inc.	$ 39,100	$ 13,262	$ 21,809	$ 6,090

See Notes to Condensed Consolidated Financial Statements.

Cal-Maine Foods, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Thirty-nine Weeks Ended	
	February 26, 2022	February 27, 2021
Cash flows from operating activities:		
Net income	$ 22,573	$ 6,304
Depreciation and amortization	50,996	44,391
Deferred income taxes	(3,861)	9,970
Other adjustments, net	(48,884)	(45,936)
Net cash provided by operations	20,824	14,729
Cash flows from investing activities:		
Purchases of investment securities	(47,135)	(59,415)
Sales and maturities of investment securities	76,377	85,202
Investment in unconsolidated entities	(3,000)	—
Distributions from unconsolidated entities	400	5,813
Acquisition of business, net of cash acquired	(44,823)	—
Purchases of property, plant and equipment	(49,170)	(73,796)
Net proceeds from disposal of property, plant and equipment	6,041	3,273
Net cash used in investing activities	(61,310)	(38,923)
Cash flows from financing activities:		
Purchase of common stock by treasury	(1,120)	(871)
Principal payments on finance lease	(160)	(153)
Contributions	3	5
Net cash used in financing activities	(1,277)	(1,019)
Net change in cash and cash equivalents	(41,763)	(25,213)
Cash and cash equivalents at beginning of period	57,352	78,130
Cash and cash equivalents at end of period	$ 15,589	$ 52,917
Supplemental Information:		
Cash paid for operating leases	$ 625	$ 703
Interest paid	$ 230	$ 193

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. Therefore, they do not include all of the information and footnotes required by generally accepted accounting principles in the United States of America ("GAAP") for complete financial statements and should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended May 29, 2021 (the "2021 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 February 26, 2022 and February 27, 2021 included 13 weeks and 39 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.

The severity, magnitude and duration, as well as the economic consequences of the COVID-19 pandemic, are uncertain, rapidly changing and difficult to predict. Therefore, our accounting estimates and assumptions might change materially in future periods in response to COVID-19.

Investment Securities

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

Trade Receivables

Trade receivables are stated at their carrying values, which include a reserve for credit losses. At February 26, 2022 and May 29, 2021, reserves for credit losses were $725 thousand and $795 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.

Business Combinations

The Company applies fair value accounting guidance to measure non-financial assets and liabilities associated with business acquisitions. These assets and liabilities are measured at fair value for the initial purchase price allocation. The fair value of non-financial assets acquired is determined internally. Our internal valuation methodology for non-financial assets considers the remaining estimated life of the assets acquired and what management believes is the market value for those assets.

Change in Accounting Principle

Effective May 31, 2020, the Company adopted ASU 2016-13, Financial Instruments – Credit Losses (Topic 326), which is intended to improve financial reporting by requiring more timely recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The guidance replaces the prior “incurred loss” approach with an “expected loss” model and requires measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The Company adopted the guidance on a modified retrospective basis through a cumulative effect adjustment to retained earnings as of the beginning of the period of adoption. The Company evaluated its current methodology of estimating allowance for doubtful accounts and the risk profile of its receivables portfolio and developed a model that includes the qualitative and forecasting aspects of the “expected loss” model under the amended guidance. The Company finalized its assessment of the impact of the amended guidance and recorded a $422 thousand cumulative increase to retained earnings at May 31, 2020.

Immaterial Error Correction

Effective on May 30, 2021, the Company acquired the remaining 50% membership interest in Red River Valley Egg Farm, LLC (“Red River”), including certain liabilities. During the Company’s third quarter of fiscal 2022, management determined that it had not properly eliminated select intercompany sales and cost of sales transactions between Red River and the corresponding other wholly-owned subsidiaries of the Company in its first and second quarter 2022 Condensed Consolidated Statements of Income. The errors resulted in an overstatement of Net Sales and Cost of Sales of $6.7 million in the first quarter of fiscal 2022 and $9.2 million in the second quarter of fiscal 2022. There was no impact to Operating income (loss), Net income (loss) or Net income (loss) per share.

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

Note 2 – Acquisition

Effective on May 30, 2021, the Company acquired the remaining 50% membership interest in Red River Valley Egg Farm, LLC (“Red River”), including certain liabilities. As a result of the acquisition, Red River became a wholly owned subsidiary of the Company. Red River owns and operates a specialty shell egg production complex with approximately 1.7 million cage-free laying hens, cage-free pullet capacity, feed mill, processing plant, related offices and outbuildings and related equipment located on approximately 400 acres near Bogata, Texas.

The following table summarizes the consideration paid for Red River and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date:

Cash consideration paid	$	48,500
Fair value of the Company's equity interest in Red River held before the business combination		48,500
	$	97,000
Recognized amounts of identifiable assets acquired and liabilities assumed		
Cash	$	3,677
Accounts receivable, net		1,980
Inventory		8,789
Property, plant and equipment		85,002
Liabilities assumed		(2,448)
Deferred income taxes		(8,481)
Total identifiable net assets		88,519
Goodwill		8,481
	$	97,000

Cash and accounts receivable acquired along with liabilities assumed were valued at their carrying value which approximates fair value due to the short maturity of these instruments.

Inventory consisted primarily of flock, feed ingredients, packaging, and egg inventory. Flock inventory was valued at carrying value as management believes that their carrying value best approximates their fair value. Feed ingredients, packaging and egg inventory were all valued based on market prices as of May 30, 2021.

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.

The Company recognized a gain of $4.5 million as a result of remeasuring to fair value its 50% equity interest in Red River held before the business combination. The gain was recorded in other income and expense under the heading “Other, net” in the Company’s Condensed Consolidated Statements of Income. The acquisition of Red River resulted in a discrete tax benefit of $8.3 million, which includes a $7.3 million decrease in deferred income tax expense related to the outside-basis of our equity investment in Red River, with a corresponding non-recurring, non-cash $954,000 reduction to income taxes expense on the non-taxable remeasurement gain associated with the acquisition. As part of the acquisition accounting, the Company also recorded an $8.5 million deferred tax liability for the difference in the inside-basis of the acquired assets and liabilities assumed. The recognition of deferred tax liabilities resulted in the recognition of goodwill. None of the goodwill recognized is expected to be deductible for income tax purposes.

Note 3 - Investment Securities

The following represents the Company's investment securities as of February 26, 2022 and May 29, 2021 (in thousands):

February 26, 2022	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Municipal bonds	$ 514	$ —	$ 3	$ 511
Commercial paper	9,980	—	23	9,957
Corporate bonds	61,634	—	344	61,290
Certificates of deposits	1,268	—	12	1,256
Asset backed securities	8,205	—	94	8,111
Total current investment securities	$ 81,601	$ —	$ 476	$ 81,125
Mutual funds	$ 2,967	$ —	$ 53	$ 2,914
Total noncurrent investment securities	$ 2,967	$ —	$ 53	$ 2,914

May 29, 2021	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Municipal bonds	$ 16,424	$ 56	$ —	$ 16,480
Commercial paper	1,998	—	—	1,998
Corporate bonds	80,092	608	—	80,700
Certificates of deposits	1,077	—	1	1,076
Asset backed securities	11,914	—	10	11,904
Total current investment securities	$ 111,505	$ 664	$ 11	$ 112,158
Mutual funds	$ 2,306	$ 1,810	$ —	$ 4,116
Total noncurrent investment securities	$ 2,306	$ 1,810	$ —	$ 4,116

Available-for-sale

Proceeds from sales and maturities of investment securities available-for-sale were $76.4 million and $85.2 million during the thirty-nine weeks ended February 26, 2022 and February 27, 2021, respectively. Gross realized gains for the thirty-nine weeks ended February 26, 2022 and February 27, 2021 were $ 181 thousand and $116 thousand, respectively. Gross realized losses for the thirty-nine weeks ended February 26, 2022 and February 27, 2021 were $67 thousand and $17 thousand, respectively. There were no allowances for credit losses at February 26, 2022 and May 29, 2021.

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 February 26, 2022 are as follows (in thousands):

	Estimated Fair Value
Within one year	$ 52,391
1-5 years	28,734
Total	$ 81,125

Noncurrent

Proceeds from sales and maturities of noncurrent investment securities were $4.9 million during the thirty-nine weeks ended February 26, 2022. Gross realized gains for the thirty-nine weeks ended February 26, 2022 were $ 2.2 million. There were no realized losses for the thirty-nine weeks ended February 26, 2022. There were no sales of noncurrent investment securities during the thirty-nine weeks ended February 27, 2021.

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.

