CAL-MAINE FOODS INC
Form 10-K
July 18, 2016
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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 28, 2016

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 W Woodrow Wilson Ave, Jackson, Mississippi 39209-3409

(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

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 28, 2015, which was the date of the last business day of the registrant's most recently completed second fiscal quarter, was $1,702,922,791.

As of July 15, 2016, 43,734,955 shares of the registrant's Common Stock, $0.01 par value, and 4,800,000 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, such as avian influenza, pests, weather conditions and potential for recall), (iii) changes in the demand for and market prices of shell eggs and feed costs, (iv) our ability to predict and meet demand for cage-free and other specialty eggs, (v) risks, changes or obligations that could result from our future acquisition of new flocks or businesses, and (vi) 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 publicly update 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 2016, we sold approximately 1,053.6 million dozen shell eggs, which we believe represented approximately 23% of domestic shell egg consumption. Our total flock of approximately 33.9 million layers and 9.4 million pullets and breeders is the largest in the U.S. Layers are mature female chickens, pullets are young female chickens usually under 18 weeks of age, and breeders are male and female chickens used to produce fertile eggs to be hatched for egg production flocks.

The Company has one operating segment, which is the production, grading, packaging, marketing and distribution of shell eggs. The majority of our customers rely on us to provide most of their shell egg needs, including specialty and non-specialty eggs. Specialty eggs represent a broad range of products. We classify nutritionally enhanced, cage free, organic and brown eggs as specialty products for accounting and reporting purposes. We classify all other shell eggs as non-specialty products. While we report separate sales information for these types of eggs, there are a number of cost factors which are not specifically available for non-specialty or specialty eggs due to the nature of egg production. We manage our operations and allocate resources to these types of eggs on a consolidated basis based on the demands of our customers.

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 having the largest market share in the grocery segment for shell eggs. 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. For accounting and tax purposes, we classify nutritionally enhanced, cage-free, organic and brown eggs as specialty shell eggs. They have been a significant and growing segment of the market in recent years. During our fiscal 2016 an increasing number of food service customers, large restaurant chains, and major retailers, including our largest customers, have committed to exclusive offerings of cage-free eggs by specified future dates. We are working with our customers to ensure a smooth transition in meeting their goals, and have been

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making and expect to continue to make significant investments in new and remodeled facilities to meet this demand. In fiscal 2016, specialty shell eggs and co-pack specialty shell eggs represented 29.1% and 2.7% of our shell egg sales dollars, respectively, and accounted for approximately 22.9% and 2.0%, respectively, of our total shell egg volumes. In fiscal 2015, specialty shell eggs and co-pack specialty shell eggs represented 27.2% and 2.8% of our shell egg sales dollars, respectively, and accounted for approximately 19.8% and 2.0%, respectively, of our total shell egg volumes. 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 perceived 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, along with our associated joint ventures, under exclusive license agreements for a number of states in the southeast, south central, and southwest U.S. as well as the New York City area. We market cage-free eggs under our trademarked Farmhouse® brand and distribute them across the southeast and southwest regions of the U.S. We market organic, wholesome, 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. At December 31, 2015, 56 producers, owning at least one million layers, owned approximately 96% of total industry layers and the ten largest producers owned approximately 50% of total industry layers. We believe industry consolidation will continue and we plan to capitalize on opportunities as they arise.

Industry Background

Based on historical consumption trends, demand for shell eggs increases in line with overall population growth, averaging growth of about 1% per year. In 2013 and 2014, consumption of eggs grew approximately 2% per year. However in 2015, egg consumption decreased approximately 4% over the prior year primarily due to a shortage of supply of egg products. According to U.S. Department of Agriculture ("USDA"), annual per capita U.S. consumption varied between 249 and 263 eggs, since 2000. In calendar year 2015, per capita U.S. consumption was estimated to be 253 eggs, or approximately five eggs per person per week. Per capita consumption is determined by dividing the total supply of eggs by the entire population in the U.S. (i.e. all eggs supplied domestically by the egg industry are consumed).

While the data can vary somewhat from year to year, of eggs produced in the U.S., approximately 55% are sold to retail consumers (e.g. through grocery and convenience stores), approximately 31% are sold as egg products (shell eggs broken and sold in liquid, frozen, or dried form) to institutions (e.g. companies producing baked goods), approximately 9% are sold to food service companies and 5% or less are exported. Our sales are predominately to retail consumers; in fiscal 2016 and 2015, approximately 4% and 3% of our net sales was egg products, respectively.

Prices for Shell Eggs

Shell egg prices are a critical component of profitability for the Company and the industry as a whole. 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 non-specialty shell eggs at prices related to Urner Barry Spot Egg Market Quotations or formulas related to our costs of production which include the cost of corn and soybean meal. For fiscal 2016, wholesale large shell egg prices in the southeast region, as quoted by Urner Barry, averaged $1.79 per dozen compared to an average of $1.38 per dozen for fiscal years 2012 to 2015. Egg prices during fiscal 2016 were impacted by the outbreak of avian influenza ("AI") primarily in the upper Midwestern U.S. from April to June 2015, which initially caused a significant reduction in egg supplies and increase in egg prices and had a disproportionately large impact on suppliers of egg products. While the AI outbreak significantly impacted the supply and prices of eggs during fiscal 2016, there were no positive tests for AI at any of our locations. According to a USDA report as of June 1, 2016, the number of layers in the U.S. flock was up 10.2% compared to June 1, 2015, but remained 1.6% below the number of layers for June 1, 2014. This increase, from June 1, 2015 to 2016, is due to the repopulation of flocks depleted by the AI outbreak. The number of chicks hatched from January through May of 2016 was up 9.6% compared to the same period in 2015. Market prices for shell eggs have dropped significantly from the historically high levels we experienced at the beginning of this fiscal year. The Urner Barry price index hit a decade-low level during our fourth quarter, before recovering a portion of these declines in recent weeks. While retail demand trends for shell eggs have been favorable, there has been demand erosion for egg products and reduced egg exports. Based on USDA reports, the laying flock is expected to increase through the end of calendar 2016, creating more supply and the potential for further price declines. Egg prices will likely remain volatile and future

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prices will depend on levels of supply and the recovery of institutional demand for eggs which was adversely impacted as a result of the 2015 shortages caused by AI.

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, including us, 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 are affected by weather, speculators, and various supply and demand factors. Our feed prices for fiscal 2016 were 5.7% lower than fiscal 2015. The large 2015 harvest increased available supplies of corn and soybean meal and favorably impacted our fiscal 2016 results, compared to the same period of fiscal 2015. Increased U.S. acreage for both corn and soybeans in 2016 should provide adequate domestic supplies for both of our primary feed ingredients. Domestic corn supplies could be particularly robust, although domestic soybean stocks could be negatively impacted by increased exports due to reduced supplies from South America.

