CAL-MAINE FOODS INC
Form 10-K
July 28, 2014
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For The Fiscal Year Ended MAY 31, 2014

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 000-04892

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.)

3320 Woodrow Wilson Avenue, Jackson, Mississippi 39209

(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:	Name of exchange on which registered:
Common Stock, $0.01 par value per share	The NASDAQ Global Select Market

Securities registered pursuant to Section 12 (g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Yes No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. (X)

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

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
(Do not check if a smaller reporting company)	

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

Yes No

The aggregate market value, as reported by The NASDAQ Global Select Market, of the registrant's Common Stock, $0.01 par value, held by non-affiliates at November 29, 2013, which was the date of the last business day of the registrant's most recently completed second fiscal quarter, was $825,325,152

As of July 25, 2014, 21,790,827 shares of the registrant's Common Stock, $0.01 par value, and 2,400,000 shares of the registrant's Class A Common Stock, $0.01 par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information called for by Part III of this Form 10-K is incorporated herein by reference from the registrant's Definitive Proxy Statement which will be filed pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this report.

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PART I

FORWARD-LOOKING STATEMENTS

This report contains numerous forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”) relating to our shell egg business, including estimated production data, expected operating schedules, expected capital costs and other operating data, including anticipated results of operations and financial condition. Such forward-looking statements are identified by the use of words such as “believes,” “intends,” “expects,” “hopes,” “may,” “should,” “plans,” “projected,” “contemplates,” “anticipates” or similar words. Actual production, operating schedules, results of operations and other projections and estimates could differ materially from those projected in the forward-looking statements. The forward-looking statements are based on management’s current intent, belief, expectations, estimates and projections regarding our company and our industry. These statements are not guarantees of future performance and involve risks, uncertainties, assumptions and other factors that are difficult to predict and might be beyond our control. The factors that could cause actual results to differ materially from those projected in the forward-looking statements include, among others, (i) the risk factors set forth in Item 1A and elsewhere in this report as well as those included in other reports we file from time to time with the Securities and Exchange Commission (the “SEC”) (including our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K), (ii) the risks and hazards inherent in the shell egg business (including disease, pests, weather conditions and potential for recall), (iii) changes in the demand for and market prices of shell eggs and feed costs, (iv) risks, changes or obligations that could result from our future acquisition of new flocks or businesses, and (v) adverse results in pending litigation matters. Readers are cautioned not to place undue reliance on forward-looking statements because, while we believe the assumptions on which the forward-looking statements are based are reasonable, there can be no assurance these forward-looking statements will prove to be accurate. Further, the 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 as a result of new information, future events or otherwise.

ITEM 1. BUSINESS

Our Business

Cal-Maine Foods, Inc. (“we,” “us,” “our,” or the “Company”) is the largest producer and marketer of shell eggs in the United States. In fiscal 2014, we sold approximately 1,013.7 million dozen shell eggs, which we believe represented approximately 23% of domestic shell egg consumption. Our total flock of approximately 32.4 million layers and 8.5 million pullets and breeders is the largest in the U.S. Layers are mature female chickens, pullets are young female chickens usually under 20 weeks of age, and breeders are male or female chickens used to produce fertile eggs to be hatched for egg production flocks.

We operate in a single segment. Our primary business is the production, grading, packaging, marketing and distribution of shell eggs. We sell most of our shell eggs in the southwestern, southeastern, mid-western and mid-Atlantic regions of the U.S. We market our shell eggs through our extensive distribution network to a diverse group of customers, including national and regional grocery store chains, club stores, foodservice distributors and egg product consumers. Some of our sales are completed through co-pack agreements – a common practice in the industry whereby production and processing of certain products is outsourced to another producer. The strength of our position is evidenced by the fact that we have the largest market share in the grocery segment for shell eggs, and we sell shell eggs to a majority of the largest food retailers in the U.S.

We are one of the largest producers and marketers of value-added specialty shell eggs in the U.S. Specialty shell eggs include nutritionally enhanced, cage free, organic and brown eggs and have been a significant segment of the market in recent years. In fiscal 2014, specialty shell eggs and co-pack specialty shell eggs represented approximately 24% and 4% of our shell egg dollar sales, respectively, and accounted for approximately 17% and 3%, respectively, of our total shell egg dozen volumes. In fiscal 2013, specialty shell eggs and co-pack specialty shell eggs represented approximately 24% and 3% of our shell egg dollar sales, respectively, and accounted for approximately 16% and 2%, respectively, of our total shell egg dozen volumes. Retail prices for specialty eggs are less cyclical than non-specialty shell egg prices and are generally higher due to consumer willingness to pay for the increased benefits from those products. We market our specialty shell eggs under the following brands: Egg-Land's Best®, Land O' Lakes®, Farmhouse®, and 4-Grain®. We are a member of the Egg-Land's Best, Inc. ("EB") cooperative and produce, market and distribute Egg-Land's Best® and Land O' Lakes® branded eggs under exclusive license agreements for major metropolitan areas, including New York City, and a number of states in the southeast and south central U.S. We market cage free eggs under our trademarked Farmhouse® brand and distribute them across the southeast and southwest regions of the

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U.S. We market organic, all natural, cage-free, vegetarian, and omega-3 eggs under our 4-Grain® brand. We also produce, market, and distribute private label specialty shell eggs to several customers.

We are a leader in industry consolidation. Since 1989, we have completed eighteen acquisitions ranging in size from 600,000 layers to 7.5 million layers. Despite a market that has been characterized by increasing consolidation, the shell egg production industry remains highly fragmented. According to the U.S. Department of Agriculture, 52 producers, owning at least one million layers, own approximately 88% of total industry layers and the ten largest producers own approximately 48% of total industry layers. We believe industry consolidation will continue and we plan to capitalize on opportunities as they arise.

During fiscal year 2014, we completed the acquisition of our joint venture partner's 50% interest in Delta Egg Farm, LLC. See Note 2 of Notes to Consolidated Financial Statements in Part II of this Annual Report on Form 10-K.

Industry Background

Based on historical consumption trends, demand for shell eggs increases in line with overall population growth, averaging an increase of about 1% per year. According to U.S. Department of Agriculture ("USDA"), annual per capita consumption in the U.S. has varied between 248 and 258 eggs, since 2000. In calendar year 2013, per capita consumption in the U.S. was estimated to be 251 eggs, or approximately five eggs per person per week.

Prices for Shell Eggs

Shell egg prices are a critical component of profitability in the industry. We believe the majority of shell eggs sold in the U.S. in the retail and foodservice channels are sold at prices related to the Urner Barry wholesale quotation for shell eggs. We sell the majority of our shell eggs at prices related to the Urner Barry Spot Egg Market Quotations for the southeast region of the country, or formulas related to our costs of production which include the cost of corn and soybean meal. For fiscal 2014, wholesale large shell egg prices in the southeast region, as quoted by Urner Barry, averaged $1.43 per dozen compared to an average of $1.20 per dozen for fiscal years 2010 to 2013. According to a USDA report as of July 1, 2014, the number of layers in the U.S. flock was up 2.3% compared to July 1, 2013, and the number of chicks hatched from January through June of 2014 was up 5.0% compared to the same period in 2013, which could lead to lower egg prices.

Feed Costs for Shell Egg Production

Feed is a primary cost component in the production of shell eggs and represents over half of industry farm level production costs. Most shell egg producers are vertically integrated; manufacturing the majority of the feed they require for their operations. Although feed ingredients, primarily corn and soybean meal, are available from a number of sources, prices for ingredients can fluctuate and can be affected by weather and by various supply and demand factors. Our feed prices for fiscal 2014 were 9% lower than the previous fiscal year. Favorable weather conditions and improved yields for the 2014 crop should increase available supplies for both corn and soybean meal for fiscal year 2015, however we expect the outlook for feed prices to remain volatile.

Growth Strategy and Acquisitions

For many years, we have pursued a growth strategy focused on the acquisition of existing shell egg production and processing facilities, as well as the construction of new and more efficient facilities. Since the beginning of fiscal 1989, we have completed eighteen acquisitions. In addition, we have built numerous “in-line” shell egg production and processing facilities as well as pullet growing facilities which added to our capacity. Each new shell egg production facility generally provides for the processing of approximately 400 cases of shell eggs or 12,000 dozen eggs per hour. The increases in capacity have been accompanied by the retirement of older and less efficient facilities. The “in-line” facilities provide gathering, grading and packaging of shell eggs by less labor-intensive, more efficient, mechanical means. As a result of the foregoing, we continue to decrease our reliance on shell eggs produced by contract producers.

As a result of our strategy, our total flock, including pullets, layers and breeders, increased from approximately 33.5 million at May 30, 2009 to approximately 40.8 million as of May 31, 2014. The dozens of shell eggs sold increased from approximately 777.9 million in fiscal 2009 to approximately 1,013.7 million over the same time period. Net sales amounted to $928.8 million in fiscal 2009 compared to net sales of $1,440.9 million in fiscal 2014.

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We continue to pursue opportunities for the acquisition of companies engaged in the production and sale of shell eggs. We will continue to evaluate and selectively pursue acquisitions that will expand our shell egg production capabilities in existing markets and broaden our geographic reach. We have extensive experience identifying, valuing, executing, and integrating acquisitions and we intend to leverage that experience in the evaluation and execution of future acquisitions. We will seek to acquire regional shell egg businesses with significant market share and long-standing customer relationships. We believe enhancing our national presence will help us further strengthen our relationships with existing customers, many of whom have operations across the U.S.

Through exclusive license agreements with EB in several key territories and our trademarked Farmhouse® and 4Grain® brands, we are one of the leading producers and marketers of value-added specialty shell eggs. We also produce, market, and distribute private label specialty shell eggs to several customers. Since selling prices of specialty shell eggs are generally not as volatile as generic shell egg prices, we believe growing our specialty eggs business will enhance the stability of our margins. We expect the price of specialty eggs to remain at a premium to regular shell eggs, and intend to grow our specialty shell egg business.

Federal antitrust laws require regulatory approval of acquisitions that exceed certain threshold levels of significance, and we are subject to federal and state laws prohibiting anti-competitive conduct. We believe our sales of shell eggs during the last fiscal year represented approximately 23% of domestic shell egg sales, making us the largest producer and distributor of shell eggs in the U.S. However, because the shell egg production and distribution industry is so fragmented, we believe that there are many acquisition opportunities available to us that would not be restricted pursuant to antitrust laws.

The construction of new, more efficient production and processing facilities is an integral part of our growth strategy. Any such construction will require compliance with applicable environmental laws and regulations, including the receipt of permits that could cause schedule delays, although we have not experienced any significant delays in the past.

Shell Eggs

Production. Our operations are fully integrated. We hatch chicks, grow and maintain flocks of pullets, layers, and breeders, manufacture feed, and produce, process, package, and distribute shell eggs. We produce approximately 74% of our total shell eggs sold, with 95% of such production coming from company-owned facilities, and the other 5% coming from contract producers. Under a typical arrangement with a contract producer, we own the flock, furnish all feed and critical supplies, own the shell eggs produced and assume market risks. The contract producers own and operate their facilities and are paid a fee based on production with incentives for performance. Approximately 26% of our total shell eggs sold are purchased from outside producers.

The commercial production of shell eggs requires a source of baby chicks for laying flock replacement. We produce approximately 95% of our chicks in our own hatcheries and obtain the balance from commercial sources. We own breeder facilities producing 18.5 million pullet chicks per year in a computer-controlled environment. These pullets are distributed to 43 state-of-the-art laying operations around the southwestern, southeastern, mid-western and mid-Atlantic regions of the U.S. The facilities produce an average of 2.1 million dozen shell eggs per day and process the shell eggs through grading and packaging predominantly without handling by human hands. We have spent a cumulative total of $153.9 million over the past five years upgrading our facilities with the most advanced equipment and technology available in our industry. We believe our constant attention to production efficiencies and focus on automation throughout the supply chain enables us to be a low cost supplier in all the markets in which we compete.

Feed cost represents the largest element of our farm egg production cost, ranging from 62% to 69% of total farm production cost in the last five fiscal years. Although feed ingredients are available from a number of sources, we have little, if any, control over the prices of the ingredients we purchase, which are affected by weather and by various supply and demand factors. For example, the severe drought in the summer of 2012 and resulting damage to the national corn crop resulted in high and volatile feed costs. Increases in feed costs which are not accompanied by increases in the selling price of eggs can have a material adverse effect on our operations. However, higher feed costs can encourage shell egg producers to reduce production, resulting in higher egg prices. Alternatively, low feed costs can encourage industry overproduction, possibly resulting in lower egg prices.

After the eggs are produced, they are graded and packaged. Substantially all of our farms have modern “in-line” facilities to mechanically gather, grade and package the eggs produced. The increased use of in-line facilities has generated significant cost savings compared to the cost of eggs produced from non-in-line facilities. In addition to greater efficiency, the in-line facilities produce a higher percentage of USDA Grade A eggs, which sell at higher prices. Eggs produced on farms owned by contractors are brought to our processing plants to be graded and packaged. Since shell eggs are perishable, we maintain very low shell egg inventories, usually consisting of approximately four days of production.

Egg production activities are subject to risks inherent in the agriculture industry, such as weather conditions and disease factors. These risks are outside our control and could have a material adverse effect on our operations. The marketability of shell eggs is subject to risks such as possible changes in food consumption opinions and practices reflecting perceived health concerns.