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

In accordance with the fair value hierarchy described above, the following table shows the fair value of financial assets and liabilities measured at fair value on a recurring basis as of February 26, 2022 and May 29, 2021 (in thousands):

February 26, 2022	Level 1	Level 2	Level 3	Balance
Assets				
Municipal bonds	$ —	$ 511	$ —	$ 511
Commercial paper	—	9,957	—	9,957
Corporate bonds	—	61,290	—	61,290
Certificates of deposits	—	1,256	—	1,256
Asset backed securities	—	8,111	—	8,111
Mutual funds	2,914	—	—	2,914
Total assets measured at fair value	$ 2,914	$ 81,125	$ —	$ 84,039

May 29, 2021	Level 1	Level 2	Level 3	Balance
Assets				
Municipal bonds	$ —	$ 16,480	$ —	$ 16,480
Commercial paper	—	1,998	—	1,998
Corporate bonds	—	80,700	—	80,700
Certificates of deposits	—	1,076	—	1,076
Asset backed securities	—	11,904	—	11,904
Mutual funds	4,116	—	—	4,116
Total assets measured at fair value	$ 4,116	$ 112,158	$ —	$ 116,274

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

Note 5 - Inventories

Inventories consisted of the following as of February 26, 2022 and May 29, 2021 (in thousands):

	February 26, 2022	May 29, 2021
Flocks, net of amortization	$ 137,086	$ 123,860
Eggs and egg products	24,153	21,084
Feed and supplies	78,848	73,431
	$ 240,087	$ 218,375

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 February 26, 2022 consisted of approximately 9.4 million pullets and breeders and 42.7 million layers.

Note 6 - Accrued Dividends Payable and Dividends per Common Share

We accrue dividends at the end of each quarter according to the Company's dividend policy adopted by its Board of Directors. The Company pays a dividend to shareholders of its Common Stock and Class A Common Stock on a quarterly basis for each quarter for which the Company reports net income attributable to Cal-Maine Foods, Inc. computed in accordance with GAAP in an amount equal to one-third (1/3) of such quarterly income. Dividends are paid to shareholders of record as of the 60th day following the last day of such quarter, except for the fourth fiscal quarter. For the fourth quarter, the Company pays dividends to shareholders of record on the 65th day after the quarter end. Dividends are payable on the 15th day following the record date. Following a quarter for which the Company does not report net income attributable to Cal-Maine Foods, Inc., the Company will not pay a dividend for a subsequent profitable quarter until the Company is profitable on a cumulative basis computed from the date of the most recent quarter for which a dividend was paid. For the third quarter of fiscal 2022, we will pay a cash dividend of approximately $0.125 per share to holders of our Common Stock and Class A Common Stock. The amount of the accrual is recorded in Accounts payable and accrued expenses in the Company's Condensed Consolidated Balance Sheets.

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

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	February 26, 2022	February 27, 2021	February 26, 2022	February 27, 2021
Net income attributable to Cal-Maine Foods, Inc.	$ 39,517	$ 13,548	$ 22,664	$ 6,304
Cumulative losses to be recovered prior to payment of divided at beginning of period	(21,097)	(8,614)	(4,244)	(1,370)
Net income available for dividend	$ 18,420	$ 4,934	$ 18,420	$ 4,934
1/3 of net income attributable to Cal-Maine Foods, Inc. available for dividend	6,140	1,645	6,140	1,645
Common stock outstanding (shares)	44,140	44,056		
Class A common stock outstanding (shares)	4,800	4,800		
Total common stock outstanding (shares)	48,940	48,856		
Dividends per common share*	$ 0.125	$ 0.034	$ 0.125	$ 0.034

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

Note 7 – Credit Facility

On November 15, 2021, we entered into an Amended and Restated Credit Agreement (the "Credit Agreement") with a five-year term. The Credit Agreement amended and restated the Company's previously existing credit agreement dated July 10, 2018. The Credit Agreement provides for an increased senior secured revolving credit facility (the "Credit Facility" or "Revolver"), in an initial aggregate principal amount of up to $ 250 million, which includes a $ 15 million sublimit for the issuance of standby letters of credit and a $15 million sublimit for swingline loans. The Credit Facility also includes an accordion feature permitting, with the consent of BMO Harris Bank N.A. (the “Administrative Agent”), an increase in the Credit Facility in the aggregate up to $ 200 million by adding one or more incremental senior secured term loans or increasing one or more times the revolving commitments under the Revolver. As of February 26, 2022, no amounts were borrowed under the Credit Facility and $4.1 million in standby letters of credit were issued under the Credit Facility.

The interest rate in connection with loans made under the Credit Facility is based on, at the Company’s election, either the Eurodollar Rate plus the Applicable Margin or the Base Rate plus the Applicable Margin. The “Eurodollar Rate” means the reserve adjusted rate at which Eurodollar deposits in the London interbank market for an interest period of one, two, three, six or twelve months (as selected by the Company) are quoted. The “Base Rate” means a fluctuating rate per annum equal to the highest of (a) the federal funds rate plus 0.50% per annum, (b) the prime rate of interest established by the Administrative Agent, and (c) the Eurodollar Rate for an interest period of one month plus 1% per annum, subject to certain interest rate floors. The “Applicable Margin” means 0.00% to 0.75% per annum for Base Rate Loans and 1.00% to 1.75% per annum for Eurodollar Rate Loans, in each case depending upon the Total Funded Debt to Capitalization Ratio for the Company at the quarterly pricing date. The Company will pay a commitment fee on the unused portion of the Credit Facility payable quarterly from 0.15% to 0.25% in each case depending upon the Total Funded Debt to Capitalization Ratio for the Company at the quarterly pricing date. The Credit Agreement contains customary provisions regarding replacement of the Eurodollar Rate.

The Credit Facility is guaranteed by all the current and future wholly-owned direct and indirect domestic subsidiaries of the Company (the “Guarantors”), and is secured by a first-priority perfected security interest in substantially all of the Company’s and the Guarantors’ accounts, payment intangibles, instruments (including promissory notes), chattel paper, inventory (including farm products) and deposit accounts maintained with the Administrative Agent.

The Credit Agreement for the Credit Facility contains customary covenants, including restrictions on the incurrence of liens, incurrence of additional debt, sales of assets and other fundamental corporate changes and investments. The Credit Agreement requires maintenance of two financial covenants: (i) a maximum Total Funded Debt to Capitalization Ratio tested quarterly of no greater than 50%; and (ii) a requirement to maintain Minimum Tangible Net Worth at all times of $700 Million plus 50% of net income (if net income is positive) less permitted restricted payments for each fiscal quarter after November 27, 2021. Additionally, the Credit Agreement requires that Fred R. Adams Jr.’s spouse, natural children, sons-in-law or grandchildren, or any trust, guardianship, conservatorship or custodianship for the primary benefit of any of the foregoing, or any family limited partnership, similar limited liability company or other entity that 100% of the voting control of such entity is held by any of the foregoing, shall maintain at least 50% of the Company's voting stock. Failure to satisfy any of these covenants will constitute a default under the terms of the Credit Agreement. Further, under the terms of the Credit Agreement, payment of dividends under the Company's current dividend policy of one-third of the Company's net income computed in accordance with GAAP and payment of other dividends or repurchases by the Company of its capital stock is allowed, as long as after giving effect to such dividend payments or repurchases no default has occurred and is continuing and the sum of cash and cash equivalents of the Company and its subsidiaries plus availability under the Credit Facility equals at least $50 million.

The Credit Agreement also includes customary events of default and customary remedies upon the occurrence of an event of default, including acceleration of the amounts due under the Credit Facility and foreclosure of the collateral securing the Credit Facility.

At February 26, 2022, we were in compliance with the covenant requirements of the Credit Facility.