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. The capacity increases 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. Additionally, we continue to upgrade and modify our facilities, and invest in new facilities, to meet changing demand as many food service customers, restaurant chains, and retailers have committed to exclusive offerings of cage-free eggs over the next several years.

As a result of our strategy, our total flock, including pullets, layers and breeders, increased from approximately 33.5 million at May 28, 2011 to approximately 43.3 million as of May 28, 2016. The dozens of shell eggs sold increased from approximately 821.4 million in fiscal 2011 to approximately 1,053.6 million for fiscal 2016. Net sales amounted to $942.0 million in fiscal 2011 compared to net sales of $1,908.7 million in fiscal 2016.

We continue to pursue opportunities to acquire 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.

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 there are many acquisition opportunities available to us that would not be restricted pursuant to antitrust laws.

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 less volatile than non-specialty 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.

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.

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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 78% of our total shell eggs sold, with 96% of such production coming from company-owned facilities, and the other 4% 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. We purchase approximately 22% of the total shell eggs we sell from outside producers.

The commercial production of shell eggs requires a source of baby chicks for laying flock replacement. We produce the majority of our chicks in our own hatcheries and obtain the balance from commercial sources. We own breeder and hatchery facilities capable of producing 21.2 million pullet chicks per year in a computer-controlled environment. These pullets are distributed to 44 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 2.2 million dozen shell eggs per day. The shell eggs are processed, graded and packaged predominantly without handling by human hands. We have spent a cumulative total of $270.7 million over the past five years to expand and upgrade 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 60% 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, speculators, and various supply and demand factors. For example, the severe drought in the summer of 2012 and resulting damage to the national corn and soybean 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 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 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. 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 preferences 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 1,053.6 million dozen shell eggs sold by us in fiscal 2016, our flocks produced 819.3 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 70.6%, 67.9%, and 68.5% of net sales dollars for fiscal 2016, 2015, and 2014, respectively. Two customers, Wal-Mart Stores and Sam’s Club, on a combined basis, accounted for 28.9%, 25.7%, and 28.2% of net sales dollars during fiscal 2016, 2015, and 2014, respectively.

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

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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 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, U.S. annual per capita egg consumption grew from 250 in 2011 to 263 in 2014, before dropping back to 253 in 2015. We believe the decrease in consumption in 2015 is attributable to a shortage of supply and increased shell egg prices caused by a severe outbreak of avian influenza. Looking ahead, we believe fast food restaurant consumption, high protein diet trends, reduced egg cholesterol levels, and industry advertising campaigns may result in increased per capita egg consumption levels; however, 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. 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, two of our first quarters resulted in net operating losses, and during this same period, two 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 are becoming a more significant segment of the shell egg market. During our fiscal 2016 an increasing number of large restaurant chains, food service companies and grocery chains, including our largest customers, announced goals to transition to a cage-free egg supply chain by specified future dates. For fiscal 2016, specialty eggs accounted for 29.1% of our shell egg dollar sales and 22.9% of our shell egg dozens sold, as compared to 27.2% of shell egg dollar sales and 19.8% of shell egg dozens sold in fiscal 2015. Additionally, specialty eggs sold through our co-pack arrangements accounted for an additional 2.7% of shell egg dollar sales and 2.0% of shell egg dozens sold in fiscal 2016, compared with 2.8% of shell egg dollar sales and

2.0% of shell egg dozens sold in fiscal 2015. 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 16.8% of our shell egg dollar sales in fiscal 2016, compared to 15.5% in fiscal 2015. Based on dozens sold, Egg-Land's Best® branded eggs accounted for 13.6% of dozens sold for fiscal 2016, compared to 11.4% in fiscal 2015. 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. Farmhouse®, Land O' Lakes®, 4Grain® and other non-Egg-Land's Best® specialty eggs accounted for 12.3% of our shell egg dollar sales in fiscal 2016, compared to 11.7% in fiscal 2015, and 9.3% of dozens sold for fiscal 2016, compared to 8.4% for fiscal 2015.

Egg Products. Egg products are shell eggs broken and sold in liquid, frozen, or dried form. In fiscal 2016 egg products represented approximately 4% of our net sales compared with approximately 3% in fiscal 2015. We sell egg products primarily into the institutional and food service sectors in the U.S. Our egg products are sold through our consolidated subsidiaries 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.

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The U.S. shell egg industry remains highly fragmented but is characterized by a growing concentration of producers. In 2015, 56 producers with one million or more layers owned 96% of the 291 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 ("EPA"), 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, FDA and EPA 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 current 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. In addition, rules are often proposed that, if adopted as proposed, could have the effect of increasing our costs. For example, in April 2016 the USDA Agricultural Marketing Service proposed rules that, if adopted, would change requirements, and increase our costs, for the production of organic eggs.

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, 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 May 28, 2016, we had 3,277 employees, of whom 2,649 worked in egg production, processing and marketing, 178 worked in feed mill operations and 450 were administrative employees, including our executive officers. Approximately 4.1% 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 W 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 27, 2016, the last sale price of our Common Stock on NASDAQ was $45.74 per share. Our fiscal year 2016 ended May 28, 2016, and the first three fiscal quarters of fiscal 2016 ended August 29, 2015, November 28, 2015, and February 27, 2016. All references herein to a fiscal year means our fiscal year and all references to a year mean a calendar year.

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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 then 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. After calendar 2006, supplies were 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 new highs in 2014. In 2015, egg prices rose again due in part to a decrease in supply caused by the avian influenza outbreak in the upper Midwestern U.S. from April to June 2015. While the AI outbreak significantly impacted the supply and prices of eggs, there were no positive tests for AI at any of our locations. The average Urner-Barry Thursday prices for the large market (i.e. generic shell eggs) in the southeastern region for the months of June through November 2015 was $2.32 per dozen, with a peak of $2.97 during August. Subsequent to November 2015, shell egg prices have declined. Our average year to date selling price for shell eggs in fiscal 2016 of $1.735 was up 21.4% compared to fiscal 2015; however, our average selling price for the fourth quarter of fiscal 2016 of $1.152 was down 21.7% compared with the same period last year. Market prices for shell eggs have dropped significantly from the historically high levels we experienced at the beginning of this fiscal year. The Urner Barry price index hit a decade-low level during our fourth quarter, before recovering a portion of these declines in recent weeks. While retail demand trends for shell eggs have been favorable, there has been demand erosion for egg products and reduced egg exports. Based on USDA reports, the laying flock is expected to increase through the end of calendar 2016, creating more supply and the potential for further price declines. Egg prices will likely remain volatile and future prices will depend on levels of supply and the recovery of institutional demand for eggs.

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.

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 60% 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,

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control over the prices of the ingredients we purchase, which are affected by weather, speculators, 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 and soybean crops 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 fluctuate from year to year and between different quarters within a single fiscal year.