We operate in a cyclical industry with total demand that is generally steady and a product that is generally price-inelastic. Thus, small increases in production or decreases in demand can have a large adverse effect on prices and vice-versa. However, economic conditions in the egg industry are expected to exhibit less cyclicality in the future. The industry is concentrating into fewer but stronger hands, which should help lessen the extreme cyclicality of the past.

Marketing. Of the 1,013.7 million dozen shell eggs sold by us in the fiscal year ended May 31, 2014, our flocks produced 750.3 million.

We sell our shell eggs to a diverse group of customers, including national and local grocery store chains, club stores, foodservice distributors, and egg product consumers. We utilize electronic ordering and invoicing systems that enable us to manage inventory for certain of our customers. Our top ten customers accounted for an aggregate of 68.5%, 65.8%, and 66.3% of net sales dollars for fiscal 2014, 2013, and 2012, respectively. Two affiliated customers, Wal-Mart Stores and Sam's Club, on a combined basis, accounted for 28.2%, 30.0%, and 31.3% of net sales dollars during fiscal 2014, 2013, and 2012, respectively.

The majority of eggs sold are merchandised on a daily or short-term basis. Most sales to established accounts are on open account with terms ranging from seven to 30 days. Although we have established long-term relationships with many of our customers, they are free to acquire shell eggs from other sources.

The shell eggs we sell are either delivered to our customers' warehouse or retail stores by our own fleet or contracted refrigerated delivery trucks, or are picked up by our customers at our processing facilities.

We sell our shell eggs at prices generally related to independently quoted wholesale market prices or at formulas related to our costs of production. Wholesale prices are subject to wide fluctuations. The prices of our shell eggs reflect fluctuations in the quoted market and changes in corn and soybean meal prices, and the results of our shell egg operations are materially affected by changes in market quotations and feed costs. Egg prices reflect a number of economic conditions, such as the supply of eggs and the demand level, which, in turn, are influenced by a number of factors we cannot control. No representation can be made as to the future level of prices.

According to USDA reports, for the past five years, annual per capita consumption in the U.S. varied between 248 and 251 eggs. Per capita consumption is determined by dividing the total supply of eggs for the shell egg industry by the entire population in the U.S. (i.e. all eggs supplied domestically by the shell egg industry are consumed). While we believe fast food restaurant consumption, high protein diet trends, reduced egg cholesterol levels, and industry advertising campaigns may result in the sustainability of current per capita egg consumption levels, no assurance can be given that per capita consumption will not decline in the future.

We sell the majority of our shell eggs across the southwestern, southeastern, mid-western and mid-Atlantic regions of the U.S. We are a major factor in egg marketing in a majority of these states. Many states in our market area are egg deficit regions which are areas where production of fresh shell eggs is less than total consumption. Competition from other producers in specific market areas is generally based on price, service, and quality of product. Strong competition exists in each of our markets.

Seasonality. Shell eggs are perishable. Consequently, we maintain very low shell egg inventories, usually consisting of approximately four days of production. Retail sales of shell eggs are greatest 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. We generally experience lower sales and net income in our fourth and first fiscal quarters ending in May and August, respectively. During the past ten fiscal years, four of our first quarters resulted in net operating losses, and during this same period, three of our fourth quarters resulted in net operating losses.

Specialty Eggs. We produce specialty eggs such as Egg-Land's Best®, Land O' Lakes®, 4Grain®, and Farmhouse® branded eggs. Specialty eggs are intended to meet the demands of consumers who are sensitive to environmental, health and/or animal welfare issues. Specialty shell eggs continue to be a significant segment of the shell egg market. For fiscal 2014, specialty eggs accounted for 24.4% of our shell egg dollar sales and 17.2% of our shell egg dozens sold, as compared to 23.7% of shell egg dollar sales and 16.4% of shell egg dozens sold in fiscal 2013. Additionally, specialty eggs sold through our co-pack arrangements accounted for an additional 3.8% of shell egg dollar sales and 2.7% of shell egg dozens sold in fiscal 2014, compared with 3.3% of shell egg dollar sales and 2.2% of shell egg dozens sold in fiscal 2013. Egg-Land's Best® branded eggs are patented eggs that are believed by its developers, based on scientific studies, to cause no increase in serum cholesterol when eaten as part of a low fat diet. We produce and process Egg-Land's Best® branded eggs under license from EB at our facilities under EB guidelines. The product is marketed to our established base of customers at premium prices compared to non-specialty shell eggs. Egg-Land's Best® branded eggs accounted for approximately 14.4% of our shell egg dollar sales in fiscal 2014, compared to 14.4% in fiscal 2013. Based on dozens sold, Egg-Land's Best® branded eggs accounted for 10.1% of dozens sold for fiscal 2014, compared to 9.8% in fiscal 2013. Land O' Lakes® branded eggs are produced by hens that are fed a whole grain diet, with no animal fat, and no animal by-products. Farmhouse® brand eggs are produced at our facilities by cage free hens that are provided with a diet of all grain, vegetarian feed. Our 4Grain® brand consists of both caged and cage free eggs. Our hens are fed a diet of four golden grains, no animal by-products, and all vegetarian feed. As in our other flocks, these hens are provided with drinking water free of chemical additives. Farmhouse®, Land O' Lakes®, 4Grain® and other non-Egg-Land's Best® specialty eggs accounted for 10.0% of our shell egg dollar sales in fiscal 2014, compared to 9.3% in fiscal 2013, and 7.1% of dozens sold for fiscal 2014, compared to 6.6% for fiscal 2013.

Egg Products. Egg products are shell eggs broken and sold in liquid, frozen, or dried form. In fiscal 2014 and 2013 egg products represented approximately 3% of our net sales. We sell egg products primarily into the institutional and food service sectors in the U.S. Our egg products are sold through American Egg Products, LLC located in Blackshear, Georgia and Texas Egg Products, LLC located in Waelder, Texas. Prices for egg products are directly related to Urner Barry quoted price levels.

Competition. The production, processing, and distribution of shell eggs is an intensely competitive business, which traditionally has attracted large numbers of producers. Shell egg competition is generally based on price, service, and product quality.

The U.S. shell egg industry remains highly fragmented but is characterized by a growing concentration of producers. In 2013, 52 producers with one million or more layers owned 88% of the 295 million total U.S. layers, compared to 2000, when 63 producers with one million or more layers owned 79% of the 273 million total layers, and 1990, when 56 producers with one million or more layers owned 64% of the 232 million total layers. We believe a continuation of the concentration trend will result in reduced cyclicality of shell egg prices, but no assurance can be given in that regard. A continuation of this trend could also create greater competition among fewer producers.

Patents and Trade Names. We own the trademarks Farmhouse®, Rio Grande®, Sunups®, Sunny Meadow® and 4Grain®. We do not own any patents or proprietary technologies. We produce and market Egg-Land's Best® and Land O' Lakes® branded eggs under license agreements with EB. We believe these trademarks and license agreements are important to our business. We do not know of any infringing uses that would materially affect the use of these trademarks, and we actively defend and enforce them.

Government Regulation. Our facilities and operations are subject to regulation by various federal, state, and local agencies, including, but not limited to, the United States Food and Drug Administration (“FDA”), USDA, Environmental Protection Agency, Occupational Safety and Health Administration and corresponding state agencies. The applicable regulations relate to grading, quality control, labeling, sanitary control and waste disposal. Our shell egg facilities are subject to periodic USDA and FDA inspections. Our feed production facilities are subject to FDA regulation and inspections. In addition, we maintain our own inspection program to ensure compliance with our own standards and customer specifications. We are not aware of any major capital expenditures necessary to comply with such statutes and regulations; however, there can be no assurance that we will not be required to incur significant costs for compliance with such statutes and regulations in the future.

Environmental Regulation. Our operations and facilities are subject to various federal, state, and local environmental, health and safety laws and regulations governing, among other things, the generation, storage, handling, use, transportation, disposal, and remediation of hazardous materials. Under these laws and regulations, we are required to obtain permits from governmental authorities, including, but not limited to, wastewater discharge permits. We have made, and will continue to make,

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capital and other expenditures relating to compliance with existing environmental, health and safety laws and regulations and permits. We are not currently aware of any major capital expenditures necessary to comply with such laws and regulations; however, because environmental, health and safety laws and regulations are becoming increasingly more stringent, including those relating to animal wastes and wastewater discharges, there can be no assurance that we will not be required to incur significant costs for compliance with such laws and regulations in the future.

Employees. As of July 7, 2014, we had approximately 2,645 employees, of whom 2,080 worked in egg production, processing and marketing, 167 worked in feed mill operations and 398 were administrative employees, including our executive officers. Approximately 3.4% of our personnel are part-time. None of our employees are covered by a collective bargaining agreement. We consider our relations with employees to be good.

Our Corporate Information

We were founded in 1957 in Jackson, Mississippi. We were incorporated in Delaware in 1969. Our principal executive office is located at 3320 Woodrow Wilson Avenue, Jackson, Mississippi 39209. The telephone number of our principal executive office is (601) 948-6813. We maintain a website at www.calmainefoods.com where general information about our business is available. The information contained in our website is not a part of this document. Our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K, Forms 3, 4 and 5 ownership reports, and all amendments to those reports are available, free of charge, through our website as soon as reasonably practicable after they are filed with the SEC. Information concerning corporate governance matters is also available on our website.

Our Common Stock is listed on The NASDAQ Global Select Market (“NASDAQ”) under the symbol “CALM.” On May 30, 2014, the last sale price of our Common Stock on NASDAQ was $69.76 per share. Our fiscal year 2014 ended May 31, 2014, and the first three fiscal quarters of fiscal 2014 ended August 31, 2013, November 30, 2013, and March 1, 2014. All references herein to a fiscal year means our fiscal year and all references to a year mean a calendar year.

ITEM 1A. RISK FACTORS

Our business and results of operations are subject to numerous risks and uncertainties, many of which are beyond our control. The following is a description of the known factors that may materially affect our business, financial condition or results of operations. They should be considered carefully, in addition to the information set forth elsewhere in this Annual Report on Form 10-K, including under Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in making any investment decisions with respect to our securities. Additional risks or uncertainties that are not currently known to us, that we currently deem to be immaterial or that could apply to any company could also materially adversely affect our business, financial condition or results of operations.

Market prices of wholesale shell eggs are volatile and decreases in these prices can adversely impact our results of operations.

Our operating results are significantly affected by wholesale shell egg market prices, which fluctuate widely and are outside our control. As a result, our prior performance should not be presumed to be an accurate indication of future performance. Small increases in production, or small decreases in demand, can have a large adverse effect on shell egg prices. Shell egg prices trended upward from calendar 2002 until late 2003 and early 2004 when they rose to historical highs. In the early fall of calendar 2004, the demand trend related to the increased popularity of high protein diets faded dramatically and prices fell. During the time of increased demand, the egg industry geared up to produce more eggs, resulting in an oversupply of eggs. Since calendar 2006, supplies have been more closely balanced with demand and egg prices again reached record levels in 2007 and 2008. Egg prices had subsequently retreated from those record price levels due to increases in industry supply before reaching a new high in 2014. There can be no assurance that shell egg prices will remain at or near current levels or that the supply of and demand for shell eggs will remain balanced in the future

Retail sales of shell eggs are greatest during the fall and winter months and lowest in the summer months. Prices for shell eggs fluctuate in response to seasonal factors and a natural increase in shell egg production during the spring and early summer. Shell egg prices tend to increase with the start of the school year and are highest prior to holiday periods, particularly Thanksgiving, Christmas and Easter. Consequently, we generally experience lower sales and net income in our first and fourth fiscal quarters ending in August and May, respectively. As a result of these seasonal and quarterly fluctuations, comparisons of our sales and operating results between different quarters within a single fiscal year are not necessarily meaningful comparisons.

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A decline in consumer demand for shell eggs can negatively impact our business.

We believe fast food restaurant consumption, reports from the medical community regarding the health benefits of shell eggs, reduced shell egg cholesterol levels, high protein diet trends and industry advertising campaigns have all contributed to shell egg demand. However, there can be no assurance that the demand for shell eggs will not decline in the future. Adverse publicity relating to health concerns and changes in the perception of the nutritional value of shell eggs, as well as movement away from high protein diets, could adversely affect demand for shell eggs, which would have a material adverse effect on our future results of operations and financial condition.

Feed costs are volatile and increases in these costs can adversely impact our results of operations.

Feed cost represents the largest element of our shell egg (farm) production cost, ranging from 62% to 69% of total farm production cost in the last five fiscal years. Although feed ingredients are available from a number of sources, we have little, if any, control over the prices of the ingredients we purchase, which are affected by weather, various supply and demand factors, transportation and storage costs, and agricultural and energy policies in the U.S. and internationally. For example, the severe drought in the summer of 2012 and resulting damage to the national corn crop resulted in high and volatile feed costs. Increases in feed costs unaccompanied by increases in the selling price of eggs can have a material adverse effect on the results of our operations. Alternatively, low feed costs can encourage industry overproduction, possibly resulting in lower egg prices.

Due to the cyclical nature of our business, our financial results from year to year and between different quarters within a single fiscal year may fluctuate.