Note 8 - Equity

The following reflects equity activity for the thirteen and thirty-nine weeks ended February 26, 2022 and February 27, 2021 (in thousands):

	Thirteen Weeks Ended February 26, 2022							
	Cal-Maine Foods, Inc. Stockholders							
	Common Stock							
	Amount	Class A Amount	Treasury Amount	Paid In Capital	Accum. Other Comp. Loss	Retained Earnings	Noncontrolling Interest	Total
Balance at November 27, 2021	$ 703	$ 48	$ (27,450)	$ 66,019	$ (996)	$ 959,124	$ (25)	$ 997,423
Other comprehensive loss, net of tax	—	—	—	—	(417)	—	—	(417)
Stock compensation plan transactions	—	—	(989)	890	—	—	—	(99)
Dividends	—	—	—	—	—	(6,118)	—	(6,118)
Net income (loss)	—	—	—	—	—	39,517	(63)	39,454
Balance at February 26, 2022	$ 703	$ 48	$ (28,439)	$ 66,909	$ (1,413)	$ 992,523	$ (88)	$ 1,030,243

	Thirteen Weeks Ended February 27, 2021						
	Cal-Maine Foods, Inc. Stockholders						
	Common Stock						
	Amount	Class A Amount	Treasury Amount	Paid In Capital	Accum. Other Comp. Income (Loss)	Retained Earnings	Total
Balance at November 28, 2020	$ 703	$ 48	$ (26,723)	$ 62,206	$ 151	$ 968,325	$ 1,004,710
Other comprehensive loss, net of tax	—	—	—	—	(286)	—	(286)
Stock compensation plan transactions	—	—	(826)	964	—	—	138
Dividends	—	—	—	—	—	(1,661)	(1,661)
Net income	—	—	—	—	—	13,548	13,548
Balance at February 27, 2021	$ 703	$ 48	$ (27,549)	$ 63,170	$ (135)	$ 980,212	$ 1,016,449

	Thirty-nine Weeks Ended February 26, 2022							
	Cal-Maine Foods, Inc. Stockholders							
	Common Stock							
	Amount	Class A Amount	Treasury Amount	Paid In Capital	Accum. Other Comp. Loss	Retained Earnings	Noncontrolling Interest	Total
Balance at May 29, 2021	$ 703	$ 48	$ (27,433)	$ 64,044	$ (558)	$ 975,977	$ —	$ 1,012,781
Other comprehensive loss, net of tax	—	—	—	—	(855)	—	—	(855)
Stock compensation plan transactions	—	—	(1,006)	2,865	—	—	—	1,859
Contributions	—	—	—	—	—	—	3	3
Dividends	—	—	—	—	—	(6,118)	—	(6,118)
Net income (loss)	—	—	—	—	—	22,664	(91)	22,573
Balance at February 26, 2022	$ 703	$ 48	$ (28,439)	$ 66,909	$ (1,413)	$ 992,523	$ (88)	$ 1,030,243

	Thirty-nine Weeks Ended February 27, 2021						
	Cal-Maine Foods, Inc. Stockholders						
	Common Stock						
	Amount	Class A Amount	Treasury Amount	Paid In Capital	Accum. Other Comp. Income (Loss)	Retained Earnings	Total
Balance at May 30, 2020	$ 703	$ 48	$ (26,674)	$ 60,372	$ 79	$ 975,147	$ 1,009,675
Impact of ASC 326	—	—	—	—	—	422	422
Balance at May 31 2020	703	48	(26,674)	60,372	79	975,569	1,010,097
Other comprehensive loss, net of tax	—	—	—	—	(214)	—	(214)
Stock compensation plan transactions	—	—	(875)	2,793	—	—	1,918
Contributions	—	—	—	5	—	—	5
Dividends	—	—	—	—	—	(1,661)	(1,661)
Net income	—	—	—	—	—	6,304	6,304
Balance at February 27, 2021	$ 703	$ 48	$ (27,549)	$ 63,170	$ (135)	$ 980,212	$ 1,016,449

Note 9 - 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		Thirty-nine Weeks Ended	
	February 26, 2022	February 27, 2021	February 26, 2022	February 27, 2021
Numerator				
Net income	$ 39,454	$ 13,548	$ 22,573	$ 6,304
Less: Loss attributable to noncontrolling interest	(63)	—	(91)	—
Net income attributable to Cal-Maine Foods, Inc.	$ 39,517	$ 13,548	$ 22,664	$ 6,304
Denominator				
Weighted-average common shares outstanding, basic	48,886	48,530	48,888	48,511
Effect of dilutive restricted shares	150	129	147	138
Weighted-average common shares outstanding, diluted	49,036	48,659	49,035	48,649
Net income per common share attributable to Cal-Maine Foods, Inc.				
Basic	$ 0.81	$ 0.28	$ 0.46	$ 0.13
Diluted	$ 0.81	$ 0.28	$ 0.46	$ 0.13

Note 10 - Revenue Recognition

Satisfaction of Performance Obligation

Most of the Company’s revenue is derived from contracts 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, negotiated 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 estimate of returns and refunds by using historical return data and comparing to current period sales and accounts receivable. The allowance is recorded as a reduction in sales with a corresponding reduction in trade accounts receivable.

Sales Incentives Provided to Customers

The Company periodically provides incentive offers to its customers to encourage purchases. Such offers include current discount offers (e.g., percentage discounts off current purchases), inducement offers (e.g., offers for future discounts subject to a minimum current purchase), and other similar offers. Current discount offers, when accepted by customers, are treated as a reduction to the sales price of the related transaction, while inducement offers, when accepted by customers, are treated as a reduction to 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		Thirty-nine Weeks Ended	
	February 26, 2022	February 27, 2021	February 26, 2022	February 27, 2021
Conventional shell egg sales	$ 280,633	$ 203,189	$ 685,678	$ 560,297
Specialty shell egg sales	182,945	145,210	462,319	408,537
Egg products	12,749	9,098	33,516	25,736
Other	1,158	1,583	2,682	4,619
	$ 477,485	$ 359,080	$ 1,184,195	$ 999,189

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 February 26, 2022 and February 27, 2021, the balance for contract assets is immaterial.

Contract Balances

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

Note 11 - Leases

Expenses related to operating leases, amortization of finance leases, right-of-use assets, and finance lease interest are included in Cost of sales, Selling general and administrative expense, and Interest income, net in the Condensed Consolidated Statements of Income. The Company’s lease cost consists of the following (in thousands):

	Thirteen Weeks Ended February 26, 2022	Thirty-nine Weeks Ended February 26, 2022
Operating lease cost	$ 200	$ 625
Finance lease cost		
Amortization of right-of-use asset	$ 44	$ 132
Interest on lease obligations	$ 6	$ 20
Short term lease cost	$ 1,086	$ 3,221

Future minimum lease payments under non-cancelable leases are as follows (in thousands):

	As of February 26, 2022	
	Operating Leases	Finance Leases
Remainder fiscal 2022	$ 180	$ 60
2023	539	240
2024	380	217
2025	130	—
2026	26	—
2027	5	—
Total	1,260	517
Less imputed interest	(92)	(24)
Total	$ 1,168	$ 493

The weighted-average remaining lease term and discount rate for lease liabilities included in our Condensed Consolidated Balance Sheet are as follows:

	As of February 26, 2022	
	Operating Leases	Finance Leases
Weighted-average remaining lease term (years)	2.4	1.8
Weighted-average discount rate	5.9 %	4.9 %

Note 12 - Stock Based Compensation

Total stock-based compensation expense was $3.0 million and $2.8 million for the thirty-nine weeks ended February 26, 2022 and February 27, 2021, 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 February 26, 2022 of $ 8.1 million will be recorded over a weighted average period of 2.3 years. Refer to Part II Item 8, Notes to Consolidated Financial Statements and Supplementary Data, Note 16: Stock Compensation Plans in our 2021 Annual Report for further information on our stock compensation plans.

The Company's restricted share activity for the thirty-nine weeks ended February 26, 2022 follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding, May 29, 2021	302,147	$ 39.37
Granted	113,142	41.13
Vested	(90,778)	42.53
Forfeited	(3,932)	37.81
Outstanding, February 26, 2022	320,579	$ 39.12

Note 13 - Commitments and Contingencies

Financial Instruments

The Company maintained standby letters of credit ("LOCs") totaling $4.1 million at February 26, 2022, which were issued under the Company's Credit Facility. The outstanding LOCs are for the benefit of certain insurance companies and are not recorded as a liability on the consolidated balance sheets.

LEGAL PROCEEDINGS

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

On April 23, 2020, the Company and its subsidiary Wharton County Foods, LLC ("WCF") were named as defendants in State of Texas v. Cal-Maine Foods, Inc. d/b/a Wharton; and Wharton County Foods, LLC, Cause No. 2020-25427, in the District Court of Harris County, Texas. The State of Texas (the "State") asserted claims based on the Company's and WCF's alleged violation of the Texas Deceptive Trade Practices—Consumer Protection Act, Tex. Bus. & Com. Code §§ 17.41-17.63 ("DTPA"). The State claimed that the Company and WCF offered shell eggs at excessive or exorbitant prices during the COVID-19 state of emergency and made misleading statements about shell egg prices. The State sought temporary and permanent injunctions against the Company and WCF to prevent further alleged violations of the DTPA, along with over $100,000 in damages. On August 13, 2020, the court granted the defendants' motion to dismiss the State's original petition with prejudice. On September 11, 2020, the State filed a notice of appeal, which was assigned to the Texas Court of Appeals for the First District. The State filed its opening brief on December 7, 2020. The Company and WCF filed their response on February 8, 2021. On February 11, 2022, the Texas Court of Appeals heard oral argument but has not issued a ruling. 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 adopted the magistrate's report and recommendation in its entirety and granted defendants' motion to dismiss plaintiffs' first amended class action complaint; thereafter, the court entered a final judgment in favor of the Company and certain other defendants dismissing the case without prejudice. On October 18, 2021, plaintiffs filed a motion to alter or amend the final judgement and allow a filing of a second amended complaint. The Company responded on November 1, 2021. The court has not ruled on the plaintiffs' motion.