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 vary significantly. Additionally, as a result of seasonal fluctuations, our financial results fluctuate significantly between different quarters within a single fiscal year.

We purchase a portion 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 produced approximately 78% and 75% of the total number of shell eggs sold by us in 2016 and 2015, respectively, and purchased 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.

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 have 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 2016, 2015, and 2014, two customers, Wal-Mart Stores and Sam's Clubs, on a combined basis, accounted for 28.9%, 25.7%, and 28.2% of our net sales dollars, respectively. For fiscal years 2016, 2015, and 2014, our top ten customers accounted for 70.6%, 67.9%, and 68.5% of net sales dollars, respectively. Although we have established long-term

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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 regulation and inspection by the USDA, EPA, and FDA, as well as regulation by various state and local health and agricultural agencies. All of our shell egg production and feed mill facilities are subject to FDA regulation and inspections. In addition, rules are often proposed that, if adopted as proposed, could have the effect of increasing our costs. For example, in April 2016 the USDA Agricultural Marketing Service proposed rules that, if adopted, would change requirements, and increase our costs, for the production of organic eggs.

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 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.

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.

From April through June 2015, our industry experienced a significant avian influenza outbreak, primarily in the upper Midwestern U.S. Based on several published industry estimates, we believe that approximately 12% of the national flock of laying hens was affected. The affected laying hens were either destroyed by the disease or euthanized. The effect this outbreak had on our industry and our company is discussed throughout this report. There have been no positive tests for avian influenza at any of our locations, and we have significantly increased the biosecurity measures at all of our facilities; however we cannot be certain that our flocks will not be affected by AI or other diseases in the future.

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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 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. The standards typically require minimum cage space for hens, among other requirements, but some of these groups have made legislative efforts to ban any form of caged housing in various states. California's Proposition 2 and Assembly Bill 1437 was effective January 1, 2015, and did increase the cost of production in that State and for producers who sell there. During our fiscal 2016 an increasing number of large restaurant chains, food service companies and grocery chains, including our largest customers, announced goals to transition to a cage-free egg supply chain by specified future dates. Changing our procedures and infrastructure to conform to these types of laws or anticipated customer demand for these types of guidelines has resulted and will continue to result in additional costs to our internal production of shell eggs, including capital and operating cost increases from housing and husbandry practices and modification of existing or construction of new facilities, and the increased 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 the family of our founder, Fred R. Adams, Jr.

Fred R. Adams, Jr., our Founder and Chairman Emeritus, and his spouse own 27.9% of the outstanding shares of our Common Stock, which has one vote per share. In addition, Mr. Adams and his spouse own 74.7% and his son-in-law, Adolphus B. Baker, our President, Chief Executive Officer and Chairman of the Board, and his spouse own 25.3% of the outstanding shares of our Class A Common Stock, which has ten votes per share. Mr. Baker and his spouse also own 1.4% of the outstanding shares of our Common Stock. A conservatorship has been established to manage Mr. Adams' affairs, with his spouse and Mr. Baker as co-conservators, as a result of the impairment of Mr. Adams' health related to his previously disclosed stroke. Mr. Adams continues to consult actively and regularly with the Company and it is expected that he will continue to do so for as long as he is able. As a result of the conservatorship, as of July 1, 2016, Mr. Adams, his spouse, and Mr. Baker possessed 52.4%, and Messrs. Adams and Baker and their spouses collectively possessed 66.3%, 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 and Mr. Baker's spouse.

The Adams and Baker families intend to retain ownership of a sufficient amount of Common Stock and Class A Common Stock to assure continued ownership of over 50% of the 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

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power of any such shares shall be automatically reduced to one vote per share. The Adams and Baker families' controlling ownership of our capital stock may adversely affect the market price of our Common Stock.

Based on the Adams family's 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 28, 2016, 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, discharges from overtopped or breached wastewater treatment lagoons, 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.

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.

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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 May 28, 2016, the facilities included three breeding facilities, two hatcheries, three wholesale distribution centers, 21 feed mills, 44 shell egg production facilities, 26 pullet growing facilities, and 41 processing and packing facilities. We own significant 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 28, 2016, we owned approximately 29,145 acres of land in various locations throughout our geographic market area. We have the ability to hatch 21.2 million pullet chicks annually, grow 25.3 million pullets annually, house 40.8 million laying hens, and control the production of 38.3 million layers, with the remainder controlled by contract growers. We own mills that can produce 744 tons of feed per hour, and processing facilities capable of processing 14,260 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 $270.7 million.

ITEM 3. LEGAL PROCEEDINGS

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 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. As previously reported, in November 2014, the Court approved the Company's settlement with the direct purchaser plaintiff class and entered final judgment dismissing with prejudice the class members' claims against the Company.

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. On April 20-21, 2015, the Court held an evidentiary hearing on the indirect purchaser plaintiffs' motion for class certification. On July 2, 2015, the Company filed and joined several motions for summary judgment that sought either dismissal of the entire case or, in the alternative, dismissal of portions of the case. On July 2, 2015, the indirect purchaser plaintiffs filed motions for summary judgment seeking dismissal of certain affirmative defenses based on statutory immunities from federal and state antitrust laws. The Court heard oral argument on the motions for summary judgment on February 22 and 23, 2016. The Court has not ruled on these motions. On September 18, 2015, the Court denied the indirect purchaser plaintiffs' motion for class certification of 21 separate classes seeking damages under the laws of 21 states, holding that the plaintiffs were not able to prove that their purported method for ascertaining class membership was reliable or administratively feasible, that common questions would predominate, or that their proposed class approach would be manageable in a single trial. In addition to barring any right to pursue a class monetary remedy under state law, the Court also denied indirect purchaser plaintiffs' request for certification of an injunctive-relief class under federal law. However, the court allowed the indirect purchaser plaintiffs to renew their motion for class certification seeking a federal injunction. The plaintiffs filed their renewed motion to certify an injunctive-relief class on October 23, 2015. The Company joined the other defendants in opposing that motion on November 20. The plaintiffs filed their reply memorandum on December 11, 2015. The plaintiffs requested oral argument on their renewed motion for injunctive class certification. The plaintiffs also filed a petition with the United States Court of Appeals for the Third Circuit, asking the court to hear an immediate appeal of the trial court's denial of the motion to certify 21 state-law damages classes. On December 3, 2015, the Third Circuit entered an order staying its consideration of the plaintiffs' request for an immediate appeal of the damages-class ruling pending the trial court's resolution of the plaintiffs' renewed motion to certify an injunctive-relief class.

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. On July 2, 2015, the Company filed and joined several motions for summary judgment that sought either dismissal of all of the claims in all of these cases or, in the alternative, dismissal of portions of these cases. On July 2, 2015, the non-class plaintiffs filed a motion for summary judgment seeking dismissal of certain affirmative defenses based on statutory immunities from federal antitrust law. The Court heard oral argument on the motions for summary judgment on February 22 and 23, 2016. The Court has not ruled on these motions.