The shell egg industry has traditionally been subject to periods of high profitability followed by periods of significant loss. In the past, during periods of high profitability, shell egg producers have tended to increase the number of layers in production with a resulting increase in the supply of shell eggs, which generally has caused a drop in shell egg prices until supply and demand return to balance. As a result, our financial results from year to year may vary significantly. Additionally, as a result of seasonal fluctuations, our financial results may fluctuate significantly between different quarters within a single fiscal year.

We purchase approximately 26% of the shell eggs we sell from outside producers and our ability to obtain such eggs at prices and in quantities acceptable to us could fluctuate.

We produce approximately 74% of the total number of shell eggs sold by us and purchase the remaining amount from outside producers. As the wholesale price for shell eggs increases, our cost to acquire shell eggs from outside producers increases. There can be no assurance that we will be able to continue to acquire shell eggs from outside producers in sufficient quantities and satisfactory prices, and our inability to do so may have a material adverse effect on our business and profitability.

Our acquisition growth strategy subjects us to various risks.

We plan to continue to pursue a growth strategy, which includes acquisitions of other companies engaged in the production and sale of shell eggs. In fiscal year 2014 we completed the purchase of our joint venture partner's 50% interest in Delta Egg Farm, LLC and in fiscal year 2013 we acquired the commercial egg assets of Pilgrim's Pride Corporation and Maxim Production Co., Inc. Acquisitions require capital resources and can divert management's attention from our existing business. Acquisitions also entail an inherent risk that we could become subject to contingent or other liabilities, including liabilities arising from events or conduct prior to our acquisition of a business that were unknown to us at the time of acquisition. We could incur significantly greater expenditures in integrating an acquired business than we anticipated at the time of its purchase. We cannot assure you that we:

- will identify suitable acquisition candidates;
- can consummate acquisitions on acceptable terms;
- can successfully integrate an acquired business into our operations; or
- can successfully manage the operations of an acquired business.

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No assurance can be given that companies acquired by us in the future will contribute positively to our results of operations or financial condition. In addition, federal antitrust laws require regulatory approval of acquisitions that exceed certain threshold levels of significance.

The consideration we pay in connection with any acquisition also affects our financial results. If we pay cash, we could be required to use a portion of our available cash to consummate the acquisition. To the extent we issue shares of our Common Stock, existing stockholders may be diluted. In addition, acquisitions may result in the incurrence of debt.

Our largest customers historically accounted for a significant portion of our net sales volume. Accordingly, our business may be adversely affected by the loss of, or reduced purchases by, one or more of our large customers.

For the fiscal years 2014, 2013, and 2012, two affiliated customers, Wal-Mart Stores and Sam's Clubs, on a combined basis, accounted for 28.2%, 30.0%, and 31.3% of our net sales dollars, respectively. For fiscal years 2014, 2013, and 2012, our top ten customers accounted for 68.5%, 65.8%, and 66.3% of net sales dollars, respectively. Although we have established long-term relationships with most of our customers, who continue to purchase from us based on our ability to service their needs, they are free to acquire shell eggs from other sources. If, for any reason, one or more of our larger customers were to purchase significantly less of our shell eggs in the future or terminate their purchases from us, and we are not able to sell our shell eggs to new customers at comparable levels, it would have a material adverse effect on our business, financial condition, and results of operations.

Failure to comply with applicable governmental regulations, including environmental regulations, could harm our operating results, financial condition, and reputation. Further, we may incur significant costs to comply with any such regulations.

We are subject to federal, state and local regulations relating to grading, quality control, labeling, sanitary control, and waste disposal. As a fully-integrated shell egg producer, our shell egg facilities are subject to USDA and FDA regulation, as well as regulation by various state and local health and agricultural agencies. Our shell egg processing facilities are subject to periodic USDA and FDA inspections. All of our shell egg and feed mill facilities are subject to FDA regulation and inspections.

Our operations and facilities are also subject to various federal, state and local environmental, health, and safety laws and regulations governing, among other things, the generation, storage, handling, use, transportation, disposal, and remediation of hazardous materials. Under these laws and regulations, we are also required to obtain permits from governmental authorities, including, but not limited to pollution/wastewater discharge permits.

If we fail to comply with an applicable law or regulation, or fail to obtain necessary permits, we could be subject to significant fines and penalties or other sanctions, our reputation could be harmed, and our operating results and financial condition could be materially adversely affected. In addition, because these laws and regulations are becoming increasingly more stringent, there can be no assurance that we will not be required to incur significant costs for compliance with such laws and regulations in the future.

Shell eggs and shell egg products are susceptible to microbial contamination, and we may be required to or voluntarily recall contaminated products.

Shell eggs and shell egg products are vulnerable to contamination by pathogens such as Salmonella. Shipment of contaminated products, even if inadvertent, could result in a violation of law and may lead to increased risk of exposure to product liability claims, product recalls and increased scrutiny by federal and state regulatory agencies. In addition, products purchased from other producers could contain contaminants that may be inadvertently redistributed by us. As such, we may decide or be required to recall a product if we or regulators believe it poses a potential health risk. We do not maintain insurance to cover recall losses. Any product recall could result in a loss of consumer confidence in our products, adversely affect our reputation with existing and potential customers and have a material adverse effect on our business, results of operations and financial condition.

Agricultural risks, including outbreaks of avian disease, could harm our business.

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Our shell egg production activities are subject to a variety of agricultural risks. Unusual or extreme weather conditions, disease and pests can materially and adversely affect the quality and quantity of shell eggs we produce and distribute. The Company maintains controls and procedures to reduce the risk of exposing our flocks to harmful diseases. Despite our best efforts, outbreaks of avian disease can still occur and may adversely impact the health of our flocks. An outbreak of avian disease could have a material adverse impact on our financial results by increasing government restrictions on the sale and distribution of our products. Negative publicity from an outbreak within our industry can negatively impact customer perception, even if the outbreak does not directly impact our flocks. If a substantial portion of our production facilities are affected by any of these factors in any given quarter or year, our business, financial condition, and results of operations could be materially and adversely affected.

Our business is highly competitive.

The production and sale of fresh shell eggs, which have accounted for virtually all of our net sales in recent years, is intensely competitive. We compete with a large number of competitors that may prove to be more successful than we are in marketing and selling shell eggs. We cannot provide assurance that we will be able to compete successfully with any or all of these companies. In addition, increased competition could result in price reductions, greater cyclicality, reduced margins and loss of market share, which would negatively affect our business, results of operations, and financial condition.

Pressure from animal rights groups regarding the treatment of animals may subject us to additional costs to conform our practices to comply with developing standards or subject us to marketing costs to defend challenges to our current practices and protect our image with our customers.

We and many of our customers are facing pressure from animal rights groups, such as People for the Ethical Treatment of Animals, or PETA, and the Humane Society of the United States, or HSUS, to require that all companies that supply food products operate their business in a manner that treats animals in conformity with certain standards developed or approved by these animal rights groups. As a result, we are reviewing and changing our operating procedures with respect to our flocks of hens to address these concerns. The treatment standards require, among other things, that we provide minimum cage space for our hens and modify beak trimming and forced molting practices (the act of putting chickens into a regeneration cycle). These groups have made legislative efforts to ban any form of caged housing in various states. Changing our procedures and infrastructure to conform to these guidelines has resulted and will continue to result in additional costs to our internal production of shell eggs, including cost increases from housing and feeding the increased flock population resulting from the modification of molting practices, and the cost for us to purchase shell eggs from our outside suppliers. While some of the increased costs have been passed on to our customers, we cannot provide assurance that we can continue to pass on these costs, or additional costs we will face, in the future.

We are dependent on our management team, and the loss of any key member of this team may adversely affect the implementation of our business plan in a timely manner.

Our success depends largely upon the continued service of our senior management team. The loss or interruption of service of one or more of our key executive officers could adversely affect our ability to manage our operations effectively and/or pursue our growth strategy. We have not entered into any employment or non-compete agreements with any of our executive officers nor do we carry any significant key-man life insurance coverage on any such persons.

We are controlled by a principal stockholder.

Fred R. Adams, Jr., our Founder and Chairman Emeritus, and his spouse own 28.4% of the outstanding shares of our Common Stock, which has one vote per share. In addition, Mr. Adams and his spouse own 74.8% and his son-in-law, Adolphus B. Baker, our President, Chief Executive Officer and Chairman of the Board, and his spouse own 25.2% of the outstanding shares of our Class A Common Stock, which has ten votes per share. Mr. Baker and his spouse also own 1.8% of the outstanding shares of our Common Stock. As a result, as of July 1, 2014, Mr. Adams and his spouse possessed 52.7%, and Messrs. Adams and Baker and their spouses collectively possessed 66.8%, of the total voting power represented by the outstanding shares of our Common Stock and Class A Common Stock. These stockholdings include shares of our Common Stock accumulated under our employee stock ownership plan for the respective accounts of Messrs. Adams and Baker.

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The Adams family intends to retain ownership of a sufficient amount of Common Stock and Class A Common Stock to assure its continued ownership of over 50% of the combined voting power of our outstanding shares of capital stock. Such ownership will make an unsolicited acquisition of the Company more difficult and discourage certain types of transactions involving a change of control of our Company, including transactions in which the holders of Common Stock might otherwise receive a premium for their shares over then current market prices. In addition, certain provisions of our Certificate of Incorporation require that our Class A Common Stock be issued only to Fred R. Adams, Jr. and members of his immediate family, and if shares of our Class A Common Stock, by operation of law or otherwise, are deemed not to be owned by Mr. Adams or a member of his immediate family, the voting power of any such shares shall be automatically reduced to one vote per share. The Adams family's controlling ownership of our capital stock may adversely affect the market price of our Common Stock.

Based on Mr. Adams' beneficial ownership of our outstanding capital stock, we are a "controlled company," as defined in Rule 5615(c)(1) of the NASDAQ's listing standards. Accordingly, we are exempt from certain requirements of NASDAQ's corporate governance listing standards, including the requirement to maintain a majority of independent directors on our board of directors and the requirements regarding the determination of compensation of executive officers and the nomination of directors by independent directors.

Current and any future litigation could expose us to significant liabilities and adversely affect our business reputation.

We and certain of our subsidiaries are involved in various legal proceedings. Litigation is inherently unpredictable, and although we believe we have meaningful defenses in these matters, we may incur judgments or enter into settlements of claims that could have a material adverse effect on our results of operations, cash flow and financial condition. For a discussion of legal proceedings see Item 3 below. Such lawsuits are expensive to defend, divert management's attention, and may result in significant judgments or settlements. Legal proceedings may expose us to negative publicity, which could adversely affect our business reputation and customer preference for our products and brands.

Impairment in the carrying value of goodwill or other assets could negatively affect our results of operations or net worth.

Goodwill represents the excess of the cost of business acquisitions over the fair value of the identifiable net assets acquired. Goodwill is reviewed at least annually for impairment by assessing qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. As of May 31, 2014, we had $29.2 million of goodwill. While we believe the current carrying value of this goodwill is not impaired, any future goodwill impairment charges could materially adversely affect our results of operations in any particular period or our net worth.

The loss of any registered trademark or other intellectual property could enable other companies to compete more effectively with us.

We utilize intellectual property in our business. For example, we own the trademarks Farmhouse®, Rio Grande®, Sunups®, Sunny Meadow® and 4Grain®. We also produce and market Egg-Land's Best® and Land O' Lakes® under license agreements with EB. We have invested a significant amount of money in establishing and promoting our trademarked brands. The loss or expiration of any intellectual property could enable other companies to compete more effectively with us by allowing our competitors to make and sell products substantially similar to those we offer. This could negatively impact our ability to produce and sell the associated products, thereby adversely affecting our operations.

Extreme weather, natural disasters or other events beyond our control could negatively impact our business.

Fire, bioterrorism, pandemic, extreme weather or natural disasters, including droughts, floods, excessive cold or heat, hurricanes or other storms, could impair the health or growth of our flocks, production or availability of feed ingredients, or interfere with our operations due to power outages, fuel shortages, damage to our production and processing facilities or disruption of transportation channels, among other things. Any of these factors could have a material adverse effect on our financial results.

Failure of our information technology systems or software, or a security breach of those systems, could adversely affect our day-to-day operations and decision making processes and have an adverse effect on our performance.

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The efficient operation of our business depends on our information technology systems. We rely on our information technology systems to effectively manage our business data, communications, logistics, accounting and other business processes. If we do not allocate and effectively manage the resources necessary to build and sustain an appropriate technology environment, our business or financial results could be negatively impacted. In addition, our information technology systems may be vulnerable to damage or interruption from circumstances beyond our control, including systems failures, viruses, security breaches or cyber incidents such as intentional cyber-attacks aimed at theft of sensitive data or inadvertent cyber-security compromises. A security breach of such information could result in damage to our reputation, and could negatively impact our relations with our customers or employees. Any such damage or interruption could have a material adverse effect on our business.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We operate farms, processing plants, hatcheries, feed mills, warehouses, offices and other properties located in Alabama, Arkansas, Florida, Georgia, Kansas, Kentucky, Louisiana, Mississippi, North Carolina, Ohio, Oklahoma, South Carolina, Tennessee, Texas and Utah. As of July 1, 2014, the facilities included three breeding facilities, two hatcheries, four wholesale distribution centers, 20 feed mills, 43 shell egg production facilities, 27 pullet growing facilities, and 38 processing and packing facilities. We own interests in two companies that own egg products facilities, which are consolidated in our financial statements. Most of our operations are conducted from properties we own.