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

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

On September 13, 2019, the case with the Egg Products Plaintiffs was remanded from a multi-district litigation proceeding in the United States District Court for the Eastern District of Pennsylvania, In re Processed Egg Products Antitrust Litigation, MDL No. 2002, to the United States District Court for the Northern District of Illinois, Kraft Foods Global, Inc. et al. v. United Egg Producers, Inc. et al., Case No. 1:11-cv-8808, for trial. The Egg Products Plaintiffs allege that the Company and other defendants violated Section 1 of the Sherman Act, 15. U.S.C. § 1, by agreeing to limit the production of eggs and thereby illegally to raise the prices that plaintiffs paid for processed egg products. In particular, the Egg Products Plaintiffs are attacking certain features of the United Egg Producers animal-welfare guidelines and program used by the Company and many other egg producers. The Egg Products Plaintiffs seek to enjoin the Company and other defendants from engaging in antitrust violations and seek treble money damages. The parties filed a joint status report on May 18, 2020. On August 4, 2021, by docket entry, the court instructed the parties to jointly submit a second status report to the court that included a proposed schedule for preparing a final pretrial order. On August 25, 2021, the parties filed a joint status report, and on August 26, 2021, the court, by docket entry, informed the parties that the need to discuss issues was no longer necessary and that a scheduled August 30, 2021, status hearing was stricken. No trial schedule has yet been entered by the court.

In addition, on October 24, 2019, the Company entered into a confidential settlement agreement with The Kellogg Company dismissing all claims against the Company for an amount that did not have a material impact on the Company’s financial condition or results of operations. On November 11, 2019, a stipulation for dismissal was filed with the court, but the court has not yet entered a judgment on the filing.

The Company intends to continue to defend the remaining case with the Egg Products Plaintiffs as vigorously as possible based on defenses which the Company believes are meritorious and provable. Adjustments, if any, which might result from the resolution of this remaining matter with the Egg Products Plaintiffs have not been reflected in the financial statements. While management believes that there is still a reasonable possibility of a material adverse outcome from the case with the Egg Products Plaintiffs, at the present time, it is not possible to estimate the amount of monetary exposure, if any, to the Company due to a range of factors, including the following, among others: the matter is in the early stages of preparing for trial following remand; any trial will be before a different judge and jury in a different court than prior related cases; there are significant factual issues to be resolved; and there are requests for damages other than compensatory damages (i.e., injunction and treble money damages).

State of Oklahoma Watershed Pollution Litigation

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

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

Other Matters

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

Note 14 - Related Party Transaction

On August 24, 2020, Mrs. Jean Reed Adams, the wife of the Company's late founder Fred R. Adams, Jr., and the Fred R. Adams, Jr. Daughters' Trust, dated July 20, 2018 (the "Daughters' Trust"), of which the daughters of Mr. Adams are beneficiaries (together, the "Selling Stockholders"), completed a registered secondary public offering of 6,900,000 shares of Common Stock held by them, pursuant to a previously disclosed Agreement Regarding Common Stock (the "Agreement") filed as an exhibit to our 2021 Annual Report. Mrs. Adams and the Daughters' Trust advised the Company that they were conducting the offering in order to pay estate taxes related to the settlement of Mr. Adam's estate and to obtain liquidity. The public offering was made pursuant to the Company's effective shelf registration statement on Form S-3 (File No. 333-227742), including the Prospectus contained therein dated October 9, 2018, and a related Prospectus Supplement dated August 19, 2020, each of which is on file with the Securities and Exchange Commission. The public offering involved only the sale of shares of Common Stock that were already outstanding, and thus the Company did not issue any new shares or raise any additional capital in the offering. The expenses of the offering (not including the underwriting discount and legal fees and expenses of legal counsel for the Selling Stockholders, which were paid by the Selling Stockholders) paid by the Company were $ 1.1 million. Pursuant to the Agreement, the Selling Stockholders reimbursed the Company $551 thousand.

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

The following should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations included in Part II Item 7 of the Company's Annual Report on Form 10-K for its fiscal year ended May 29, 2021 (the "2021 Annual Report"), and the accompanying financial statements and notes included in Part II Item 8 of the 2021 Annual Report and in Part I Item 1 of this Quarterly Report on Form 10-Q ("Quarterly Report").

This report contains numerous forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act") relating to our shell egg business, including estimated future production data, expected construction schedules, projected construction costs, potential future supply of and demand for our products, potential future corn and soybean price trends, potential future impact on our business of the COVID-19 pandemic, potential future impact on our business of new legislation, rules or policies, potential outcomes of legal proceedings, and other projected operating data, including anticipated results of operations and financial condition. Such forward-looking statements are identified by the use of words such as "believes," "intends," "expects," "hopes," "may," "should," "plans," "projected," "contemplates," "anticipates," or similar words. Actual outcomes or results could differ materially from those projected in the forward-looking statements. The forward-looking statements are based on management's current intent, belief, expectations, estimates, and projections regarding the Company and its industry. These statements are not guarantees of future performance and involve risks, uncertainties, assumptions, and other factors that are difficult to predict and may be beyond our control. The factors that could cause actual results to differ materially from those projected in the forward-looking statements include, among others, (i) the risk factors set forth in Part I Item 1A of the 2021 Annual Report (ii) the risks and hazards inherent in the shell egg business (including disease, pests, weather conditions, and potential for product recall), including but not limited to the current outbreak of highly pathogenic avian influenza (HPAI) affecting poultry in the U.S., Canada and other countries (iii) changes in the demand for and market prices of shell eggs and feed costs, (iv) our ability to predict and meet demand for cage-free and other specialty eggs, (v) risks, changes, or obligations that could result from our future acquisition of new flocks or businesses and risks or changes that may cause conditions to completing a pending acquisition not to be met, (vi) risks relating to the evolving COVID-19 pandemic, including without limitation increased costs and rising inflation and interest rates, and (vii) adverse results in pending litigation matters. Readers are cautioned not to place undue reliance on forward-looking statements because, while we believe the assumptions on which the forward-looking statements are based are reasonable, there can be no assurance that these forward-looking statements will prove to be accurate. Further, forward-looking statements included herein are only made as of the respective dates thereof, or if no date is stated, as of the date hereof. Except as otherwise required by law, we disclaim any intent or obligation to update publicly these forward-looking statements, whether because of new information, future events, or otherwise.

GENERAL

Cal-Maine Foods, Inc. (the "Company," "we," "us," "our") is primarily engaged in the production, grading, packaging, marketing and distribution of fresh shell eggs. Our operations are fully integrated under one operating segment. We are the largest producer and distributor of fresh shell eggs in the United States ("U.S."). Our total flock of approximately 42.7 million layers and 9.4 million pullets and breeders is the largest in the U.S. We sell most of our shell eggs to a diverse group of customers, including national and regional grocery store chains, club stores, companies servicing independent supermarkets in the U.S., food service distributors and egg product consumers in states across the southwestern, southeastern, mid-western and mid-Atlantic regions of the U.S.

We are a member of the Eggland's Best, Inc. ("EB") cooperative and produce, market, and distribute EB and Land O'Lakes branded eggs, both directly and through our joint ventures Specialty Eggs, LLC and Southwest Specialty Eggs, LLC, under exclusive license agreements in Alabama, Arizona, Florida, Georgia, Louisiana, Mississippi and Texas and in portions of Arkansas, California, Nevada, North Carolina, Oklahoma and South Carolina. We also have an exclusive license in New York City in addition to exclusivity in select New York metropolitan areas, including areas within New Jersey and Pennsylvania.

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. As an example of the volatility in the market prices of shell eggs, the Urner-Barry White Large, Southeast Regional Egg Market Price per dozen eggs ("UB southeast large index") for the first three quarters of fiscal year 2022 ranged from a low of $1.00 in June 2021 to a high of $2.06 in February 2022.

Generally, we purchase primary feed ingredients, mainly corn and soybean meal, at current market prices. Corn and soybean meal are commodities and are subject to volatile price changes due to weather, various supply and demand factors, transportation and storage costs, speculators, and agricultural, energy and trade policies in the U.S. and internationally.

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.