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

The named plaintiffs in the remaining indirect purchaser putative class action seek treble damages under the statutes and common-law of various states and injunctive relief under the Sherman Act on behalf of themselves and all other putative class members in the United States. Although plaintiffs allege a class period starting in October 2006 and running "through the present," the Court denied the plaintiffs' motion to certify classes seeking damages under the laws of 21 states and denied without prejudice the plaintiffs' motion to certify an injunctive-relief class, although the plaintiffs have filed a renewed motion to certify an injunctive-relief class, as discussed above.

Five of the original six non-class cases remain pending against the Company. The principal plaintiffs in these cases are: The Kroger Co.; Publix Super Markets, Inc.; SUPERVALU, Inc.; Safeway, Inc.; Albertsons LLC; H.E. Butt Grocery Co.; The Great Atlantic & Pacific Tea Company, Inc.; Walgreen Co.; Hy-Vee, Inc.; Kraft Food Global, Inc., General Mills, Inc., Nestle USA, Inc., and The Kellogg Company. In four of these remaining non-class cases, the plaintiffs seek treble damages and injunctive relief under the Sherman Act. In the fifth remaining non-class case, the plaintiff seeks treble 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, summary judgment, 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 and rulings 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.

State of Oklahoma Watershed Pollution Litigation

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

The trial in the case began in September 2009 and concluded in February 2010. The case was tried 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.

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 has, on three occasions, entered into an agreement with the State of Florida tolling the statute of limitations applicable to any supposed claims the State is investigating. No allegations of wrongdoing have been made against the Company in this matter.

Other Matters

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

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

ITEM 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 closing price for our Common Stock on July 14, 2016 was $44.78 per share. The following table sets forth the high and low daily sales prices and dividends per share for each of the four quarters of fiscal 2015 and fiscal 2016, as adjusted to reflect the effect of the 2-for-1 stock split effected in October 2014.

		Sales Price		
Fiscal Year Ended	Fiscal Quarter	High	Low	Dividends (1)
May 30, 2015	First Quarter	$ 40.96	$ 34.22	$ 0.191
	Second Quarter	48.31	39.48	0.252
	Third Quarter	44.46	34.03	0.350
	Fourth Quarter	60.72	35.75	0.317
May 28, 2016	First Quarter	$ 57.94	$ 44.13	$ 0.983
	Second Quarter	63.25	50.27	0.751
	Third Quarter	56.50	44.94	0.441
	Fourth Quarter	55.43	44.65	-

(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 outstanding Class A shares are owned by Fred R. Adams, Jr., our Founder and Chairman Emeritus, his son-in-law Adolphus Baker, and his spouse. For additional information about our capital stock, see Note 14 to the Notes to Consolidated Financial Statements in this report.

Issuer Purchases of Equity Securities

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

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share		Total Number of Shares Purchased as Part of Publicly Announced Plans Or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
02/28/16 to 03/26/16	336	$	50.12	-	-
03/27/16 to 04/23/16	-	-		-	-
04/24/16 to 05/28/16	-	-		-	-
	336	$	50.12	-	-

(1) As permitted under the Company's stock compensation plan, these shares were withheld by the Company to satisfy tax withholding obligations for employees in connection with the vesting of restricted stock.

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Stockholders

At July 14, 2016, there were approximately 329 record holders of our Common Stock and approximately 63,208 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 65th day after the quarter end. Dividends are payable on the 15th day following the record date. Following a quarter for which the Company does not report net income attributable to Cal-Maine Foods, Inc., the Company will not pay a dividend for a subsequent profitable quarter until the Company is profitable on a cumulative basis computed from the date of the last quarter for which a dividend was paid. The 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 28, 2016.

Securities Authorized for Issuance under Equity Compensation Plans

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	-	$ -	576,700

Equity compensation plans not approved by shareholders	-	-	-
Total	-	$ -	576,700

(a) There were no outstanding options, warrants or rights as of May 28, 2016. There were 288,900 shares of restricted stock outstanding under our 2012 Omnibus Long-Term Incentive Plan as of May 28, 2016.
(b) There were no outstanding options, warrants or rights as of May 28, 2016.
(c) Shares available for future issuance as of May 28, 2016 under our 2012 Omnibus Long-Term Incentive Plan.

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 28 2016 52 wks	May 30 2015 52 wks	May 31 2014 * 52 wks	June 01 2013 + 52 wks	June 02 2012 53 wks
Statement of Operations Data (in thousands, except per shares data)					
Net sales	$ 1,908,650	$ 1,576,128	$ 1,440,907	$ 1,288,104	$ 1,113,116
Cost of sales	1,260,576	1,180,407	1,138,143	1,073,555	911,334
Gross profit	648,074	395,721	302,764	214,549	201,782
Selling, general and administrative	177,760	160,386	156,712	126,956	113,130
Legal settlement expense	-	-	-	28,000	-
Operating income	470,314	235,335	146,052	59,593	88,652
Other income (expense):					
Interest income (expense), net	3,158	(515)	(2,656)	(3,906)	(3,758)
Equity in income of affiliates	5,016	2,657	3,512	3,480	7,495
Distribution from Eggland's Best®	-	-	-	-	38,343
Patronage dividends	6,930	6,893	6,139	14,300	6,607
Other, net	1,831	2,179	8,795	2,101	1,738
Total other income	16,935	11,214	15,790	15,975	50,425
Income before income tax and noncontrolling interest	487,249	246,549	161,842	75,568	139,077
Income tax expense	169,202	84,268	52,035	24,807	49,110
Net income including noncontrolling interest	318,047	162,281	109,807	50,761	89,967
Less: Net income attributable to noncontrolling interest	2,006	1,027	600	338	232
Net income attributable to Cal-Maine Foods, Inc.	$ 316,041	$ 161,254	$ 109,207	$ 50,423	$ 89,735
Net income per common share:					
Basic	$ 6.56	$ 3.35	$ 2.27	$ 1.05	$ 1.88
Diluted	$ 6.53	$ 3.33	$ 2.26	$ 1.05	$ 1.88
Cash dividends per common share	$ 2.18	$ 1.11	$ 0.73	$ 0.38	$ 0.63
Weighted average shares outstanding:					
Basic	48,195	48,136	48,095	47,967	47,750
Diluted	48,365	48,437	48,297	48,088	47,884
Balance Sheet Data (in thousands)					
Working capital	$ 542,832	$ 407,418	$ 354,743	$ 304,681	$ 327,020
Total assets	1,111,765	928,653	811,661	745,627	726,316
Total debt (including current maturities)	25,570	50,860	61,093	65,020	76,220
Total stockholders' equity	917,361	704,562	594,745	518,044	479,328

Operating Data:					
Total number of layers at period-end (thousands)	33,922	33,696	32,372	30,967	26,174
Total shell eggs sold (millions of dozens)	1,053.6	1,063.1	1,013.7	948.5	884.3

* 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 28, 2016 (52 weeks), May 30, 2015 (52 weeks), and May 31, 2014 (52 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 18 weeks of age), layers (mature female chickens) and breeders (male and 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 annual average Urner-Barry Southeastern Regional Large Egg Market Price per dozen eggs, for our fiscal 2005-2016 ranged from a low of $0.72 during fiscal 2005 to a high of $2.97 during fiscal 2016. 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.