As of May 31, 2014, we owned approximately 25,398 acres of land in various locations throughout our geographic market area. We have the ability to hatch 21.2 million pullet chicks annually, grow 22.9 million pullets annually, house 37.9 million laying hens, and control the production of 36.6 million layers, with the remainder controlled by contract growers. We own mills that can produce 696 tons of feed per hour, and processing facilities capable of processing 14,160 cases of shell eggs per hour (with each case containing 30 dozen shell eggs).

Over the past five fiscal years, our capital expenditures, excluding acquisitions of shell egg production and processing facilities from others, have totaled an aggregate amount of approximately $153.9 million.

ITEM 3. LEGAL PROCEEDINGS

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 Cal-Maine Farms, Inc. as well as 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. Cal-Maine Farms, Inc. was dismissed from the case in September 2009. 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 to the court 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.

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Egg Antitrust Litigation

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

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

The Direct Purchaser Putative Class Action. The direct purchaser putative class cases were consolidated into In re: Processed Egg Products Antitrust Litigation, No. 2:08-md-02002-GP, in the United States District Court for the Eastern District of Pennsylvania. On February 28, 2014, the Court entered an order granting preliminary approval of the Company's previously-reported settlement of these cases, conditionally certifying the class for settlement purposes and approving the Notice Plan submitted by the parties. The Court will hold a final fairness hearing on the settlement on September 18, 2014. All proceedings against the Company in the direct purchaser putative class action are stayed pending the Court's final approval of the Company's settlement.

The Indirect Purchaser Putative Class Action. The indirect purchaser putative class cases were consolidated into In re: Processed Egg Products Antitrust Litigation, No. 2:08-md-02002-GP, in the United States District Court for the Eastern District of Pennsylvania. The court granted with prejudice the defendants' renewed motion to dismiss damages claims arising outside the limitations period applicable to most causes of action. On February 10-12, 2015, the Court will hold a hearing on the indirect purchaser plaintiffs' motion for class certification.

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

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

On March 3, 2014, all claims against the Company in the Kansas state court case styled as Associated Wholesale Grocers, Inc., et al., v. United Egg Producers, et al., No. 10-CV-2171, were dismissed with prejudice. The Company entered into a confidential settlement agreement settling this case for an amount and on terms that are not expected to have a material impact on the Company's results of operations.

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

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Both groups of named plaintiffs in the putative class actions seek treble damages and injunctive relief on behalf of themselves and all other putative class members in the United States. Although both groups of named plaintiffs in the putative class actions allege a class period starting on January 1, 2000 and running "through the present," the Court's ruling on the statute of limitations, described above, alters the period for which damages are available. In the direct purchaser putative class action, the Court ruled that the plaintiffs cannot recover damages allegedly incurred prior to September 24, 2004. In the indirect purchaser putative class action, the Court ruled that the plaintiffs cannot recover damages allegedly incurred outside the state-specific statute of limitations period applicable to most causes of action asserted, with the precise damages period determined on a state-by-state and claim-by-claim basis. The direct purchaser putative class actions allege two separate sub-classes – one for direct purchasers of shell eggs and one for direct purchasers of egg products. The direct purchaser putative class actions seek relief under the Sherman Act. The indirect purchaser putative class actions seek injunctive relief under the Sherman Act and damages under the statutes and common-law of various states and the District of Columbia.

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

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

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

Florida Civil Investigative Demand

On November 4, 2008, the Company received an antitrust civil investigative demand from the Attorney General of the State of Florida. The demand seeks production of documents and responses to interrogatories relating to the production and sale of eggs and egg products. The Company is cooperating with this investigation and entered into a tolling agreement with the State of Florida to extend any applicable statute of limitations for one year from the date of the agreement. No allegations of wrongdoing have been made against the Company in this matter.

Environmental Information Request

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

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Miscellaneous

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

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Common Stock is traded on the NASDAQ Global Select Market under the symbol "CALM". The last reported sale price for our Common Stock on July 24, 2014 was $78.77 per share. The following table sets forth the high and low daily sale prices and dividends per share for each of the four quarters of fiscal 2013 and fiscal 2014.

		Sales Price		
Fiscal Year Ended	Fiscal Quarter	High	Low	Dividends (1)
June 1, 2013	First Quarter	$ 41.07	$ 34.44	$ 0.130
	Second Quarter	47.00	39.68	0.199
	Third Quarter	47.66	38.51	0.423
	Fourth Quarter	45.39	39.66	-
May 31, 2014	First Quarter	$ 51.88	$ 44.70	$ 0.068
	Second Quarter	54.95	45.83	0.361
	Third Quarter	60.61	49.42	0.591
	Fourth Quarter	69.76	55.47	0.434

(1) Represents dividends paid with respect to such quarter, after the end of the quarter. See "Dividends" below.

There is no public trading market for the Class A Common Stock, all the outstanding shares of which are owned by Fred R. Adams, Jr., our Founder and Chairman Emeritus, and his spouse (74.8%), and his son-in-law Adolphus Baker, our President, Chief Executive Officer and Chairman of the Board and his spouse (25.2%).

Stockholders

At July 22, 2012, there were approximately 312 record holders of our Common Stock and approximately 14,800 beneficial owners whose shares were held by nominees or broker dealers.

Dividends

Cal-Maine has a dividend policy adopted by its Board of Directors. Pursuant to the policy, Cal-Maine pays a dividend to shareholders of its Common Stock and Class A Common Stock on a quarterly basis for each quarter for which the Company reports net income attributable to Cal-Maine Foods, Inc. computed in accordance with generally accepted accounting principles in an amount equal to one-third (1/3) of such quarterly income. Dividends are paid to shareholders of record as of the 60th day following the last day of such quarter, except for the fourth fiscal quarter. For the fourth quarter, the Company will pay dividends to shareholders of record on the 70th day after the quarter end. Dividends are payable on the 15th day following the record date. Following a quarter for which the Company does not report net income attributable to Cal-Maine Foods, Inc., the Company will not pay a dividend for a subsequent profitable quarter until the Company is profitable on a cumulative basis computed from the date of the last quarter for which a dividend was paid. The Company's loan agreements provide that unless otherwise approved by its lenders, the Company must limit dividends paid in any quarter to not exceed an amount equal to one-third of the previous quarter's consolidated net income, which dividends are allowed to be paid if there are no events of default.

Recent Sales of Unregistered Securities

No sales of securities without registration under the Securities Act of 1933 occurred during our fiscal year ended May 31, 2014.

Securities Authorized for Issuance under Equity Compensation Plans

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Equity Compensation Plan Information

	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by shareholders	23,000	$ 5.93	513,400
Equity compensation plans not approved by shareholders	-	-	-
Total	23,000	$ 5.93	513,400

(a) Outstanding options granted by the Company under the 2005 Incentive Stock Option Plan. In addition to these outstanding options, 122,600 shares of restricted stock were outstanding under our 2012 Omnibus Long-Term Incentive Plan as of May 31, 2014

(b) Weighted average exercise price of outstanding options

(c) Shares available for future issuance as of May 31, 2014 under our 2005 Incentive Stock Option Plan (140,000) and 2012 Omnibus Long-Term Incentive Plan (373,400)

For additional information, see Note 11 to Notes to the Consolidated Financial Statements.

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ITEM 6. SELECTED FINANCIAL DATA

	Fiscal Years Ended				
	May 31 2014 * 52 wks	June 1 2013 + 52 wks	June 02 2012 53 wks	May 28 2011 52 wks	May 29 2010 52 wks
Statement of Operations Data (in thousands, except per shares data)					
Net sales	$ 1,440,907	$ 1,288,104	$ 1,113,116	$ 941,981	$ 910,143
Cost of sales	1,138,143	1,073,555	911,334	757,050	715,499
Gross profit	302,764	214,549	201,782	184,931	194,644
Selling, general and administrative	156,712	126,956	113,130	101,448	92,040
Legal settlement expense	-	28,000	-	-	-
Operating income	146,052	59,593	88,652	83,483	102,604
Other income (expense):					
Interest expense, net of interest income	(2,656)	(3,906)	(3,758)	(6,022)	(6,728)
Loss on early extinguishment of debt	-	-	-	(2,648)	-
Equity in income of affiliates	3,512	3,480	7,495	4,701	3,507
Gain on sale of investment in Eggland's Best®	-	-	-	4,829	-
Distribution from Eggland's Best®	-	-	38,343	-	-
Patronage dividends	6,139	14,300	6,607	4,885	134
Other, net	8,795	2,101	1,738	2,443	3,976
	15,790	15,975	50,425	8,188	889
Income before income tax and noncontrolling interest	161,842	75,568	139,077	91,671	103,493
Income tax expense	52,035	24,807	49,110	33,403	37,961
Net income including noncontrolling interest	109,807	50,761	89,967	58,268	65,532
Less: Net income (loss) attributable to noncontrolling interest	600	338	232	(2,571)	(2,291)
Net income attributable to Cal-Maine Foods, Inc.	$ 109,207	$ 50,423	$ 89,735	$ 60,839	$ 67,823
Net income per common share:					
Basic	$ 4.54	$ 2.10	$ 3.76	$ 2.55	$ 2.85
Diluted	$ 4.52	$ 2.10	$ 3.75	$ 2.54	$ 2.84
Cash dividends per common share	$ 1.45	$ 0.75	$ 1.25	$ 0.85	$ 0.95
Weighted average shares outstanding:					
Basic	24,047	23,983	23,875	23,855	23,812
Diluted	24,148	24,044	23,942	23,942	23,877
Balance Sheet Data (in thousands)					
Working capital	$ 324,292	$ 284,686	$ 301,546	$ 247,559	$ 220,186
Total assets	811,661	745,627	726,316	640,843	631,284
Total debt (including current maturities)	61,093	65,020	76,220	88,161	134,673

Total stockholders’ equity	594,745	518,044	479,328	418,877	376,956
Operating Data:					
Total number of layers at					
period ended (thousands)	32,372	30,967	26,174	26,819	26,326
Total shell eggs sold (millions of dozens)	1,013.7	948.5	884.3	821.4	805.4

* Results for fiscal 2014 include the results of operations (subsequent to acquisition) of our joint venture partner’s 50% interest in Delta Egg Farm, LLC, which was consolidated with our operations as of March 1, 2014. Prior to March 1, 2014, our equity in earnings in Delta Egg Farm, LLC are included in Equity in income of affiliates.

\+ Results for fiscal 2013 include the results of operations (subsequent to acquisition) of the commercial egg assets acquired from Pilgrim’s Pride Corporation, which were consolidated with our operations as of August 10, 2012, and the commercial egg assets from Maxim Production Co., Inc., which were consolidated with our operations as of November 15, 2012.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

RISK FACTORS; FORWARD-LOOKING STATEMENTS

For information relating to important risks and uncertainties that could materially adversely affect our business, securities, financial condition or operating results, reference is made to the disclosure set forth under Item 1A above under the caption "Risk Factors." In addition, because the following discussion includes numerous forward-looking statements relating to us, our results of operations, financial condition and business, reference is made to the information set forth in the section of Part I immediately preceding Item 1 above under the caption "Forward-Looking Statements."

OVERVIEW

Cal-Maine Foods, Inc. ("we," "us," "our," or the "Company") is primarily engaged in the production, grading, packaging, marketing and distribution of fresh shell eggs. Our fiscal year end is the Saturday nearest to May 31 which was May 31, 2014 (52 weeks), June 1, 2013 (52 weeks), and June 2, 2012 (53 weeks) for the most recent three fiscal years.

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

Our operating results are directly tied to egg prices, which are highly volatile and subject to wide fluctuations, and are outside of our control. For example, the Urner-Barry Southeastern Regional Large Egg Market Price per dozen eggs, annual average, for our fiscal 2004-2014 ranged from a low of $0.72 during 2005 to a high of $1.43 during fiscal 2014. The shell egg industry has traditionally been subject to periods of high profitability followed by periods of significant loss. In the past, during periods of high profitability, shell egg producers tended to increase the number of layers in production with a resulting increase in the supply of shell eggs, which generally caused a drop in shell egg prices until supply and demand returned to balance. As a result, our financial results from year to year may vary significantly. Shorter term, retail sales of shell eggs historically have been greatest during the fall and winter months and lowest during the summer months. Our need for working capital generally is highest in the last and first fiscal quarters ending in May and August, respectively, when egg prices are normally at seasonal lows. Prices for shell eggs fluctuate in response to seasonal factors and a natural increase in shell egg production during the spring and early summer. Shell egg prices tend to increase with the start of the school year and are highest prior to holiday periods, particularly Thanksgiving, Christmas, and Easter. Consequently, we generally experience lower sales and net income in our first and fourth fiscal quarters ending in August and May, 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.

For fiscal 2014, we produced approximately 74% of the total number of shell eggs sold by us, with approximately 5% of such shell egg production being provided by contract producers. Contract producers utilize their facilities in the production of shell eggs by layers owned by us. We own the shell eggs produced under these arrangements. For fiscal 2014, approximately 26% of the total number of shell eggs sold by us was purchased from outside producers for resale.