Specialty shell eggs have been a significant and growing portion of the market. In recent years, a significant number of large restaurant chains, food service companies and grocery chains, including our largest customers, announced goals to transition to an exclusively cage-free egg supply chain by specified future dates. Additionally, several states, representing approximately 24% of the U.S. total population according to the 2020 U.S. Census, have passed legislation requiring that all eggs sold in those states must be cage-free eggs by specified future dates, and other states are considering such legislation. In California and Massachusetts, which represent about 14% of the total U.S. population according to the 2020 U.S. Census, cage-free legislation went into effect January 1, 2022. For additional information, see the 2021 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."

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.

COVID-19

Since early 2020, the coronavirus ("COVID-19") outbreak, characterized as a pandemic by the World Health Organization on March 11, 2020, has caused significant disruptions in international and U.S. economies and markets. We understand the challenges and difficult economic environment facing families in the communities where we live and work, and we are committed to helping where we can. We have provided food assistance to those in need by donating approximately 679 thousand dozen eggs to date in fiscal 2022. We believe we are taking all reasonable precautions in the management of our operations in response to the COVID-19 pandemic. Our top priority is the health and safety of our employees, who work hard each day to produce eggs for our customers. As part of the nation's food supply, we work in a critical infrastructure industry, and we believe we have a special responsibility to maintain our normal work schedule. As such, we are in regular communication with our managers across our operations and continue to closely monitor the situation in our facilities and in the communities where we live and work. We have implemented procedures designed to protect our employees, taking into account guidelines published by the Centers for Disease Control and other government health agencies, and we have strict sanitation protocols and biosecurity measures in place throughout our operations with restricted access to visitors. There are no known indications that COVID-19 affects chickens or can be transferred through the food supply.

We continue to proactively monitor and manage operations during the COVID-19 pandemic, including additional related costs that we incurred or may incur in the future. The pandemic had a negative impact on our business through disruptions in the supply chain such as increased costs and limited availability of packaging supplies, and increased labor costs and medical costs and, more recently, inflation.

In the third quarters of fiscal 2022 and 2021, we spent approximately $534 thousand and $397 thousand (excluding medical insurance claims) related to the pandemic and its effects, respectively. The majority of these expenses in fiscal 2022 resulted from additional labor costs and increased cost of packaging materials, primarily reflected in cost of sales. In fiscal 2021, most of these expenses related to additional labor costs, primarily reflected in cost of sales. Medical insurance claims related to COVID-19 paid during the third quarter of fiscal 2022 were an additional $424 thousand as compared to $322 thousand paid in the comparable quarter in fiscal 2021.

For the thirty-nine weeks ended 2022 and 2021, we spent approximately $1.8 million (excluding medical insurance claims) related to the pandemic and its effects. The majority of these expenses in fiscal 2022 resulted from additional labor costs and increased cost of packaging materials, primarily reflected in cost of sales. In fiscal 2021, most of these expenses related to additional labor costs, primarily reflected in cost of sales. Medical insurance claims related to COVID-19 paid during the thirty-nine weeks ended 2022 were an additional $1.6 million as compared to $1.1 million paid in the comparable period in fiscal 2021.

EXECUTIVE OVERVIEW

For the third quarter of fiscal 2022, we recorded a gross profit of $91.6 million compared to $47.5 million for the same period of fiscal 2021, with the increase due primarily to higher shell egg prices and increased volume of specialty eggs. Our total dozens sold increased 2.8% to 287.7 million dozen shell eggs for the third quarter of fiscal 2022 compared to 279.7 million dozen for the same period of fiscal 2021. For the third quarter of fiscal 2022, conventional dozens sold decreased 5.2% and specialty dozens sold increased 24.1% as compared to the same quarter in fiscal 2021. Specialty dozens sold increased as more cage-free facilities came into production, retailers continue shift to selling cage-free products and cage-free legislation went into full effect in California on January 1, 2022.

The daily average price for the UB southeast large index for the third quarter of fiscal 2022 increased 46.8% from the comparable period in the prior year. Our net average selling price per dozen for the third quarter of fiscal 2022 was $1.612 compared to $1.246 in the prior-year period. Hen numbers reported by the USDA as of March 1, 2022, were 322.7 million, which is approximately 5.4 million less hens than the comparable period of the prior year. The USDA also reported that the hatch from October 2021 through February 2022 decreased 5.5% compared to the prior-year period. As of March 1, 2022, table-type eggs in incubators totaled 55.4 million, a decrease of 7.6% versus the prior-year period.

We are closely monitoring the recently reported outbreaks of highly pathogenic avian influenza ("HPAI"). According to the U.S. Centers for Disease Control and Prevention, these detections do not present an immediate public health concern. There have been no positive tests for HPAI at any Cal-Maine Foods' owned or contracted production facility to date. As of March 28, 2022, the USDA division of Animal and Plant Health Inspection Service ("APHIS"), reported that approximately 11.5 million commercial layer hens or about 3.6% of the table egg layer flock based on February 2022 reported layer numbers, have been depopulated due to HPAI. Pullets impacted comprise approximately 830,000, or about 0.7 percent of the February 2022 pullet inventory. We believe we have implemented and continue to maintain robust biosecurity programs across our locations. We are also working closely with federal, state and local government officials and focused industry groups to mitigate the risk of this and future outbreaks and effectively manage our response, if needed.

Our farm production costs per dozen produced for the third quarter of fiscal 2022 increased 16.9%, or $0.132, compared to the third quarter of fiscal 2021. This increase was primarily due to increased prices for feed ingredients. For the third quarter of fiscal 2022, the average Chicago Board of Trade ("CBOT") daily market price was $6.13 per bushel for corn and $412 per ton for soybean meal, representing an increase of 23.5% and a decrease of 2.5%, respectively, compared to the average daily CBOT prices for the comparable period in the prior year. Other farm production costs for the third quarter of fiscal 2022 increased 11.8% versus the comparable period in the prior fiscal year, driven by higher flock amortization and facility expense.

Effective May 30, 2021, we acquired the remaining 50% membership interest in Red River Valley Egg Farm, LLC ("Red River"). Red River owns and operates a specialty shell egg production complex with approximately 1.7 million cage-free laying hens, cage-free pullet capacity, feed mill, processing plant, related offices and outbuildings and related equipment located on approximately 400 acres near Bogata, Texas. For additional information, see Note 2 – Acquisition of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report.

During October 2021, we announced that our Board of Directors approved a strategic investment that will specialize in high-value commercial product solutions targeting specific needs in the food industry. The initial focus will include hard-cooked eggs. The new entity, located in Neosho, Missouri, will operate as MeadowCreek Foods, LLC ("MeadowCreek"). We will capitalize MeadowCreek with up to $18.5 million in debt and equity to purchase property and equipment and to fund working capital, and we will retain a controlling interest in the venture. We will serve as the preferred provider to supply specialty and conventional eggs that MeadowCreek needs to manufacture egg products. MeadowCreek's marketing plan is designed to extend our reach in the foodservice and retail marketplace and bring new opportunities in the restaurant, institutional and industrial food products arenas.

Also, during October 2021, we announced that our Board of Directors approved a $23.0 million capital project to expand our cage-free egg production at our Okeechobee, Florida, production facility. The project is designed to include the construction of two cage-free layer houses and one cage-free pullet house with capacity for approximately 400,000 cage-free hens and 210,000 pullets, respectively. Construction has commenced, with first pullet placements planned by mid-May 2022 and the first layer house planned to be finished by October 1, 2022, with project completion expected by February 1, 2023. The Company plans to fund the project through a combination of available cash on hand, investments and operating cash flow.

Effective December 5, 2021, we made an additional investment in our joint venture Southwest Specialty Eggs, LLC to acquire warehouse and distribution capability to expand Southwest Specialty Eggs, LLC's customer base in the southern California, Arizona and Nevada markets. This strategic investment is proving to be incrementally accretive as additional cases of specialty and cage-free eggs began distribution through the warehouse in early December as customers prepared for the California's January 1, 2022 cage-free mandate.

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		Thirty-nine Weeks Ended	
	February 26, 2022	February 27, 2021	February 26, 2022	February 27, 2021
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	80.8 %	86.8 %	88.0 %	87.7 %
Gross profit	19.2 %	13.2 %	12.0 %	12.3 %
Selling, general and administrative	11.0 %	13.3 %	12.4 %	13.6 %
(Gain) loss on disposal of fixed assets	(0.1) %	0.1 %	(0.2) %	— %
Operating income (loss)	8.3 %	(0.2) %	(0.2) %	(1.3) %
Total other income, net	2.8 %	3.4 %	1.8 %	1.5 %
Income before income taxes	11.1 %	3.2 %	1.6 %	0.2 %
Income tax expense (benefit)	2.8 %	(0.5) %	(0.2) %	(0.4) %
Net income	8.3 %	3.7 %	1.8 %	0.6 %

NET SALES

Total net sales for the third quarter of fiscal 2022 were $477.5 million compared to $359.1 million for the same period of fiscal 2021.