From April through June 2015, our industry experienced a significant avian influenza ("AI") outbreak, primarily in the upper Midwestern U.S. Based on several published industry estimates, we believe approximately 12% of the national flock of laying hens was affected. The affected laying hens were either destroyed by the disease or euthanized. During April through June 2015, the supply of laying hens decreased substantially, and then began to recover gradually. As of June 1, 2016, the national laying hen flock according to the U.S. Department of Agriculture was approximately 10.2% higher than the AI reduced flock from June 1, 2015, but remained 1.6% below the number of layers on June 1, 2014. Egg prices increased significantly during the summer and fall of 2015. The average Urner-Barry Thursday prices for the large market (i.e. generic shell eggs) in the southeastern region for the months of June through November 2015 was $2.32 per dozen, with a peak of $2.97 in August. Subsequent to November 2015, shell egg prices declined. Our average year to date selling price for shell eggs in fiscal 2016 of $1.735 was up 21.4% compared to fiscal 2015; however, our average selling price for the fourth quarter of fiscal 2016 of $1.152 was down 21.7% compared with the same period last year. The Urner Barry price index hit a decade-low level during our fourth quarter, before recovering a portion of this decline in recent weeks. Accordingly, our net average selling prices for eggs for each of our four quarters in fiscal 2016 was particularly volatile: $2.243, $1.970, $1.568 and $1.152 for our first through fourth quarters of fiscal 2016, respectively, compared to $1.354, $1.379, $1.503 and $1.471 for our first through fourth quarters of fiscal 2015, respectively. While retail demand trends for shell eggs have been favorable, there has been demand erosion for egg products and reduced egg exports. Based on USDA reports, the laying flock is expected to increase through the end of calendar 2016, creating more supply and the potential for further price declines. Egg prices will likely remain volatile and future prices will depend on levels of supply and the recovery of institutional demand for eggs which was adversely impacted as a result of the 2015 shortages caused by AI. There have been no positive tests for AI at any of our locations, and we have significantly increased the biosecurity measures at all of our facilities; however, we cannot be certain our flocks will not be affected by AI or other diseases in the future.

We are one of the largest producers and marketers of value-added specialty shell eggs in the U.S. For accounting and tax purposes, we classify nutritionally enhanced, cage-free, organic and brown eggs as specialty shell eggs. They have been a significant and growing segment of the market in recent years. During our fiscal 2016 an increasing number of large restaurant chains, food service companies and grocery chains, including our largest customers, announced goals to transition to a cage-free egg supply chain by specified future dates. We are working with our customers to achieve smooth progress in meeting their goals, and have been making and expect to continue to make significant investments in new and remodeled facilities to meet this demand, including through our Red River joint venture discussed below.

For fiscal 2016, we produced approximately 78% of the total number of shell eggs sold by us, with approximately 4% of such shell egg production provided by contract producers. Contract producers utilize their facilities to produce shell eggs from layers owned by us. We own the shell eggs produced under these arrangements. For fiscal 2016, approximately 22% of the total number of shell eggs sold by us were purchased from outside producers for resale.

Our cost of production is materially affected by feed costs, which are highly volatile and subject to wide fluctuation. For fiscal 2016, feed costs averaged about 60% 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 our last five fiscal years, average feed cost per dozen sold ranged from a low of $0.41 in fiscal 2016 to a high of $0.54 in fiscal 2013. The cost of our primary 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. The large 2015 crops increased available supplies for corn and soybean meal which favorably impacted our results for fiscal 2016, compared to the same period of fiscal 2015. Increased U.S. acreage for both corn and soybeans in 2016 should provide adequate domestic supplies for both of our primary feed ingredients. Domestic corn supplies could be particularly robust, although domestic soybean stocks could be negatively impacted by increased exports due to reduced supplies from South America.

During the fourth quarter of fiscal 2015, the Company entered into the Red River Valley Egg Farm, LLC (“Red River”) joint venture with Rose Acre Farms, Inc. Construction of the state of the art shell egg production complex near Bogata, Red River County, Texas is nearing completion. The first flock was placed in November 2015 and we expect the complex to be completely stocked in early calendar 2017. The plans for the complex provide capacity for approximately 1.8 million cage-free laying hens. In fiscal 2016 we incurred $34.0 million of construction and startup costs associated with the joint venture.

The acquisition of our joint venture partner’s 50% interest in Delta Egg Farm, LLC (“Delta Egg”) as described in Note 2 of the Notes to the Consolidated Financial Statements is referred to below as the “Acquisition”. Our fiscal 2016, 2015 and 2014 financial results include the operations of Delta Egg beginning March 1, 2014. Prior to March 1, 2014, our 50% interest in the earnings of Delta Egg was included in equity in earnings of affiliates under the equity method of accounting.

We effected a 2-for-1 stock split for shares of our common stock and Class A common stock in October 2014, and all per share amounts in this report have been adjusted as necessary to reflect the split.

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RESULTS OF OPERATIONS

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

	May 28, 2016		May 30, 2015		May 31, 2014	
Net sales	100.0	%	100.0	%	100.0	%
Cost of sales	66.0		74.9		79.0	
Gross profit	34.0		25.1		21.0	
Selling, general & administrative expenses	9.3		10.2		10.9	
Operating income	24.7		14.9		10.1	
Other income	0.9		0.7		1.1	
Income before taxes	25.6		15.6		11.2	
Income tax expense	8.9		5.3		3.6	
Net income including noncontrolling interests	16.7		10.3		7.6	
Less: Net income (loss) attributable to noncontrolling interests	0.1		0.1		0.0	
Net income attributable to Cal-Maine Foods, Inc.	16.6	%	10.2	%	7.6	%

Executive Overview of Results – May 28, 2016, May 30, 2015, and May 31, 2014

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 28, 2016	May 30, 2015	May 31, 2014
Net income attributable to Cal-Maine Foods, Inc. - (in thousands)	$ 316,041	$ 161,254	$ 109,207
Gross profit (in thousands)	648,074	395,721	302,764

Net average shell egg selling price (rounded)	1.74	1.43	1.36
Average Urner Barry Spot Egg Market Quotations1	1.79	1.53	1.43
Feed cost per dozen produced	0.414	0.439	0.493

1- Average Thursday price for the large market (i.e. generic shell eggs) 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 have often reflected increased consumer demand relative to supply while the periods of significant loss have often reflected 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. In fiscal 2014 and 2015, our average net selling price increased, reflecting strong demand for shell eggs across our markets, and feed costs decreased each year over the previous year. In fiscal 2016, our net average selling price increased over the previous year primarily due to supply constraints during much of our fiscal year resulting from the AI outbreak, and feed costs decreased. Gross profit and net income for fiscal 2016 increased significantly compared to the prior year, primarily due to increased selling prices and a decrease in feed costs.