Our cost of production is materially affected by feed costs, which are highly volatile and subject to wide fluctuations. For fiscal 2014, feed costs averaged about 66% of our total farm egg production cost. Changes in market prices for corn and soybean meal, the primary ingredients in the feed we use, result in changes in our cost of goods sold.   For example for our last five fiscal years, average feed cost per dozen sold has ranged from a low of $0.35 in fiscal 2010 to a high of $0.54 in fiscal 2013. The cost of our feed ingredients, which are commodities, are subject to factors over which we have little or no control such as volatile price changes caused by weather, size of harvest, transportation and storage costs, demand and the agricultural and energy policies of the U.S. and foreign governments. Favorable weather conditions and improved yields for the 2014 crop should increase available supplies for both corn and soybean meal for fiscal year 2015, however we expect the outlook for feed prices to remain volatile.

The acquisition of our joint venture partner’s 50% interest in Delta Egg Farm, LLC (“Delta Egg”) and the purchases of the commercial egg assets of Pilgrim’s Pride Corporation and Maxim Production Co., Inc. as described in Note 2 of the Notes to the

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Consolidated Financial Statements are referred to below as the “Acquisitions”. Our fiscal 2014 and 2013 financial results include the operations of Delta Egg beginning March 1, 2014, Maxim beginning November 15, 2012, and Pilgrim’s Pride beginning August 10, 2012. Prior to March 1, 2014, our 50% interest in the earnings of Delta Egg is included in equity in earnings of affiliates under the equity method of accounting.

RESULTS OF OPERATIONS

The following table sets forth, for the years indicated, certain items from our consolidated statements of income expressed as a percentage of net sales.

Percentage of Net Sales

Fiscal Years Ended

	May 31, 2014		June 1, 2013		June 2, 2012	
Net sales	100.0	%	100.0	%	100.0	%
Cost of sales	79.0		83.3		81.9	
Gross profit	21.0		16.7		18.1	
Selling, general & administrative expenses	10.9		9.9		10.1	
Legal settlement expense	-		2.2		-	
Operating income	10.1		4.6		8.0	
Other income	1.1		1.2		4.5	
Income before taxes	11.2		5.8		12.5	
Income tax expense	3.6		1.9		4.4	
Net income including noncontrolling interests	7.6		3.9		8.1	
Less: Net income (loss) attributable to noncontrolling interests	0.0		0.0		0.0	
Net income attributable to Cal-Maine Foods, Inc.	7.6	%	3.9	%	8.1	%

Executive Overview of Results – May 31, 2014, June 1, 2013, and June 2, 2012

Our operating results are significantly affected by wholesale shell egg market prices and feed costs, which can fluctuate widely and are outside of our control. The majority of our shell eggs are sold at prices related to the Urner

Barry Spot Egg Market Quotations for the southeastern and southcentral regions of the country, or formulas related to our costs of production which include the cost of corn and soybean meal. The following table shows our net income, net average shell egg selling price, feed cost per dozen produced, and the average Urner Barry wholesale large shell egg prices in the southeast region, for each of our three most recent fiscal years.

Fiscal Year ended	May 31, 2014	June 1, 2013	June 2, 2012
Net income attributable to Cal-Maine Foods, Inc. - (in thousands)	$ 109,207	$ 50,423	$ 89,735
Gross profit (in thousands)	302,764	214,549	201,782
Net average shell egg selling price (rounded)	1.36	1.30	1.21
Feed cost per dozen produced	0.493	0.540	0.469
Average Urner Barry Spot Egg Market Quotations1	1.43	1.35	1.22

1- Average daily price for the large market (i.e. generic shell egg) in the southeastern region

The shell egg industry has traditionally been subject to periods of high profitability followed by periods of significant loss. The periods of high profitability reflect increased consumer demand relative to supply while the periods of significant loss reflect

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excess supply for the then prevailing consumer demand. Historically, demand for shell eggs increases in line with overall population growth. As reflected above, our operating results fluctuate with changes in the spot egg market quote and feed costs. The net average shell egg selling price is the blended price for all sizes and grades of shell eggs, including non-graded shell egg sales, breaking stock and undergrades. For fiscal 2012, our net average selling price and feed costs increased significantly from previous levels. In fiscal year 2013 feed costs continued to increase significantly and our average net selling price increased compared to the prior year. In fiscal 2014 our average net selling price continued to increase, reflecting strong demand for shell eggs across our markets, and feed costs decreased over the previous year. Net income for fiscal 2014 increased significantly compared to the prior year, primarily due to an increase in dozens sold and selling prices, a decrease in feed costs, and legal settlement expenses that were included fiscal 2013 related to antitrust litigation.

Fiscal Year Ended May 31, 2014 Compared to Fiscal Year Ended June 1, 2013

NET SALES

In fiscal 2014, approximately 96% of our net sales consisted of shell eggs, approximately 3% was egg products, with the 1% balance consisting of incidental feed and feed ingredients. Net sales for the fiscal year ended May 31, 2014 were $1,440.9 million, an increase of $152.8 million, or 11.9%, from net sales of $1,288.1 million for fiscal 2013. In fiscal 2014 total dozens of eggs sold increased and egg selling prices increased as compared to fiscal 2013. In fiscal 2014 total dozens of shell eggs sold were 1,013.7 million, an increase of 65.2 million dozen, or 6.9%, compared to 948.5 million sold in fiscal 2013. Our average selling price of shell eggs increased from $1.301 per dozen for fiscal 2013 to $1.362 per dozen for fiscal 2014, an increase of $0.061 per dozen, or 4.7%, reflecting strong demand for shell eggs across our markets and a higher percentage of specialty egg sales. Our net average shell egg selling price is the blended price for all sizes and grades of shell eggs, including non-graded shell egg sales, breaking stock and undergrades. Our operating results are significantly affected by wholesale shell egg market prices, which are outside of our control. Small changes in production or demand levels can have a large effect on shell egg prices.

On a comparable basis, excluding the Acquisitions, net sales for fiscal 2014 were $1,277.8 million, an increase of $90.7 million, or 7.6%, compared to net sales of $1,187.1 for fiscal 2013. Dozens sold for fiscal 2014, excluding the Acquisitions, were 884.4 million, an increase of 18.4 million, or 2.1% as compared to 866.0 million for fiscal 2013.

The table below represents an analysis of our non-specialty and specialty, as well as co-pack specialty, shell egg sales. Following the table is a discussion of the information presented in the table.

	Fiscal Years Ended (52 weeks)		Quarters Ended (13 weeks)	
	May 31, 2014	June 1, 2013	May 31, 2014	June 1, 2013
	(Amounts in thousands)		(Amounts in thousands)	
Total net sales	$ 1,440,907	$ 1,288,104	$ 371,582	$ 325,933
Non-specialty shell egg sales	990,073	900,259	252,869	223,518
Specialty shell egg sales	337,243	293,201	90,632	76,868
Co-pack specialty shell egg sales	52,786	40,175	13,950	11,051
Other	7,590	5,733	1,759	1,785
Net shell egg sales	$ 1,387,692	$ 1,239,368	$ 359,210	$ 313,222
Net shell egg sales as a percent of total net sales	96%	96%	97%	96%
Non- specialty shell egg dozens sold	812,031	772,140	195,555	197,739
Specialty shell egg dozens sold	174,364	155,569	46,681	39,932
Co-pack specialty shell egg dozens sold	27,301	20,747	7,203	5,609
Total dozens sold	1,013,696	948,456	249,439	243,280

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In fiscal 2014, we identified an additional category of specialty sales that are sold primarily through co-pack arrangements, a common practice in the industry whereby production and processing of certain products is outsourced to another producer. Shell egg sales in this category represented 27.3 million and 20.7 million dozen for the fiscal years 2014 and 2013, respectively. These dozens were previously reported under non-specialty shell egg sales.

Our non-specialty shell eggs include all shell egg sales not specifically identified as specialty or co-pack specialty shell egg sales. The non-specialty shell egg market is characterized generally by an inelasticity of demand, and small increases in production or decreases in demand can have a large adverse effect on prices and vice-versa. In fiscal 2014, non-specialty shell eggs represented approximately 71.3% of our shell egg dollar sales, compared to 72.6% for fiscal 2013. Sales of non-specialty shell eggs accounted for approximately 80.1% of our total shell egg dozen volumes in fiscal 2014, compared to 81.4% in fiscal 2013.

For the thirteen-week period ended May 31, 2014, non-specialty shell eggs represented approximately 70.4% of our shell egg dollar sales, compared to 71.4% for the thirteen-week period ended June 1, 2013. For the thirteen-week period ended May 31, 2014, non-specialty shell eggs accounted for approximately 78.4% of the total shell egg dozen volume, compared to 81.3% for the thirteen-week period ended June 1, 2013.

Specialty eggs, which include nutritionally enhanced, cage free, organic and brown eggs, continued to make up a significant portion of our total shell egg sales dollars and dozens in fiscal 2014. For fiscal 2014, specialty eggs accounted for 24.3% of shell egg dollar sales, compared to 23.7% in fiscal 2013, and 17.2% of shell egg dozens sold in fiscal 2014, compared to 16.4% in fiscal 2013. Additionally, for fiscal 2014, specialty eggs sold through co-pack arrangements accounted for 3.8% of shell egg dollar sales, compared to 3.2% in fiscal 2013, and 2.7% of shell egg dozens sold in fiscal 2014, compared to 2.2% in fiscal 2013. Specialty egg retail prices are less cyclical than non-specialty shell egg prices and are generally higher due to consumer willingness to pay for the increased benefits from these products.

For the thirteen-week period ended May 31, 2014, specialty shell eggs and specialty shell eggs sold through co-pack arrangements represented approximately 25.2% and 3.9%, of our shell egg dollar sales, compared to 24.5% and 3.5% for the thirteen-week period ended June 1, 2013, respectively. For the thirteen-week period ended May 31, 2014, specialty shell eggs and specialty shell eggs sold through co-pack arrangements accounted for approximately 18.7% and 2.9% of the total shell egg dozen volume, compared to 16.4% and 2.3% for the thirteen-week period ended June 1, 2013, respectively.

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

Egg products are shell eggs that are broken and sold in liquid, frozen, or dried form. Our egg products are sold through our consolidated subsidiaries American Egg Products, LLC ("AEP") and Texas Egg Products, LLC ("TEP"). For fiscal 2014 our egg product sales were $41.8 million, an increase of $6.5 million, or 18.4%, compared to $35.3 million for fiscal 2013. Our volume of egg products sold for fiscal 2014 was 48.9 million pounds, a decrease of 3.1 million pounds, or 6.0%, compared to 52.0 million pounds for fiscal 2013. The decrease in sales volume for fiscal 2014 was offset by significantly higher market prices for liquid whole eggs and egg whites due to increased industry demand for egg products, driven by the quick serve restaurant industry as well as export sales. In fiscal 2014, the price per pound of egg products sold was $0.855 compared to $0.679 for fiscal 2013, an increase of 25.9%.

COST OF SALES

Cost of sales consists of costs directly related to production, 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.

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The following table presents the key variables affecting our cost of sales:

(Amounts in thousands)	Fiscal Year Ended May 31, 2014	June 1, 2013	Percent Change	Quarter Ended May 31, 2014	June 1, 2013	Percent Change
Cost of sales:						
Farm production	$ 575,392	$ 545,253	5.5 %	$ 171,140	$ 137,827	24.2 %
Processing and packaging	156,088	137,494	13.5 %	41,983	36,358	15.5 %
Outside egg purchases and other	371,885	360,257	3.2 %	57,336	92,540	(38.0) %
Total shell eggs	1,103,365	1,043,004	5.8 %	270,459	266,725	1.4 %
Egg products	33,509	29,549	13.4 %	9,436	7,584	24.4 %
Other	1,269	1,002	26.6 %	396	135	193.3 %
Total	$ 1,138,143	$ 1,073,555	6.0 %	$ 280,291	$ 274,444	2.1 %
Farm production cost (cost per dozen produced)						
Feed	$ 0.49	$ 0.54	(9.3) %	$ 0.48	$ 0.52	(7.7) %
Other	0.25	0.24	4.2 %	0.26	0.25	4.0 %
Total	$ 0.74	$ 0.78	(5.1) %	$ 0.74	$ 0.77	(3.9) %
Outside egg purchases (average cost per dozen)	$ 1.37	$ 1.29	6.0 %	$ 1.44	$ 1.28	12.5 %
Dozen produced	750,302	704,388	6.5 %	195,630	181,005	8.1 %
Dozen sold	1,013,696	948,456	6.9 %	249,439	243,280	2.5 %

Cost of sales for the fiscal year ended May 31, 2014 was $1,138.1 million, an increase of $64.5 million, or 6.0%, compared to $1,073.6 million for fiscal 2013. Dozens produced increased and dozens purchased from outside shell egg producers increased for fiscal 2014 while cost of feed ingredients decreased in fiscal 2014 compared to fiscal 2013. This fiscal year we produced 74.0% of the eggs sold by us, as compared to 74.3% for the previous year. Feed cost for fiscal 2014 was $0.49 per dozen, compared to $0.54 per dozen for the prior fiscal year, a decrease of 9.3%. Gross profit increased from 16.7% of net sales for fiscal 2013 to 21.0% of net sales for fiscal 2014, primarily as a result of lower feed costs and increased egg prices.

On a comparable basis, excluding the Acquisitions, cost of sales for the fiscal year ended May 31, 2014 were $1,005.6 million, an increase of $21.6 million, or 2.2%, compared to cost of sales of $984,000 for the fiscal year ended June 1, 2013.