Net shell egg sales represented 97.3% and 97.5% of total net sales for the third quarters of fiscal 2022 and 2021, respectively. Shell egg sales classified as "Other" represent sales of hard-cooked eggs, hatching eggs and other miscellaneous products included with our shell egg operations.

Total net sales for the thirty-nine weeks ended February 26, 2022 were $1,184.2 million, compared to $999.2 million for the comparable period of fiscal 2021.

Net shell egg sales represented 97.2% and 97.4% of total net sales for the thirty-nine weeks ended February 26, 2022 and February 27, 2021, respectively.

Total conventional dozens sold for the first, second and third quarters were 183.9 million, 192.1 million and 192.5 million, respectively. Total specialty dozens sold for the first, second and third quarters were 70.8 million, 77.4 million and 95.1 million, respectively.

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

	Thirteen Weeks Ended				Thirty-nine Weeks Ended			
	February 26, 2022		February 27, 2021		February 26, 2022		February 27, 2021	
Total net sales	$ 477,485		$ 359,080		$ 1,184,195		$ 999,189	
Conventional	$ 280,633	60.4 %	$ 203,189	58.0 %	$ 685,678	59.6 %	$ 560,297	57.5 %
Specialty	182,945	39.4 %	145,210	41.5 %	462,319	40.2 %	408,537	42.0 %
Egg sales, net	463,578	99.8 %	348,399	99.5 %	1,147,997	99.8 %	968,834	99.5 %
Other	1,158	0.2 %	1,583	0.5 %	2,682	0.2 %	4,619	0.5 %
Net shell egg sales	$ 464,736	100.0 %	$ 349,982	100.0 %	$ 1,150,679	100.0 %	$ 973,453	100.0 %
Net shell egg sales as a percent of total net sales	97.3 %		97.5 %		97.2 %		97.4 %	
Dozens sold:								
Conventional	192,511	66.9 %	203,070	72.6 %	568,511	70.0 %	599,625	73.4 %
Specialty	95,140	33.1 %	76,645	27.4 %	243,310	30.0 %	217,735	26.6 %
Total dozens sold	287,651	100.0 %	279,715	100.0 %	811,821	100.0 %	817,360	100.0 %
Net average selling price per dozen:								
Conventional	$ 1.458		$ 1.001		$ 1.206		$ 0.934	
Specialty	$ 1.923		$ 1.895		$ 1.900		$ 1.876	
All shell eggs	$ 1.612		$ 1.246		$ 1.414		$ 1.185	
Egg products sales:								
Egg products net sales	12,749		9,098		33,516		25,736	
Pounds sold	15,947		15,569		47,225		46,565	
Net average selling price per pound	0.799		0.584		0.710		0.553	

Shell egg net sales

Third Quarter – Fiscal 2022 vs. Fiscal 2021

- In the third quarter of fiscal 2022, conventional egg sales increased $77.4 million, or 38.1%, compared to the third quarter of fiscal 2021, primarily due to the increase in price for conventional shell eggs, partially offset by a decrease in volume of conventional eggs sold. Changes in price resulted in a $88.0 million increase and the change in volume resulted in a $10.6 million decrease in net sales, respectively.
- We believe prices for conventional eggs were positively impacted by a better alignment of the conventional production layer hen flock and customer and consumer demand. According to reports from the USDA, the average number of hens producing white and brown conventional eggs for February 2022 decreased 31.7 million, or 13.1%, versus the prior-year comparable period. USDA Agriculture Marketing Service reported shell eggs broken for foodservice and further processing increased 7.9% compared to the comparable prior-year period. We believe lower conventional egg prices in the prior-year period were primarily tied to a surplus of conventional eggs entering the retail channel from the foodservice channel exceeding demand during this phase of the pandemic.
- Conventional egg volume sales decreased 5.2%. We believe many consumers have evolved their preferences to purchase higher-priced specialty eggs for at-home meal preparation due to the perceived health and welfare benefits of specialty eggs, various state laws mandating the sale of cage-free and the public commitments by most retailers to sell more cage-free products. Per Information Resources, Inc. ("IRI"), Total US – Multi Outlet, conventional white shell egg dozens sales decreased 13.7% during the latest 13 weeks ended February 27, 2022 versus the prior-year comparable period.
- Specialty egg sales increased $37.7 million, or 26.0%, in the third quarter of fiscal 2022 compared to the third quarter of fiscal 2021, primarily due to a 24.1% increase in the volume of specialty eggs sold, which resulted in a $35.0 million increase in net sales. Per IRI, Total US – Multi Outlet for the latest 13 weeks ended February 27, 2022, cage-free eggs dozens sold (including free-range, pasture-raised and organic) increased 21.3%. We believe this increase in

demand is due to California's cage-free mandate going into-effect January 1, 2022, as well as more retailers' shifting to selling more cage-free products.

- Our specialty egg sales in the third quarter of fiscal 2022 versus the prior-year period benefitted from our acquisition of the remaining 50% membership interest in Red River, which helped drive our cage-free egg sales. Our cage-free sales also benefitted from our continued investment in expanded cage-free capabilities as additional cage-free production capacity came online during the quarter. Cage-free egg sales for the first, second and third quarters of fiscal 2022 were 22.3%, 22.4% and 24.1% of our total net shell egg sales, respectively.

Thirty-nine weeks – Fiscal 2022 vs. Fiscal 2021

- For the thirty-nine weeks ended February 26, 2022, conventional egg sales increased $125.4 million or 22.4% compared to the same period of fiscal 2021, primarily due to the increase in price, partially offset by a decrease in volume of conventional eggs sold. Changes in price resulted in a $154.6 million increase and change in volume resulted in a $29.1 million decrease in net sales, respectively.
- We believe prices for conventional eggs were positively impacted by a better alignment of the conventional production layer hen flock and customer and consumer demand. USDA Agriculture Marketing Service reported shell eggs broken for foodservice and further processing increased 10.2% compared to the comparable prior-year period. We believe lower conventional egg prices in the prior-year period were primarily tied to a surplus of conventional eggs entering the retail channel from the foodservice channel exceeding demand during this phase of the pandemic.
- The decrease in volume of conventional eggs sold was primarily due to elevated retail demand during the first half of fiscal 2021 due to consumers' preferences to purchase eggs for in-home meal preparation due to the pandemic. We saw this consumer preference begin to shift in the fourth quarter of fiscal 2021 as consumers began to resume out-of-home dining and prepare fewer meals at home. Per Information Resources, Inc. ("IRI"), Total US – Multi Outlet, conventional white shell egg dozens sales decreased 12.6% during the latest 39 weeks ended February 27, 2022 versus the prior-year comparable period.
- Specialty egg sales increased $53.8 million, or 13.2%, for the thirty-nine weeks ended February 26, 2022 compared to the same period of fiscal 2021, primarily due to an 11.7% increase in the volume of specialty dozens sold and a slight increase in specialty egg prices. Changes in price resulted in a $5.8 million increase and change in volume resulted in a $48.0 million increase in net sales, respectively. We also benefitted from our additional cage-free production capacity. Cage-free egg sales for the thirty-nine weeks ended February 26, 2022 were 23.0% of our total net shell egg sales.

Egg products net sales

Third Quarter – Fiscal 2022 vs. Fiscal 2021

- Egg products net sales increased $3.7 million or 40.1% for the third quarter of fiscal 2022 compared to the same period of fiscal 2021, primarily due to a 36.8% selling price increase, which had a $3.4 million positive impact on net sales.
- Selling prices for egg products in the third quarter of fiscal 2021 were negatively impacted by a decline in foodservice demand due to the pandemic. Our egg products net average selling price increased in the third quarter of fiscal 2022 compared to the same period in fiscal 2021 as foodservice channel demand has begun to shift more to pre-pandemic levels.

Thirty-nine weeks – Fiscal 2022 vs. Fiscal 2021

- Egg products net sales increased $7.8 million or 30.2%, primarily due to a 28.4% selling price increase compared to the first thirty-nine weeks of fiscal 2021, which had a $7.4 million positive impact on net sales.
- Our egg products net average selling price increased in the thirty-nine weeks end February 26, 2022, compared to the same period in fiscal 2021 as foodservice channel demand has begun to shift more towards pre-pandemic levels. Selling prices for egg products in the thirty-nine weeks ended February 27, 2021 were negatively impacted by a decline in foodservice demand during the more restrictive phases of governmental and business shutdowns due to the pandemic.