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Fiscal Year Ended May 28, 2016 Compared to Fiscal Year Ended May 30, 2015

NET SALES

In fiscal 2016, approximately 96% of our net sales consisted of shell eggs and approximately 4% was egg products. Net sales for the fiscal year ended May 28, 2016 were $1,908.7 million, an increase of $332.6 million, or 21.1%, from net sales of $1,576.1 million for fiscal 2015. In fiscal 2016 total dozens of eggs sold decreased and egg selling prices increased as compared to fiscal 2015. In fiscal 2016 total dozens of shell eggs sold were 1,053.6 million, a decrease of 9.5 million dozen, or 0.9%, compared to 1,063.1 million sold in fiscal 2015 resulting in a decrease in net sales of $13.6 million for fiscal 2016 compared with the prior year which we believe was primarily due to supply constraints and higher prices resulting from the AI outbreak. Our average selling price of shell eggs increased from $1.429 per dozen for fiscal 2015 to $1.735 per dozen for fiscal 2016, an increase of $0.306 per dozen, or 21.4%, primarily reflecting higher egg prices resulting from the AI outbreak and a higher percentage of specialty egg sales. The increase in sales price in fiscal 2016 over 2015 resulted in a corresponding increase in net sales of $325.1 million. The remainder of our increase in sales over the prior fiscal year not related to shell egg volume or prices was the result of increased sales from egg products which is discussed later in this section. 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.

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 28, 2016		May 30, 2015		May 28, 2016		May 30, 2015	
	(Amounts in thousands)				(Amounts in thousands)			
Total net sales	$ 1,908,650		$ 1,576,128		$ 303,020		$ 403,011	
Non-specialty shell egg sales	1,243,377	67.7%	1,059,070	69.2%	163,882	55.6%	268,625	68.5%
Specialty shell egg sales	534,754	29.1%	416,127	27.2%	118,356	40.2%	110,696	28.2%
Co-pack specialty shell egg	49,282	2.7%	43,282	2.8%	9,021	3.1%	10,278	2.6%

sales												
Other sales	10,533		0.6%	11,769		0.8%	3,245		1.1%	2,710		0.7%
Net shell egg sales	$	1,837,946	100.0%	$	1,530,248	100.0%	$	294,504	100.0%	$	392,309	100.0%
Net shell egg sales as a percent of total net sales	96%			97%			97%			97%		
Dozens sold:												
Non-specialty shell egg	791,058		75.1%	830,770		78.1%	189,850		75.0%	204,138		77.1%
Specialty shell egg	241,603		22.9%	210,606		19.8%	58,856		23.3%	55,699		21.0%
Co-pack specialty shell egg	20,936		2.0%	21,710		2.1%	4,371		1.7%	5,046		1.9%
Total dozens sold	1,053,597		100.0%	1,063,086		100.0%	253,077		100.0%	264,883		100.0%
Net average selling price per dozen	$	1.74		$	1.43		$	1.15		$	1.47	

Non-specialty shell eggs include all shell egg sales not specifically identified as specialty or co-pack specialty shell egg sales. This 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 2016, non-specialty shell eggs represented approximately 67.7% of our shell egg revenue, compared to 69.2% for fiscal 2015. Sales of non-specialty shell eggs accounted for approximately 75.1% and 78.1% of total shell egg volumes in fiscal 2016 and 2015, respectively.

For the thirteen-week period ended May 28, 2016, non-specialty shell eggs represented approximately 55.6% of our shell egg revenue, compared to 68.5% for the thirteen-week period ended May 30, 2015, reflecting the large decrease in net average selling price for non-specialty eggs during the current period compared to the same period of last year. For the thirteen-week period ended May 28, 2016, non-specialty shell eggs accounted for approximately 75.0% of the total shell egg volume, compared to 77.1% for the comparable period of 2015.

Specialty eggs, which include nutritionally enhanced, cage-free, organic and brown eggs, continued to make up a larger portion of our total shell egg revenue and dozens in fiscal 2016. For fiscal 2016, specialty eggs accounted for 29.1% of shell egg revenue, compared to 27.2% in fiscal 2015, and 22.9% of shell egg volume in fiscal 2016, compared to 19.8% in fiscal 2015. Additionally, for fiscal 2016, specialty eggs sold through co-pack arrangements accounted for 2.7% of shell egg revenue, compared to 2.8% in fiscal 2015, and 2.0% of shell egg volume in fiscal 2016 and 2015. Specialty egg retail prices are less cyclical than non-specialty shell egg prices and are generally higher due to consumer willingness to pay for the perceived increased benefits from these products. This effect was particularly evident in our fourth fiscal quarter of 2016, as non-specialty egg prices declined more than specialty egg prices. However, as non-specialty egg prices have declined, we are experiencing some margin and volume pressures on specialty egg sales.

For the thirteen-week period ended May 28, 2016, specialty shell eggs and specialty shell eggs sold through co-pack arrangements represented approximately 40.2% and 3.1%, of our shell egg revenue, compared to 28.2% and 2.6%, respectively, for the comparable period of fiscal 2015. As previously discussed, selling prices for non-specialty eggs decreased during the current period resulting in a larger percentage of our shell egg sales being attributable to the less cyclical specialty shell eggs. For the thirteen-week period ended May 28, 2016, specialty shell eggs and specialty shell eggs sold through co-pack arrangements accounted for approximately 23.3% and 1.7% of the total shell egg volume, compared to 21.0% and 1.9%, respectively, for the comparable period of fiscal 2015.

As discussed above, while egg prices increased substantially after the AI outbreak during the early part of our fiscal 2016, egg prices declined to a decade-low level during our fourth quarter, and were 21.7 percent lower than our average selling price in our fiscal 2015 fourth quarter. Based on USDA reports, the laying flock is expected to increase through the end of calendar 2016, creating more supply and the potential for further price declines. In addition, our sales for the fourth quarter reflect lower volumes primarily related to the loss of a portion of a major customer's co-pack business. We expect this change to have a negative impact on our fiscal 2017 dozens sold and revenue although the impact on our margins would be lower.