Cost of sales for the thirteen-week period ended May 31, 2014 was $280.3 million, an increase of $5.9 million, or 2.1%, compared to $274.4 million for the thirteen-week period ended June 1, 2013. Feed cost per dozen for the fourth quarter of fiscal 2014 was $0.48, compared to $0.52 for comparable fiscal 2013 fourth quarter, a decrease of 7.7%.

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SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

	Fiscal Years Ended 52 Weeks Actual			Adjusted for Acquisitions		
nounts in usands)	May 31, 2014	June 1, 2013	Change	May 31, 2014	June 1, 2013	Change
ck npensation ense	$ 1,794	$ 603	$ 1,191	$ 1,794	$ 603	$ 1,19
cialty egg ense	46,298	36,926	9,372	45,667	36,490	9,177
roll and rhead	29,413	27,003	2,410	26,683	25,201	1,482
er enses	36,161	24,309	11,852	26,131	22,223	3,908
ivery ense	43,046	38,115	4,931	36,934	35,080	1,854
al	$ 156,712	$ 126,956	$ 29,756	$ 137,209	$ 119,597	$ 17,61

Selling, general and administrative expenses include costs of marketing, distribution, accounting and corporate overhead. Selling, general and administrative expense was $156.7 million in fiscal 2014, an increase of $29.8 million, or 23.4%, compared to $127.0 million for fiscal 2013. Excluding the Acquisitions, selling, general, and administrative expense for fiscal year 2014 was $137.2 million, an increase of $17.6 million, or 14.7%, compared to $119.6 million in fiscal year 2013. Stock compensation expense increased $1.2 million for the current fiscal year. Stock compensation expense is dependent on the closing price of the Company's Common Stock. For our stock compensation arrangements classified as equity awards (e.g. restricted stock), we recognized stock compensation expense ratably over the vesting period. For our stock compensation arrangements classified as liability awards, we recognize increases or decreases in the value of such awards as increases or decreases, respectively, to stock compensation expense. The increase in specialty egg expense for fiscal 2014 compared to fiscal 2013 is attributable to a 12.1% increase in specialty shell egg dozens sold resulting in an increase in advertising promotions and franchise expense. Excluding the Acquisitions, payroll and overhead increased compared to the same period the prior year due to general salary increases. As a percentage of net sales, payroll and overhead is 2.1% for fiscal 2014 and fiscal 2013. Excluding the Acquisitions, other expenses, which include expenses for repairs, professional fees, and insurance, increased as a result of a confidential legal settlement and related legal fees as well as increases in audit and other tax expense. During fiscal 2014 we recognized $4.4 million in expense resulting from the increase in fair value of contingent consideration applicable to our acquisition of the commercial egg assets of Maxim Production Co., Inc., compared to fiscal 2013 when we recognized $1.3 million in income from the decrease in the fair value of the contingent consideration, both of which are reflected in other expenses. See Note 16 to Notes to Consolidated Financial Statements for additional information. Delivery expense increased compared to fiscal 2013 due to an increase in contract trucking. As a percent of net sales, selling, general and administrative expense increased from 10.1% in fiscal 2013 to 10.9% in fiscal 2014.

	Quarters Ended 13 Weeks					
	Actual			Adjusted for Acquisitions		
nounts in usands)	May 31, 2014	June 1, 2013	Change	May 31, 2014	June 1, 2013	Change
ck npensation ense	$ 753	$ (109)	$ 862	$ 753	$ (109)	$ 86
cialty egg ense	12,414	8,864	3,550	12,230	8,727	3,503
roll and rhead	9,507	8,898	609	8,444	8,279	165
er enses	9,499	3,624	5,875	4,806	3,683	1,123
ivery ense	11,590	9,493	2,097	9,644	8,291	1,353
al	$ 43,763	$ 30,770	$ 12,993	$ 35,877	$ 28,871	$ 7,00

Selling, general, and administrative expense was $43.8 million for the thirteen-week period ended May 31, 2014, an increase of $13.0 million, or 42.2%, compared to $30.8 million for the thirteen-week period ended June 1, 2013. Excluding the Acquisitions, selling, general, and administrative expense for the thirteen-week period ended May 31, 2014 was $35.9 million, an increase of $7.0 million, or 24.3%, compared to $28.9 million for the thirteen-week period ended June 1, 2013. The increase in specialty egg expense for the thirteen-week period ended May 31, 2014 compared to the same period of fiscal 2013 is attributable to a 16.9% increase specialty shell egg dozens sold resulting in an increase in advertising promotions and franchise expense.

OPERATING INCOME

As a result of the above, our operating income was $146.1 million for fiscal 2014, compared to $59.6 million for fiscal 2013. Operating income as a percent of net sales for fiscal 2014 was 10.1%, compared to 4.6% for fiscal 2013. In fiscal 2013 we recorded legal settlement expense of $28.0 million related to the settlement reached in the In re Processed Egg Products Antitrust litigation.

OTHER INCOME (EXPENSE)

Total other income (expense) consists of income (expenses) not directly charged to, or related to, operations such as interest expense, royalty income, and patronage income, equity in earnings of affiliates, among other items. Total other income for fiscal 2014 was $15.8 million compared to $16.0 million for fiscal 2013. As a percent of net sales, total other income was 1.1% for fiscal 2014, compared to 1.2% for fiscal 2013.

Patronage income was $6.1 million for fiscal 2014, a decrease of $8.2 million, compared to $14.3 million for fiscal 2013 primarily due to a decrease in patronage refunds received from Eggland’s Best, Inc.

Other income, net, increased from $2.1 million in fiscal 2013 to $8.8 million in fiscal 2014 primarily due to a non-taxable, non-cash gain of $4.0 million for the remeasurement of our equity interest in Delta Egg to the fair value in connection with the purchase of our joint venture partner’s 50% membership interest on March 1, 2014.

INCOME TAXES

For the fiscal year ended May 31, 2014, our pre-tax income was $161.8 million, compared to $75.6 million for fiscal 2013. Income tax expense of $52.0 million was recorded for fiscal 2014 with an effective income tax rate of 32.1%, compared to $24.8 million for fiscal 2013 with an effective income tax rate of 32.8%. Included in fiscal 2014 income tax expense are items related to the acquisition of Delta Egg, which resulted in a $3.3 million decrease to deferred income tax expense related to the outside basis of our equity investment in Delta Egg, with a corresponding non-recurring, non-cash $1.5 million reduction to income taxes expense on the non-taxable remeasurement gain associated with the acquisition.

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

NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST

Net income attributable to noncontrolling interest in AEP and TEP for fiscal 2014 was $600,000 as compared to $338,000 for fiscal 2013.

NET INCOME ATTRIBUTABLE TO CAL-MAINE FOODS, INC.

As a result of the above, net income for fiscal 2014 was $109.2 million, or $4.54 per basic share and $4.52 per diluted share, compared to $50.4 million, or $2.10 per basic and diluted share for fiscal 2013.

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Fiscal Year Ended June 1, 2013 Compared to Fiscal Year Ended June 2, 2012

NET SALES

In fiscal 2013, approximately 96% of our net sales consisted of shell eggs, approximately 3% was for egg products, with the 1% balance consisting of incidental feed and feed ingredients. Net sales for the fiscal year ended June 1, 2013 were $1,288.1 million, an increase of $175 million, or 15.7%, from $1,113.1 million for fiscal 2012. In fiscal 2013 total dozens of eggs sold and egg selling prices increased compared to fiscal 2012. In fiscal 2013 total dozens of shell eggs sold were 948.5 million, an increase of 64.2 million dozen, or 7.3%, compared to 884.3 million sold in fiscal 2012. Our average selling price of shell eggs increased from $1.205 per dozen for fiscal 2012 to $1.301 per dozen for fiscal 2013, an increase of $0.096 per dozen, or 8.0%. Our net average shell egg selling price is the blended price for all sizes and grades of shell eggs, including non-graded shell egg sales, breaking stock and undergrades. Our operating results are significantly affected by wholesale shell egg market prices, which are outside of our control. Small changes in production or demand levels can have a large effect on shell egg prices.

On a comparable basis, excluding the Acquisitions, net sales for fiscal 2013 were $1,187.1, an increase of $74 million, or 6.6%, compared to net sales of $1,113.1 for fiscal 2012. Dozens sold for fiscal 2013, excluding the Acquisitions, were 866.0 million, a decrease of 18.3 million, or 2.1% as compared to 884.3 million for fiscal 2012.

The table below represents an analysis of our non-specialty and specialty shell egg sales. Following the table is a discussion of the information presented in the table.

	Fiscal Years Ended (52 & 53 weeks)		Quarters Ended (13 & 14 weeks)	
	June 1, 2013	June 2, 2012	June 1, 2013	June 2, 2012
	(Amounts in thousands)		(Amounts in thousands)	
Total net sales	$ 1,288,104	$ 1,113,116	$ 325,933	$ 275,245
Non-specialty shell egg sales	940,434	809,163	234,568	195,316
Specialty shell egg sales	293,201	256,559	76,868	68,351
Other	5,733	4,082	1,785	747
Net shell egg sales	$ 1,239,368	$ 1,069,804	$ 313,221	$ 264,414
Net shell egg sales as a percent of total net sales	96%	96%	96%	96%

Non- specialty shell egg dozens sold	792,887	739,915	203,348	191,151
Specialty shell egg dozens sold	155,569	144,359	39,932	37,660
Total dozens sold	948,456	884,274	243,280	228,811

In fiscal 2013, non-specialty shell eggs represented approximately 75.9% of our shell egg dollar sales, compared to 75.6% for fiscal 2012. Sales of non-specialty shell eggs accounted for approximately 83.6% of our total shell egg dozen volumes in fiscal 2013, compared to 83.7% in fiscal 2012.

For the thirteen-week period ended June 1, 2013, non-specialty shell eggs represented approximately 74.9% of our shell egg dollar sales, compared to 73.9% for the fourteen-week period ended June 2, 2012. For the thirteen-week period ended June 1, 2013, non-specialty shell eggs accounted for approximately 83.6% of the total shell egg dozen volume, compared to 83.5% for the fourteen-week period ended June 2, 2012.

Specialty eggs, which include nutritionally enhanced, cage free, organic and brown eggs, continued to make up a significant portion of our total sales dollars and dozens in fiscal 2013. For fiscal 2013, specialty eggs accounted for 23.7% of shell egg dollar sales, compared to 24.0% in fiscal 2012, and 16.4% of shell egg dozens sold in fiscal 2013, compared to 16.3% in fiscal 2012. Due to larger increases in the selling price of non-specialty eggs compared to specialty egg prices, specialty shell egg sales as a percent of total dollar sales decreased while dozens sold increased in fiscal 2013 compared to fiscal 2012. Specialty egg retail prices are less cyclical than non-specialty shell egg prices and are generally higher due to consumer willingness to pay for the increased benefits from these products.

For the thirteen-week period ended June 1, 2013, specialty shell eggs represented approximately 24.5% of our shell egg dollar sales, compared to 25.8% for the fourteen-week period ended June 2, 2012. For the thirteen-week period ended June 1,

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2013, specialty shell eggs accounted for approximately 16.4% of the total shell egg dozen volume, compared to 16.5% for the thirteen-week period ended June 2, 2012.

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

Egg products are shell eggs that are broken and sold in liquid, frozen, or dried form. Our egg products are sold through American Egg Products, LLC (“AEP”) and Texas Egg Products, LLC (“TEP”). For fiscal 2013 our egg product sales were $35.3 million, an increase of $2.4 million, or 7.3%, compared to $32.9 million for fiscal 2012. Our volume of egg products sold for fiscal 2013 was 52.0 million pounds, a decrease of 3.2 million pounds, or 5.8%, compared to 55.2 million pounds for fiscal 2012. This decrease is due to a reduced supply of eggs for breaking. In fiscal 2013, the price per pound of egg products sold was $0.679 compared to $0.596 for fiscal 2012, an increase of 13.9 %. Prices received for our egg products increased in fiscal 2013 year due to a favorable change in the mix of products sold.

COST OF SALES

Cost of sales consists of costs directly related to production, 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:

	Fiscal Year Ended (52 & 53 weeks)			Quarter Ended (13 & 14 weeks)		
(Amounts in thousands)	June 1, 2013	June 2, 2012 +	Percent Change	June 1, 2013	June 2, 2012 +	Percent Change
Cost of sales:						
Farm production	$ 545,253	$ 475,774	14.6 %	$ 137,827	$ 121,224	13.7 %
Processing and packaging	137,494	122,195	12.5 %	36,358	32,316	12.5 %
Outside egg purchases and other	360,257	284,348	26.7 %	92,540	73,751	25.5 %
Total shell eggs	1,043,004	882,317	18.2 %	266,725	227,291	17.3 %
Egg products	29,549	28,136	5.0 %	7,584	6,474	17.1 %
Other	1,002	881	13.7 %	135	125	8.0 %

Total	$	1,073,555	$	911,334	17.8	%	$	274,444	$	233,890	17.3	%
Farm production cost (cost per dozen produced)												
Feed	$	0.54	$	0.47	14.9	%	$	0.52	$	0.48	8.3	%
Other		0.24		0.24	0.0	%		0.25		0.24	4.2	%
Total	$	0.78	$	0.71	9.9	%	$	0.77	$	0.72	6.9	%
Outside egg purchases (average cost per dozen)	$	1.29	$	1.19	8.7	%	$	1.28	$	1.15	11.3	%
Dozen produced		704,388		662,975	6.2	%		181,005		171,190	5.7	%
Dozen sold		948,456		884,274	7.3	%		243,280		228,811	6.3	%

\+ Cost of sales for the fourteen and fifty three-week periods ended June 2, 2012 was reduced by $1.6 million for proceeds received under our business interruption coverage related to the finalization of the Shady Dale, Georgia fire insurance claim in the fourth quarter of fiscal 2012.