COST OF SALES

Costs of sales for the third quarter of fiscal 2022 were $385.9 million compared to $311.6 million for the same period of fiscal 2021. For the thirty-nine weeks ended February 26, 2022 and February 27, 2021, total cost of sales were $1,042.2 million and $876.5 million, respectively.

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

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

	Thirteen Weeks Ended			Thirty-nine Weeks Ended		
	February 26, 2022	February 27, 2021	% Change	February 26, 2022	February 27, 2021	% Change
Cost of Sales:						
Farm production	$ 239,389	$ 190,883	25.4 %	$ 668,855	$ 531,877	25.8 %
Processing, packaging, and warehouse	77,116	63,640	21.2	211,649	187,014	13.2
Egg purchases and other (including change in inventory)	59,135	50,443	17.2	133,968	137,001	(2.2)
Total shell eggs	375,640	304,966	23.2	1,014,472	855,892	18.5
Egg products	10,263	6,597	55.6	27,749	20,565	34.9
Total	$ 385,903	$ 311,563	23.9 %	$ 1,042,221	$ 876,457	18.9 %
Farm production costs (per dozen produced)						
Feed	$ 0.562	$ 0.467	20.3 %	$ 0.546	$ 0.422	29.4 %
Other	$ 0.350	$ 0.313	11.8 %	$ 0.350	$ 0.318	10.1 %
Total	$ 0.912	$ 0.780	16.9 %	$ 0.896	$ 0.740	21.1 %
Outside egg purchases (average cost per dozen)	$ 1.75	$ 1.26	38.9 %	$ 1.57	$ 1.23	27.6 %
Dozens produced	264,433	248,130	6.6 %	757,677	731,205	3.6 %
Percent produced to sold	91.9%	88.7%	3.6 %	93.3%	89.5%	4.2 %

Farm Production

Third Quarter – Fiscal 2022 vs. Fiscal 2021

- Feed costs per dozen produced increased 20.3% in the third quarter of fiscal 2022 compared to the third quarter of fiscal 2021. This increase was primarily due to increased prices for corn, our primary feed ingredient. For the third quarter of fiscal 2022, the average daily Chicago Board of Trade ("CBOT") market price was $6.13 per bushel for corn representing an increase of 23.5 percent compared to the average daily CBOT prices for the third quarter of fiscal 2021.
- Other farm production costs increased due to higher flock amortization, primarily from an increase in our cage-free production, which has higher capitalized costs. Also, our higher feed costs, which began to rise in our third quarter of fiscal 2021, are capitalized in our flocks during pullet production and increased our amortization expense.
- We had higher facility expense as more cage-free facilities came into production.

Thirty-nine weeks – Fiscal 2022 vs. Fiscal 2021

- Feed costs per dozen produced increased 29.4% in the thirty-nine weeks ended February 26, 2022 compared to the same period of fiscal 2021, primarily due to higher feed ingredient prices resulting from weather-related shortfalls in production and yields, which have placed additional pressure on domestic supplies.
- Other farm production costs increased due to higher flock amortization, primarily from an increase in our cage-free production, which has higher capitalized costs. Also, higher feed costs, which began to rise in our third quarter of fiscal 2021, are capitalized in our flocks during pullet production and increased our amortization expense.

- We had higher facility expense as more cage-free facilities came into production.

Processing, packaging, and warehouse

Third Quarter – Fiscal 2022 vs. Fiscal 2021

- Cost of packaging materials increased 17.7% compared to the third quarter of fiscal 2021 as supply chain constraints initially caused by the pandemic increased costs for packaging products and manufacturers implemented pandemic surcharges. Costs also increased due to rising inflation.
- Labor costs increased 16.3% due to wage increases in response to labor shortages, primarily due to the pandemic and its effects.
- Dozens processed increased 6.6% compared to the third quarter of fiscal 2021, which resulted in a $4.5 million increase in costs.

Thirty-nine weeks – Fiscal 2022 vs. Fiscal 2021

- Cost of packaging materials increased 10.8% compared to the thirty-nine weeks ended February 27, 2021 as supply chain constraints initially caused by the pandemic increased costs for packaging products and manufacturers implemented pandemic surcharges. Costs also increased due to rising inflation.
- Labor costs increased 15.3% due to wage increases in response to labor shortages, primarily due to the pandemic and its effects.
- Dozens processed increased 3.2% compared to the thirty-nine weeks ended February 27, 2021, which resulted in $6.1 million increase in costs.

Egg purchases and other (including change in inventory)

Third Quarter – Fiscal 2022 vs. Fiscal 2021

- Costs in this category increased primarily due to higher egg prices, partially offset by the decrease in the volume of outside egg purchases, as our percentage of produced to sold increased to 91.9% from 88.7%.

Thirty-nine weeks – Fiscal 2022 vs. Fiscal 2021

- Costs in this category decreased primarily due to the decrease in the volume of outside egg purchases, as our percentage of produced to sold increased to 93.3% from 89.5%, partially offset by higher egg prices.

Looking forward throughout the rest of fiscal 2022, market indications point to higher corn and soybean prices and higher volatility tied to the Russia-Ukraine war and higher export demand.

GROSS PROFIT

Gross profit for the third quarter of fiscal 2022 was $91.6 million compared to $47.5 million for the same period of fiscal 2021. The increase of $44.1 million was primarily due to higher egg prices as well as the increased volume of specialty eggs, partially offset by the increased cost of feed ingredients and processing costs.

Gross profit for the thirty-nine weeks ended February 26, 2022 was $142.0 million compared to $122.7 million for the same period of fiscal 2021. The increase of $19.3 million was primarily due to higher egg prices as well as the increased volume of specialty eggs, partially offset by the increased cost of feed ingredients and processing costs.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

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

	Thirteen Weeks Ended			
	February 26, 2022	February 27, 2021	$ Change	% Change
Specialty egg expense	$ 17,318	$ 16,162	$ 1,156	7.2 %
Delivery expense	16,440	13,359	3,081	23.1 %
Payroll, taxes and benefits	11,398	10,195	1,203	11.8 %
Stock compensation expense	1,007	964	43	4.5 %
Other expenses	6,523	6,976	(453)	(6.5) %
Total	$ 52,686	$ 47,656	$ 5,030	10.6 %

Third Quarter – Fiscal 2022 vs. Fiscal 2021

Specialty egg expense

- Specialty egg expense which includes franchise fees, advertising and promotion costs generally tracks with specialty egg volumes which were up 24.1% for the third quarter of fiscal 2022 compared to the same period of fiscal 2021. Specialty dozens sold to outside distributors including unconsolidated affiliates, Specialty Eggs, LLC and Southwest Specialty Eggs, LLC, increased which reduced related costs that we generally incur for specialty egg sales to retailers.

Delivery expense

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

Payroll, taxes and benefits expense

- The increase in payroll, taxes and benefits is primarily due to increased wages for standard annual raises as well as the addition of Red River. The accrual for anticipated performance-based bonuses also increased.

	Thirty-nine Weeks Ended			
	February 26, 2022	February 27, 2021	$ Change	% Change
Specialty egg expense	$ 45,295	$ 42,898	$ 2,397	5.6 %
Delivery expense	44,771	38,905	5,866	15.1 %
Payroll, taxes and benefits	32,640	31,526	1,114	3.5 %
Stock compensation expense	2,983	2,789	194	7.0 %
Other expenses	21,302	19,376	1,926	9.9 %
Total	$ 146,991	$ 135,494	$ 11,497	8.5 %

Thirty-nine weeks – Fiscal 2022 vs. Fiscal 2021

Specialty egg expense

- Specialty egg expense which includes franchise fees, advertising and promotion costs generally tracks with specialty egg volumes which were up 11.7% for the thirty-nine weeks end February 26, 2022, compared to the same period of fiscal 2021. Specialty dozens sold to outside distributors including unconsolidated affiliates, Specialty Eggs, LLC and Southwest Specialty Eggs, LLC, increased which reduced related costs that we generally incur for specialty egg sales to retailers.

Delivery expense

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

Other expenses

- The increase in other expenses is primarily due to property losses incurred that were not covered by insurance as well as increased premiums for property and casualty insurance programs.

OPERATING INCOME (LOSS)

For the third quarter of fiscal 2022, we recorded operating income of $39.6 million compared to operating loss of $493 thousand for the same period of fiscal 2021.

For the thirty-nine weeks ended February 26, 2022, we recorded an operating loss of $2.2 million compared to an operating loss of $13.2 million for the same period of fiscal 2021.

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 third quarter of fiscal 2022, we earned $205 thousand of interest income compared to $661 thousand for the same period of fiscal 2021. The decrease resulted from significantly lower investment balances. The Company recorded interest expense of $126 thousand and $70 thousand for the third quarters ended February 26, 2022 and February 27, 2021, respectively.