The shell egg sales classified as "Other sales" represent hard cooked eggs, hatching eggs, other egg products, hens, and manure, 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 2016 egg product sales were $70.7 million, an increase of $25.3 million, or 55.7%, compared to $45.4 million for fiscal 2015. Egg products volume for fiscal 2016 was 58.5 million pounds, an increase of 7.5 million pounds, or 14.7%, compared to 51.0 million pounds for fiscal 2015. The increases in our sales volume and market prices for egg products in the current fiscal year were due to a shortage of supply from the AI affected locations of other producers, as the AI outbreak had a disproportionately large impact on suppliers of egg products. In fiscal 2016, the selling price per pound was $1.213 compared to $0.891 for fiscal 2015, an increase of 36.1%.

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COST OF SALES

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

	Fiscal Year Ended			Quarter Ended		
(Amounts in thousands)	May 28, 2016	May 30, 2015	Percent Change	May 28, 2016	May 30, 2015	Percent Change
Cost of sales:						
Farm production	$ 562,521	$ 558,580	0.7 %	$ 135,187	$ 138,580	(2.4) %
Processing and packaging	184,586	173,181	6.6 %	45,089	45,056	0.1 %
Outside egg purchases and other	464,008	413,863	12.1 %	75,311	101,029	(25.5) %
Total shell eggs	1,211,115	1,145,624	5.7 %	255,587	284,665	(10.2) %
Egg products	48,584	33,886	43.4 %	6,473	8,640	(25.1) %
Other	877	897	(2.2) %	280	311	(10.0) %
Total	$ 1,260,576	$ 1,180,407	6.8 %	$ 262,340	$ 293,616	(10.7) %
Farm production cost (per dozen produced)						
Feed	$ 0.414	$ 0.439	(5.7) %	$ 0.396	$ 0.406	(2.5) %
Other	0.279	0.266	4.9 %	0.290	0.272	6.6 %
Total	$ 0.693	$ 0.705	(1.7) %	$ 0.686	$ 0.678	1.2 %
Outside egg purchases (average cost per dozen)	$ 1.72	$ 1.41	22.0 %	$ 1.11	$ 1.43	(22.4) %
Dozen produced	819,307	798,842	2.6 %	198,950	201,763	(1.4) %
Dozen sold	1,053,597	1,063,086	(0.9) %	253,077	264,883	(4.5) %

Cost of sales for the fiscal year ended May 28, 2016 was $1,260.6 million, an increase of $80.2 million, or 6.8%, compared to $1,180.4 million for fiscal 2015. Comparing fiscal 2016 to fiscal 2015, dozens produced and average cost per dozen purchased from outside shell egg producers increased while cost of feed ingredients decreased. This fiscal year we produced 77.8% of the eggs sold by us, as compared to 75.1% for the previous year. Feed cost for fiscal 2016 was $0.414 per dozen, compared to $0.439 per dozen for the prior fiscal year, a decrease of 5.7%. The decrease in feed cost per dozen resulted in a decrease in cost of sales of $20.6 million for fiscal 2016 compared with 2015.

For the thirteen weeks ended May 28, 2016, compared to the same period of 2015, cost of sales decreased from $293.6 million in the fourth quarter of fiscal 2015, to $262.3 million in the current period. This decrease of $31.3 million, or 10.7%, was primarily the result of decreased cost of outside egg purchases from $1.43 per dozen in the fourth quarter of fiscal 2015 to $1.11 in the comparable period of fiscal 2016. Feed cost per dozen for the fourth quarter of fiscal 2016 was $0.396, compared to $0.406 for the same quarter of fiscal 2015, a decrease of 2.5%.

Gross profit increased from 25.1% of net sales for fiscal 2015, to 34.0% of net sales for fiscal 2016. The improvement is the result of lower feed costs and increased egg selling prices.

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SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

(Amounts in thousands)	Fiscal Years Ended 52 Weeks May 28, 2016		May 30, 2015		Change		Change
Stock compensation expense	$	3,018	$	2,955	$	63	2.1%
Specialty egg expense	61,294		53,966		7,328		13.6%
Payroll and overhead	39,149		31,965		7,184		22.5%
Other expenses	24,670		24,501		169		0.7%
Delivery expense	49,629		46,999		2,630		5.6%
Total	$	177,760	$	160,386	$	17,374	10.8%

Selling, general and administrative expenses, which include costs of marketing, distribution, accounting and corporate overhead, were $177.8 million in fiscal 2016, an increase of $17.4 million, or 10.8%, compared to $160.4 million for fiscal 2015. The increase in specialty egg expense for fiscal 2016 compared to fiscal 2015 is attributable to a 14.7% increase in specialty shell egg dozens sold resulting in an increase in advertising promotions and franchise expense. Payroll and overhead increased $7.2 million, or 22.5%, compared to the same period of last year primarily due to increased bonus accruals in the 2016 fiscal year. As a percentage of net sales, payroll and overhead is 2.1% 2.0% for fiscal 2016 and 2015, respectively. As a percentage of net sales, delivery expense is 2.6% and 3.0% for fiscal 2016 and 2015, respectively. As a percent of net sales, selling, general and administrative expense decreased from 10.2% in fiscal 2015 to 9.3% in fiscal 2016.

(Amounts in thousands)	Quarters Ended 13 Weeks May 28, 2016		May 30, 2015		Change		Change
Stock compensation expense	$	843	$	1,290	$	(447)	-34.7%
Specialty egg expense	13,768		14,217		(449)		-3.2%
Payroll and overhead	9,450		8,920		530		5.9%
Other expenses	6,398		6,679		(281)		-4.2%
Delivery expense	11,945		11,738		207		1.8%
Total	$	42,404	$	42,844	$	(440)	-1.0%

Selling, general, and administrative expense was $42.4 million for the thirteen-week period ended May 28, 2016, a decrease of $440,000, or 1.0%, compared to $42.8 million for the thirteen-week period ended May 30, 2015.

OPERATING INCOME

As a result of the above, our operating income was $470.3 million for fiscal 2016, compared to $235.3 million for fiscal 2015. Operating income as a percent of net sales was 24.7% and 14.9% for fiscal 2016 and 2015, respectively.

OTHER INCOME (EXPENSE)

Total other income (expense) consists of income (expenses) not directly charged to, or related to, operations such as interest expense, interest income, royalty income, patronage dividends, and equity in earnings of affiliates, among other items. Total other income for fiscal 2016 was $16.9 million compared to $11.2 million for fiscal 2015. As a percent of net sales, total other income was 0.9% for fiscal 2016, compared to 0.7% for fiscal 2015.

Net interest income for fiscal 2016 was $3.2 million compared to net interest expense of $515,000 for fiscal 2015. Interest income from available for sale securities increased due to higher average invested balances and higher rates of return. The reduction of interest expense resulted from the Company reducing outstanding debt.