Cost of sales for the fiscal year ended June 1, 2013 was $1,073.6 million, an increase of $162.3 million, or 17.8%, compared to $911.3 million for fiscal 2012. Dozens produced, dozens purchased from outside shell egg producers, and cost of feed ingredients increased in fiscal 2013. In fiscal year 2013 we produced 74.3% of the eggs sold by us, as compared to 75.0% for

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the previous year. Feed cost for fiscal 2013 was $0.541 per dozen, compared to $0.469 per dozen for the prior fiscal year, an increase of 15.4%. Gross profit decreased from 18.1% of net sales for fiscal 2012 to 16.7% of net sales for fiscal 2013.

On a comparable basis, excluding the Acquisitions, cost of sales for the fiscal year ended June 1, 2013 were $984.0 million, an increase of $72.7 million, or 8.0%, compared to $911.3 million for the fiscal year ended June 2, 2012. Dozens produced decreased, dozens purchased from outside shell egg producers increased, and cost of feed ingredients increased in fiscal 2013.

Cost of sales for the thirteen-week period ended June 1, 2013 was $274.4 million, an increase of $40.5 million, or 17.3%, compared to $233.9 million for the fourteen-week period ended June 2, 2012. Feed cost per dozen for the fourth quarter of fiscal 2013 was $0.53, compared to $0.48 for the fourth quarter of fiscal 2012, an increase of 9.8%.

On a comparable basis, excluding the Acquisitions, cost of sales for the thirteen-week period ended June 1, 2013 were $241.9 million, an increase of $8.0 million, or 3.4%, compared to cost of sales of $233.9 million for the fourteen-week period ended June 2, 2012.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

	Fiscal Years Ended 52 Weeks & 53 Weeks Actual									
							Adjusted for Acquisitions			
(Amounts in thousands)	June 1, 2013		June 2, 2012		Change		June 1, 2013		June 2, 2012	
Stock compensation expense	$	603	$	502	$	101	$	603	$	502
Specialty egg expense	36,926		33,541		3,385		36,490		33,541	
Payroll and overhead	27,003		23,784		3,219		25,201		23,784	
Other expenses	24,309		20,094		4,215		22,223		20,094	
	38,115		35,209		2,906		35,080		35,209	

Delivery expense										
Total	$	126,956	$	113,130	$	13,826	$	119,597	$	113,130

Selling, general and administrative expenses include costs of marketing, distribution, accounting and corporate overhead. Selling, general and administrative expense was $127.0 million in fiscal 2013, an increase of $13.9 million, or 12.3%, compared to $113.1 million for fiscal 2012. Excluding the Acquisitions, selling, general, and administrative expense for fiscal year 2013 was $119.6 million, an increase of $6.5 million, or 5.7%, compared to $113.1 million in fiscal 2012. Stock compensation expense increased $101,000 for the current fiscal year. Stock compensation expense is dependent on the closing price of the Company's Common Stock. For our stock compensation arrangements classified as equity awards (e.g. restricted stock), we recognized stock compensation expense ratably over the vesting period. For our stock compensation arrangements classified as liability awards, we recognize increases or decreases in the value of such awards as increases or decreases, respectively, to stock compensation expense. The increase in specialty egg expense is attributable to our continued promotion of specialty eggs as well as the increase in the dozens of specialty eggs sold this year as compared to last fiscal year. Excluding the Acquisitions, payroll and overhead increased compared to the same period the prior year due to general salary increases. As a percentage of net sales, payroll and overhead is 2.1% for fiscal 2013 and fiscal 2012. Excluding the Acquisitions, other expenses, which include expenses for repairs, professional fees, and insurance, increased primarily due to an increase in insurance, bad debt expense, and professional fees related to ongoing litigation. Other expense also includes a gain of $1.3 million related to the fair value adjustment of contingent consideration associated with the purchase of the commercial egg assets of Pilgrim's Pride Corporation. Delivery expense remained relatively the same compared to last fiscal year due to fuel expenses leveling off and an increase in backhaul income. As a percent of net sales, selling, general and administrative expense decreased from 10.1% in fiscal 2012 to 9.9% in fiscal 2013.

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In fiscal 2013 we recognized legal settlement expenses of $28.0 million related to antitrust litigation settled in the fourth quarter of fiscal 2013. Legal settlement expense as a percent of net sales was 2.2% in fiscal 2013 (see Note 14 in the Notes to Consolidated Financial Statements).

	Quarters Ended 13 Weeks & 14 Weeks Actual			Adjusted for Acquisitions	
(Amounts in thousands)	June 1, 2013	June 2, 2012	Change	June 1, 2013	June 2, 2012
Stock compensation expense	$ (109)	$ (120)	$ 11	$ (109)	$ (120)
Specialty egg expense	8,864	7,448	1,416	8,727	7,448
Payroll and overhead	8,898	7,462	1,436	8,279	7,462
Other expenses	3,624	4,949	(1,325)	3,683	4,949
Delivery expense	9,493	9,533	(40)	8,291	9,533
Total	$ 30,770	$ 29,272	$ 1,498	$ 28,871	$ 29,272

Selling, general, and administrative expense was $30.8 million for the thirteen-week period ended June 1, 2013, an increase of $1.5 million, or 5.1%, compared to $29.3 million for the fourteen-week period ended June 2, 2012. Excluding the Acquisitions, selling, general, and administrative expense for the thirteen-week period ended June 1, 2013 was $28.9 million, a decrease of $400,000, or 1.4%, compared to $29.3 million for the fourteen-week period ended June 2, 2012.

OPERATING INCOME

As a result of the above, our operating income was $59.6 million for fiscal 2013, compared to operating income of $88.7 million for fiscal 2012. Operating income as a percent of net sales for fiscal 2013 was 4.6%, compared to 8.0% for fiscal 2012. In fiscal 2013 we recorded legal settlement expense of $28.0 million related to the settlement reached in the In re Processed Egg Products Antitrust litigation.

OTHER INCOME (EXPENSE)

Total other income (expense) consists of income (expenses) not directly charged to, or related to, operations such as equity in income of affiliates, patronage dividends, and interest expense. Total other income for fiscal 2013 was $16.0 million compared to total other income of $50.4 million for fiscal 2012. As a percent of net sales, total other income was 1.2% for fiscal 2013, compared to 4.5% for fiscal 2012.

Net interest expense increased by $148,000 as compared to fiscal 2012. In fiscal 2013, we recorded patronage refunds and dividends from EB in the amount of $14.3 million, compared to $44.9 million in fiscal 2012, which included a special patronage dividend of $38.3 million in connection with the formation of a joint venture between EB and Land O' Lakes, Inc. We account for our investment in EB under the cost method. For additional information, see Note 19 of the Notes to Consolidated Financial Statements.

Our equity in income of affiliates decreased from $7.5 million in fiscal 2012 to $3.5 million in fiscal 2013 due to special patronage dividends received by an affiliated entity. In fiscal 2012, Specialty Eggs, LLC, an affiliated entity which is a franchisee and cooperative owner of EB, received similar special distributions from EB. Our ownership interest in Specialty Eggs, LLC is 50%. We account for our investment in Specialty Eggs, LLC using the equity method. Specialty Eggs, LLC received dividends and patronage refunds of $1.2 million during fiscal 2013, compared to $10.3 million in the prior year. For additional information, see Notes 3 and 19 of the Notes to Consolidated Financial Statements.

Other, net, increased from $1.7 million in fiscal 2012 to $2.1 million in fiscal 2013. In fiscal 2012, we finalized our insurance claim on the Shady Dale, Georgia fire and recorded a gain of $1.1 million on the fixed assets destroyed in this fire. In fiscal 2013, we recorded royalty income of $4.3 million related to oil and gas wells located on property we own in Texas, compared to $580,000 in fiscal 2012.

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INCOME TAXES

For the fiscal year ended June 1, 2013, our pre-tax income was $75.6 million, compared to $139.1 million for fiscal 2012. Income tax expense of $24.8 million was recorded for fiscal 2013 with an effective income tax rate of 32.8%, compared to $49.1 million for fiscal 2012 with an effective income tax rate of 35.3%.

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

NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST

Net income attributable to noncontrolling interest in AEP and TEP for fiscal 2013 was $338,000 as compared to $232,000 for fiscal 2012.

NET INCOME ATTRIBUTABLE TO CAL-MAINE FOODS, INC.

As a result of the above, net income for fiscal 2013 was $50.4 million, or $2.10 per basic and diluted share, compared to $89.7 million, or $3.76 per basic share and $3.75 per diluted share, for fiscal 2012.

CAPITAL RESOURCES AND LIQUIDITY

Our working capital at May 31, 2014 was $324.3 million, compared to $284.7 million at June 1, 2013. The calculation of working capital is defined as current assets less current liabilities. Our current ratio was 3.68 at May 31, 2014 compared to 3.19 at June 1, 2013. The current ratio is calculated by dividing current assets by current liabilities. Our need for working capital generally is highest in the last and first fiscal quarters ending in May and August, respectively, when egg prices are normally at seasonal lows. We have $3.3 million in outstanding standby letters of credit, which are collateralized with cash. Our long-term debt at May 31, 2014, including current maturities, amounted to $61.1 million, compared to $65.0 million at June 1, 2013. See Note 9 in the notes to consolidated financial statements for information regarding our long-term debt instruments.

For the fiscal year ended May 31, 2014, $123.9 million in net cash was provided by operating activities. This compares to $57.5 million of net cash provided by operating activities for the fiscal year ended June 1, 2013. Improved operating income as a result of improved gross profit margins contributed greatly to our positive cash flow from operations, which increased despite the payment in the first quarter of fiscal 2014 of a $28.0 million legal settlement described in Note 14 to the Notes to the Consolidated Financial Statements. As discussed above, our gross profit margins increased in fiscal 2014 primarily as a result of an increase in egg prices and dozens sold and a decrease in feed costs compared to fiscal 2013.

For fiscal 2014, approximately $108.1 million was provided from the sale of short-term investments, $142.6 million was used for the purchase of short-term investments and net payments of $5.0 million were received from notes receivable and investments in affiliates. We used $11.5 million for the purchase of our joint venture partner's 50% interest in Delta Egg. Approximately $59.2 million was used for purchases of property, plant and equipment. Refer to the table of material construction projects presented below for additional information on purchases of property, plant and equipment. Approximately $24.5 million was used for payment of dividends on common stock and $10.7 million was used for principal payments on long-term debt. The net result of these activities was a decrease in cash of $10.5 million from June 1, 2013.

For the fiscal year ended June 1, 2013, $57.5 million in net cash was provided by operating activities. This compares to $98.1 million of net cash provided by operating activities for the fiscal year ended June 2, 2012. An increase in our receivable balance is the primary reason for the lower cash flow from operations in fiscal 2013. The increase in our receivable balance can be attributed to a higher average selling price in the last month of fiscal 2013 compared to fiscal 2012. In addition, increases in feed ingredient costs negatively impacted our cash flow from operations in fiscal 2013.

For fiscal 2013, approximately $188.1 million was provided from the sale of short-term investments, $181.7 million was used for the purchase of short-term investments and net payments of $6.6 million were received from notes receivable and investments in affiliates. We used $74.9 million for the Acquisitions. Approximately $124,000 was provided from disposal of property, plant and equipment and $26.3 million was used for purchases of property, plant and equipment. Approximately $30.5

million was used for payment of dividends on common stock and $11.2 million was used for principal payments on long-term debt. We had a tax benefit of $380,000 from nonqualifying dispositions of incentive stock options. The net result of these activities was a decrease in cash of $72.1 million from June 2, 2012.

Certain property, plant, and equipment is pledged as collateral on our notes payable and senior secured notes. Unless otherwise approved by our lenders, we are required by provisions of our loan agreements to (1) maintain minimum levels of working capital (current ratio of not less than 1.25 to 1) and net worth (minimum of $90.0 million tangible net worth, plus 45% of cumulative net income since the fiscal year ended May 28, 2005); (2) limit dividends paid in any given quarter to not exceed an amount equal to one third of the previous quarter's consolidated net income (allowed if no events of default); (3) maintain minimum total funded debt to total capitalization (debt to total tangible capitalization ratio not to exceed 55%); and (4) maintain various cash-flow coverage ratios (1.25 to 1), among other restrictions. At May 31, 2014, we were in compliance with the financial covenant requirements of all loan agreements. Under certain of the loan agreements, the lenders have the option to require the prepayment of any outstanding borrowings in the event we undergo a change in control, as defined in the applicable loan agreement. Our debt agreements require Fred R. Adams, Jr., our Founder and Chairman Emeritus, or his family, to maintain ownership of Company shares representing not less than 50% of the outstanding voting power of the Company. In addition, with the acquisition of Delta Egg, we assumed certain debt that contains restrictive covenants. We are in compliance with those covenants at May 31, 2014.