For the thirty-nine weeks ended February 26, 2022, we earned $702 thousand of interest income compared to $2.4 million for the same period of fiscal 2021. The decrease resulted from significantly lower investment balances. The Company recorded interest expense of $262 thousand and $205 thousand for the thirty-nine weeks ended February 26, 2022 and February 27, 2021, respectively.

Patronage dividends, which represent distributions from our membership in Eggland's Best, Inc. were $10.1 million and $9.0 million for the thirteen and thirty-nine weeks ended February 26, 2022 and February 27, 2021, respectively. Patronage dividends are paid once a year based on the profits of Eggland's Best as well as its available cash.

For the third quarter of fiscal 2022, equity income of unconsolidated entities was $1.8 million compared to $1.9 million in the prior-year period.

For the thirty-nine weeks ended February 26, 2022, equity income of unconsolidated entities was $2.2 million compared to $1.9 million in the prior-year period.

Other, net for the third quarter ended February 26, 2022, was income of $1.1 million compared to income of $537 thousand for the same period of fiscal 2021.

Other, net for the thirty-nine weeks ended February 26, 2022, was income of $8.2 million compared to income of $1.5 million for the same period of fiscal 2021. The majority of the increase is due to our acquisition of the remaining 50% membership interest in Red River as we recognized a $4.5 million gain due to the remeasurement of our equity investment, along with the $1.4 million payment related to review and adjustment of our various marketing agreements.

INCOME TAXES

For the third quarter of fiscal 2022, pre-tax income was $53.0 million compared to $11.8 million for the same period of fiscal 2021. We recorded income tax expense of $13.6 million for the third quarter of fiscal 2022, which reflects an effective tax rate of 25.6%. Excluding the impact of discrete items related to a $5.0 million net tax benefit recorded in the third quarter of fiscal 2021 in connection with the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), income tax expense for the comparable period of fiscal 2021 was $3.3 million, which reflects an adjusted effective tax rate of 27.9%.

For the thirty-nine weeks ended February 26, 2022, pre-tax income was $19.7 million compared to $2.2 million for the same period of fiscal 2021. We recorded an income tax benefit of $2.9 million, which includes the discrete tax benefit of $8.3 million as discussed in Note 2 – Acquisition of the Notes to Condensed Consolidated Financial Statements in this Quarterly Report. Excluding the discrete tax benefit, income tax expense was $5.3 million with an adjusted effective tax rate of 27.3%, compared to income tax expense of $934 thousand for the comparable period of fiscal 2021, which reflects an effective tax rate of 41.8% excluding the impact of the $5.0 million discrete net tax benefit recorded in connection with the CARES Act.

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 third quarter ended February 26, 2022, was $39.5 million, or $0.81 per basic and diluted common share, compared to net income attributable to Cal-Maine Foods, Inc. of $13.5 million or $0.28 per basic and diluted common share for the same period of fiscal 2021.

Net income attributable to Cal-Maine Foods, Inc. for the thirty-nine weeks ended February 26, 2022, was $22.7 million, or $0.46 per basic and diluted common share, compared to net income attributable to Cal-Maine Foods, Inc. of $6.3 million or $0.13 per basic and diluted common share for the same period of fiscal 2021.

CAPITAL RESOURCES AND LIQUIDITY

Our working capital at February 26, 2022 was $401.3 million, compared to $429.8 million at May 29, 2021. The calculation of working capital is defined as current assets less current liabilities. Our current ratio was 4.31 at February 26, 2022, compared with 5.77 at May 29, 2021.

We had no long-term debt outstanding at February 26, 2022 or May 29, 2021. On November 15, 2021, we entered into an Amended and Restated Credit Agreement (the "Credit Agreement") with a five-year term. The Credit Agreement amended and restated the Company's previously existing credit agreement dated July 10, 2018. The Credit Agreement provides for an increased senior secured revolving credit facility (the "Credit Facility"), in an initial aggregate principal amount of up to $250 million. As of February 26, 2022, no amounts were borrowed under the Credit Facility. We have $4.1 million in outstanding standby letters of credit, issued under our Credit Facility for the benefit of certain insurance companies. For additional information, see Note 7 – Credit Facility of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report.

For the thirty-nine weeks ended February 26, 2022, $20.8 million in net cash was provided by operating activities, compared to $14.7 million provided by operating activities for the comparable period in fiscal 2021. This is primarily due to the higher egg prices partially offset by increased costs of feed ingredients compared to the prior-year period.

We continue to invest in our facilities, with $49.2 million used to purchase property, plant and equipment for the thirty-nine weeks ended February 26, 2022, compared to $73.8 million in the same period of fiscal 2021. We also acquired the remaining 50% membership interest in Red River during our first quarter of fiscal 2022 for $48.5 million. Sales and maturities of investment securities, net of purchases, were $29.2 million for the thirty-nine weeks ended February 26, 2022, compared to $25.8 million for the comparable period in fiscal 2021. We received $400 thousand in distributions from an unconsolidated entity in the first three quarters of fiscal 2022 compared to $5.8 million for the same period fiscal of 2021.

As of February 26, 2022, cash decreased $41.8 million since May 29, 2021, compared to a decrease of $25.2 million during the same period of fiscal 2021.

We continue to monitor the increasing demand for cage-free eggs and to engage with our customers in an effort to achieve a smooth transition to meet their announced commitment timeline for cage-free egg sales. We have invested approximately $502 million in facilities, equipment and related operations to expand our cage-free production starting with our first facility in 2008. The following table presents material construction projects approved as of February 26, 2022 (in thousands):

Project(s) Type	Projected Completion	Projected Cost	Spent as of February 26, 2022	Remaining Projected Cost
Cage-Free Layer & Pullet Houses/Processing Facility	Fiscal 2022	$ 130,918	108,579	22,339
Cage-Free Layer & Pullet Houses	Fiscal 2023	24,752	6,262	18,490
		$ 155,670	$ 114,841	$ 40,829

We believe our current cash balances, investments, cash flows from operations, and Credit Facility will be sufficient to fund our current capital needs.

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 2021 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 thirty-six weeks ended February 26, 2022 from the information provided in Item 7A. Quantitative and Qualitative Disclosures About Market Risk in our 2021 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 February 26, 2022 at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the quarter ended February 26, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Refer to the discussion of certain legal proceedings involving the Company and/or its subsidiaries in (i) our 2021 Annual Report, Part I Item 3 Legal Proceedings, and Part II Item 8, Notes to Consolidated Financial Statements and Supplementary Data, Note 18: Commitments and Contingencies, and (ii) in this Quarterly Report in Note 13: 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 2021 Annual Report.

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

The following table is a summary of our third quarter 2022 share repurchases:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans Or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
11/28/21 to 12/25/21	206	$ 36.32	—	—
12/26/21 to 01/22/22	26,780	41.00	—	—
01/23/22 to 02/26/22	—	—	—	—
	26,986	$ 40.96	—	—

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

ITEM 6. EXHIBITS

Exhibits No.	Description
3.1	Second Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 in the Registrant's Form 8-K, filed July 20, 2018)
3.2	Composite Bylaws of the Company (incorporated by reference to Exhibit 3.2 in the Registrant's Form 10-Q for the quarter ended March 2, 2013, filed April 5, 2013)
31.1*	Rule 13a-14(a) Certification of the Chief Executive Officer
31.2*	Rule 13a-14(a) Certification of the Chief Financial Officer
32**	Section 1350 Certification of the Chief Executive Officer and the Chief Financial Officer
101.SCH*+	Inline XBRL Taxonomy Extension Schema Document
101.CAL*+	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*+	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*+	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*+	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

*	Filed herewith as an Exhibit.
**	Furnished herewith as an Exhibit.
+	Submitted electronically with this Quarterly Report.

SIGNATURES

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

CAL-MAINE FOODS, INC.
(Registrant)

Date: March 29, 2022

/s/ Max P. Bowman
Max P. Bowman
Vice President, Chief Financial Officer
(Principal Financial Officer)

Date: March 29, 2022

/s/ Matthew S. Glover
Matthew S. Glover
Vice President – Accounting
(Principal Accounting Officer)

Exhibit 31.1

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

I, Adolphus B. Baker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cal-Maine Foods, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

/s/ Adolphus B. Baker

Adolphus B. Baker
Chief Executive Officer and Chairman of the Board
Date: March 29, 2022

Exhibit 31.2

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: March 29, 2022

Exhibit 32

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 February 26, 2022 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Adolphus B. Baker

Adolphus B. Baker
Chief Executive Officer and Chairman of the Board

/s/ Max P. Bowman

Max P. Bowman
Vice President and Chief Financial Officer

Date: March 29, 2022