The following table represents material construction projects approved as of May 31, 2014 (in thousands):

Location	Project	Projected Completion	Projected Cost	Spent as of May 31, 2014	Remaining Projected Cost
Dade City, FL	Refurbish Pullet Houses	August 2014	$ 8,850	$ 7,770	$ 1,080
Okeechobee, FL	Layer House Expansions	January 2015	12,400	2,900	9,500
South Texas	Cage Free Layer & Pullet Houses	December 2014 - May 2015	45,980	30,520	15,460
Bremen, KY	Cage Free Layer & Pullet Houses	November 2016	16,470	3,180	13,290
Wharton, TX	Layer House Expansions	May 2015	5,910	575	5,335
Shady Dale, GA	Pullet Houses	February 2015	3,425	-	3,425
Chase, KS	Organic Facility Expansion	February 2016	17,175	2,000	15,175
			$ 110,210	$ 46,945	$ 63,265

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

CONTRACTUAL OBLIGATIONS

The following table summarizes future estimated cash payments, in thousands, to be made under existing contractual obligations. Further information on debt obligations is contained in Note 9, and on lease obligations in Note 8, in the notes to the consolidated financial statements.

	Total	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Over 5 years
-Term cipal)	$ 61,093	$ 10,233	$ 10,065	$ 20,265	$ 8,439	$ 5,091	$ 7,
-Term rest)	10,257	3,381	2,784	2,106	996	583	407
ating es	1,635	492	454	401	270	18	-
Total	$ 72,985	$ 14,106	$ 13,303	$ 22,772	$ 9,705	$ 5,692	$ 7,

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

For information on changes in accounting principles and new accounting principles, see “Impact of Recently Issued Accounting Standards” in Note 1 to the Consolidated Financial Statements.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in accordance with U.S. generally accepted accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Management suggests our Summary of Significant Accounting Policies, as described in Note 1 of the notes to consolidated financial statements, be read in conjunction with this Management's Discussion and Analysis of Financial Condition and Results of Operations. We believe the critical accounting policies that most impact our consolidated financial statements are described below.

INVESTMENTS IN SECURITIES AVAILABLE-FOR-SALE

Our investment securities are accounted for in accordance with ASC 320, "Investments-Debt and Equity Securities" ("ASC 320"). The Company considers all of its investment 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. Available-for-sale securities are carried at fair value, with unrealized gains and losses reported as a separate component of stockholders' equity. Realized gains and losses are included in other income. The cost basis for realized gains and losses on available-for-sale securities is determined on the specific identification method.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

In the normal course of business, we extend credit to our customers on a short-term basis. Although credit risks associated with our customers are considered minimal, we routinely review our accounts receivable balances and make provisions for probable doubtful accounts. In circumstances where management is aware of a specific customer's inability to meet its financial obligations to us (e.g. bankruptcy filings), a specific reserve is recorded to reduce the receivable to the amount expected to be collected. For all other customers, we recognize reserves for bad debt based on the length of time the receivables are past due, generally 100% for amounts more than 60 days past due.

INVENTORIES

Inventories of eggs, feed, supplies and livestock are valued principally at the lower of cost (first-in, first-out method) or market. If market prices for eggs and feed grains move substantially lower, we would record adjustments to write-down the carrying values of eggs and feed inventories to fair market value. The cost associated with flock inventories, consisting principally of chick purchases, feed, labor, contractor payments and overhead costs, are accumulated during the growing period of approximately 22 weeks. Capitalized flock costs are then amortized over the productive lives of the flocks, generally one to two years. Flock mortality is charged to cost of sales as incurred. High mortality from disease or extreme temperatures would result in abnormal adjustments to write-down flock inventories. Management continually monitors each flock and attempts to take appropriate actions to minimize the risk of mortality loss.

LONG-LIVED ASSETS

Depreciable long-lived assets are primarily comprised of buildings and improvements and machinery and equipment. Depreciation is provided by the straight-line method over the estimated useful lives, which are 15 to 25 years for buildings and improvements and 3 to 12 years for machinery and equipment. An increase or decrease in the estimated useful lives would result in changes to depreciation expense. When property and equipment are retired, sold, or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations. We continually reevaluate the carrying value of our long-lived assets, for events or changes in circumstances which indicate the carrying value may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) are less than the carrying amount of the asset, an impairment loss is recognized to reduce the carrying value of the long-lived asset to the estimated fair value of the asset.

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INVESTMENT IN AFFILIATES

We have invested in other companies engaged in the production, processing and distribution of shell eggs and egg products. Our ownership percentages in these companies range from less than 20% to 50%. Therefore, these investments are recorded using the cost or equity method, and accordingly, not consolidated in our financial statements. Changes in the ownership percentages of these investments might alter the accounting methods currently used. Our investment in these companies amounted to $3.5 million at May 31, 2014. The combined total assets and total liabilities of these companies were approximately $171.5 million and $25.7 million, respectively, at May 31, 2014.

GOODWILL

At May 31, 2014, our goodwill balance represented 3.6% of total assets and 4.9% of stockholders' equity. Goodwill relates to the following:

Fiscal Period	Description	Amount
1999	Acquisition of Hudson Brothers, Inc.	$ 3,147
2006	Acquisition of Hillandale Farms, LLC	869
2007	Acquisition of Green Forest Foods, LLC	179
2008	Revision to purchase price for incremental purchase of Hillandale	9,257
2009	Revision to purchase price for incremental purchase of Hillandale	2,527
2009	Acquisition of Zephyr Egg, LLC	1,876
2009	Acquisition of Tampa Farms, LLC	4,600
2010	Revision to purchase price for incremental purchase of Hillandale	(338)
2013	Acquisition of Maxim Production Co., Inc.	2,300
2014	Purchase of joint venture partner's 50% in Delta Egg	4,779
	Total Goodwill	$ 29,196

Goodwill is reviewed at least annually for impairment by assessing qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. After assessing the totality of events or circumstances, if we determine it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then we perform additional quantitative tests to determine the magnitude of any impairment.

INCOME TAXES

We determine our effective tax rate by estimating our permanent differences resulting from differing treatment of items for tax and accounting purposes. We are periodically audited by taxing authorities. Any audit adjustments affecting permanent differences could have an impact on our effective tax rate.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

COMMODITY PRICE RISK

Our primary exposure to market risk arises from changes in the prices of eggs, corn and soybean meal, which are commodities subject to significant price fluctuations due to market conditions that are largely beyond our control. For example, feed costs, which during fiscal 2014 averaged 66% of our total farm egg production cost, decreased 9% per dozen produced year-over-year. We are focused on growing our specialty shell egg business because the selling prices of specialty shell eggs are generally not as volatile as generic shell egg prices. The following table outlines the impact of price changes for corn and soybean meal on feed cost per dozen:

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Feed ingredient		Approximate change in feed ingredient cost	Approximate impact on feed costs per dozen		Approximate dollar impact on farm production cost for the current fiscal year	
Corn	$ 0.25	change in the average market price per bushel	$	0.01	$	7,503,020
Soybean Meal	$ 25.00	change in the average market price per ton	$	0.01	$	7,503,020

INTEREST RATE RISK

Our interest expense is sensitive to changes in the general level of U.S. interest rates. We maintain all of our debt as fixed rate in nature to mitigate the impact of fluctuations in interest rates. Under our current policies, we do not use interest rate derivative instruments to manage our exposure to interest rate changes. A 1% adverse move (decrease) in interest rates would adversely affect the net fair value of our debt by $1.6 million at May 31, 2014.

We are a party to no other material market risk sensitive instruments requiring disclosure.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders

Cal-Maine Foods, Inc. and Subsidiaries

Jackson, Mississippi

We have audited the accompanying consolidated balance sheets of Cal-Maine Foods, Inc. and Subsidiaries as of May 31, 2014 and June 1, 2013, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the years in the three-year period ended May 31, 2014. Our audits also included the consolidated financial statement schedule listed in the Index at Item 15(a). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cal-Maine Foods, Inc. and Subsidiaries as of May 31, 2014 and June 1, 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended May 31, 2014, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Cal-Maine Foods, Inc. and Subsidiaries internal control over financial reporting as of May 31, 2014, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated July 28, 2014, expressed an unqualified opinion.

/s/Frost, PLLC

Little Rock, Arkansas

July 28, 2014

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Cal-Maine Foods, Inc. and Subsidiaries

Consolidated Balance Sheets

(in thousands, except for par value amounts)

	May 31 2014	June 1 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 14,521	$ 24,984
Investment securities available-for-sale	194,738	157,904
Receivables:		
Trade receivables, less allowance for doubtful accounts of $430 in 2014 and $771 in 2013	82,978	79,352
Other	4,538	3,234
	87,516	82,586
Inventories	146,117	147,993
Prepaid expenses and other current assets	2,501	1,414
Total current assets	445,393	414,881
Other assets:		
Other investments	6,786	20,413
Notes receivable – noncurrent	211	565
Goodwill	29,196	24,417
Other intangible assets	10,423	12,326
Other long-lived assets	4,717	7,017
	51,333	64,738
Property, plant and equipment, less accumulated depreciation	314,935	266,008
Total assets	$ 811,661	$ 745,627
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	$ 38,974	$ 47,234
Accrued dividends payable	10,497	-
Accrued wages and benefits	15,205	14,407
Accrued income taxes payable	2,983	359
Accrued expenses and other liabilities	12,775	9,827
Accrued legal settlement expense (see Note 14)	-	28,000
Current maturities of long-term debt	10,216	10,373
Deferred income taxes	30,451	19,995
Total current liabilities	121,101	130,195
Long-term debt, less current maturities	50,877	54,647

Other noncurrent liabilities	4,436	4,322
Deferred income taxes	40,502	38,419
Total liabilities	216,916	227,583
Commitments and contingencies – See Notes 8, 9, and 14		
Stockholders' equity:		
Common stock, $.01 par value		
Authorized shares - 60,000 in 2014 and 2013		
Issued 35,130 shares in 2014 and 2013 with		
21,781 and 21,698 shares outstanding, respectively	351	351
Class A convertible common stock, $.01 par value		
Authorized shares - 2,400 in 2014 and 2013		
Issued and outstanding shares - 2,400 in 2014 and 2013	24	24
Paid-in capital	40,476	39,052
Retained earnings	572,874	498,711
Accumulated other comprehensive income, net of tax	561	166
Common stock in treasury, at cost –13,350 shares in 2014		
and 13,432 in 2013	(20,453)	(20,572)
Total Cal-Maine Foods, Inc. stockholders' equity	593,833	517,732
Noncontrolling interest in consolidated entities	912	312
Total stockholders’ equity	594,745	518,044
Total liabilities and stockholders' equity	$ 811,661	$ 745,627

See accompanying notes.

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Cal-Maine Foods, Inc. and Subsidiaries

Consolidated Statements of Income

(in thousands, except per share amounts)

	Fiscal years ended May 31 2014	June 1 2013	June 2 2012
Net sales	$ 1,440,907	$ 1,288,104	$ 1,113,116
Cost of sales	1,138,143	1,073,555	911,334
Gross profit	302,764	214,549	201,782
Selling, general and administrative	156,712	126,956	113,130
Legal settlement expense (see Note 14)	-	28,000	-
Operating income	146,052	59,593	88,652
Other income (expense):			
Interest expense	(3,755)	(4,488)	(5,047)
Interest income	1,099	582	1,289
Distribution from Eggland's BestTM (see Note 3 and 19)	-	-	38,343
Patronage dividends	6,139	14,300	6,607
Equity in income of affiliates	3,512	3,480	7,495
Other, net	8,795	2,101	1,738
	15,790	15,975	50,425
Income before income taxes and noncontrolling interest	161,842	75,568	139,077
Income tax expense	52,035	24,807	49,110
Net income including noncontrolling interest	109,807	50,761	89,967
Less: Net income attributable to noncontrolling interest	600	338	232
Net income attributable to Cal-Maine Foods, Inc.	$ 109,207	$ 50,423	$ 89,735
Net income per share:			
Basic	$ 4.54	$ 2.10	$ 3.76
Diluted	$ 4.52	$ 2.10	$ 3.75
Weighted average shares outstanding:			
Basic	24,047	23,983	23,875
Diluted	24,148	24,044	23,942

See accompanying notes.

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Cal-Maine Foods, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

(in thousands)

	Fiscal years ended		
	May 31 2014	June 1 2013	June 2 2012
Net income, including noncontrolling interests	$ 109,807	$ 50,761	$ 89,967
Other comprehensive income, before tax:			
Unrealized holding gain on available-for-sale securities, net of reclassification adjustments	392	724	157
(Increase) decrease in accumulated postretirement benefits obligation, net of reclassification adjustments	255	(89)	-
Other comprehensive income, before tax	647	635	157
Income tax expense related to items of other comprehensive income (loss)	252	247	59
Other comprehensive income , net of tax	395	388	98
Comprehensive income	110,202	51,149	90,065
Less: comprehensive income attributable to the noncontrolling interest	600	338	232
Comprehensive income attributable to Cal-Maine Foods, Inc.	$ 109,602	$ 50,811	$ 89,833

See accompanying notes.

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Cal-Maine Foods, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity

(in thousands)