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Equity in income of affiliates for fiscal 2016 was $5.0 million compared to $2.7 million for fiscal 2015. The increase of $2.3 million is primarily due to our interest in the Southwest Specialty Egg, LLC joint venture as well as increased income from specialty egg sales and patronage dividends in our other unconsolidated specialty egg joint ventures.

INCOME TAXES

For the fiscal year ended May 28, 2016, our pre-tax income was $487.2 million, compared to $246.5 million for fiscal 2015. Income tax expense of $169.2 million was recorded for fiscal 2016 with an effective income tax rate of 34.8%, compared to $84.3 million for fiscal 2015 with an effective income tax rate of 34.3%.

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 2016 was $2.0 million as compared to $1.0 million for fiscal 2015.

NET INCOME ATTRIBUTABLE TO CAL-MAINE FOODS, INC.

As a result of the above, net income for fiscal 2016 was $316.0 million, or $6.56 per basic share and $6.53 per diluted share, compared to $161.3 million, or $3.35 per basic share and $3.33 per diluted share for fiscal 2015.

Fiscal Year Ended May 30, 2015 Compared to Fiscal Year Ended May 31, 2014

NET SALES

In fiscal 2015, approximately 97% of our net sales consisted of shell eggs and approximately 3% was egg products. Net sales for the fiscal year ended May 30, 2015 were $1,576.1 million, an increase of $135.2 million, or 9.4%, from net sales of $1,440.9 million for fiscal 2014. In fiscal 2015 total dozens of eggs sold increased and egg selling prices increased as compared to fiscal 2014. In fiscal 2015 total dozens of shell eggs sold were 1,063.1 million, an increase of 49.4 million dozen, or 4.9%, compared to 1,013.7 million sold in fiscal 2014. This increase in volume resulted in an increase in net sales of $67.3 million for fiscal 2015 compared with the prior year. Our average selling price of shell eggs increased from $1.362 per dozen for fiscal 2014 to $1.429 per dozen for fiscal 2015, an increase of $0.067 per dozen, or 4.9%, reflecting strong demand for shell eggs across our markets and a higher percentage of specialty egg sales. The increase in sales price in fiscal 2015 over 2014 resulted in a corresponding increase in net sales of $71.2 million. 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.

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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) May 30, 2015 (Amounts in thousands)		May 31, 2014		Quarters Ended (13 weeks) May 30, 2015 (Amounts in thousands)		May 31, 2014	
Total net sales	$ 1,576,128		$ 1,440,907		$ 403,011		$ 371,582	
Non-specialty shell egg sales	1,059,070	69.2%	990,073	71.3%	268,625	68.5%	252,869	70.4%
Specialty shell egg sales	416,127	27.2%	337,243	24.3%	110,696	28.2%	90,632	25.2%
Co-pack specialty shell egg sales	43,282	2.8%	52,786	3.8%	10,278	2.6%	13,950	3.9%
Other sales	11,769	0.8%	7,590	0.6%	2,710	0.7%	1,759	0.5%
Net shell egg sales	$ 1,530,248	100.0%	$ 1,387,692	100.0%	$ 392,309	100.0%	$ 359,210	100.0%
Net shell egg sales as a percent of total net sales	97%		96%		97%		97%	
Dozens sold:								
Non-specialty shell egg	830,770	78.2%	812,031	80.1%	204,138	77.1%	195,555	78.4%
Specialty shell egg	210,606	19.8%	174,364	17.2%	55,699	21.0%	46,681	18.7%
Co-pack specialty shell egg	21,710	2.0%	27,301	2.7%	5,046	1.9%	7,203	2.9%
Total dozens sold	1,063,086	100.0%	1,013,696	100.0%	264,883	100.0%	249,439	100.0%
Net average selling price per dozen	$ 1.43		$ 1.36		$ 1.47		$ 1.43	

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 2015, non-specialty shell eggs represented approximately 69.2% of our shell egg dollar sales, compared to 71.3% for fiscal 2014. Sales of non-specialty shell eggs accounted for approximately 78.1% of our total shell egg dozen volumes in fiscal 2015, compared to 80.1% in fiscal 2014.

For the thirteen-week period ended May 30, 2015, non-specialty shell eggs represented approximately 68.5% of our shell egg dollar sales, compared to 70.4% for the thirteen-week period ended May 31, 2014. For the thirteen-week period ended May 30, 2015, non-specialty shell eggs accounted for approximately 77.1% of the total shell egg dozen volume, compared to 78.4% for the thirteen-week period ended May 31, 2014.

Specialty eggs, which include nutritionally enhanced, cage free, organic and brown eggs, continued to make up a larger portion of our total shell egg sales dollars and dozens in fiscal 2015. For fiscal 2015, specialty eggs accounted for 27.2% of shell egg dollar sales, compared to 24.3% in fiscal 2014, and 19.8% of shell egg dozens sold in fiscal 2015, compared to 17.2% in fiscal 2014. Additionally, for fiscal 2015, specialty eggs sold through co-pack arrangements accounted for 2.8% of shell egg dollar sales, compared to 3.8% in fiscal 2014, and 2.0% of shell egg dozens sold in fiscal 2015, compared to 2.7% in fiscal 2014. 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 30, 2015, specialty shell eggs and specialty shell eggs sold through co-pack arrangements represented approximately 28.2% and 2.6%, of our shell egg dollar sales, compared to 25.2% and 3.9% for the thirteen-week period ended May 31, 2014, respectively. For the thirteen-week period ended May 30, 2015, specialty shell eggs and specialty

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shell eggs sold through co-pack arrangements accounted for approximately 21.0% and 1.9% of the total shell egg dozen volume, compared to 18.7% and 2.9% for the thirteen-week period ended May 31, 2014, respectively.

The shell egg sales classified as “Other” represent hard cooked eggs, hatching eggs, and/or 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 2015 our egg product sales were $45.4 million, an increase of $3.6 million, or 8.6%, compared to $41.8 million for fiscal 2014. Our volume of egg products sold for fiscal 2015 was 51.0 million pounds, an increase of 2.1 million pounds, or 4.3%, compared to 48.9 million pounds for fiscal 2014. The increases in sales volume and market prices in the current fiscal year were due to increased industry demand for egg products, driven by the quick serve restaurant industry as well as export sales. In fiscal 2015, the price per pound of egg products sold was $0.891 compared to $0.855 for fiscal 2014, an increase of 4.2%.

COST OF SALES

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

	Fiscal Year Ended			Quarter Ended		
(Amounts in thousands)	May 30, 2015	May 31, 2014	Percent Change	May 30, 2015	May 31, 2014	Percent Change
Cost of sales:						
Farm production	$ 558,580	$ 575,392	(2.9) %	$ 138,580	$ 171,140	(19.0) %
Processing and packaging	173,181	156,088	11.0 %	45,056	41,983	7.3 %
Outside egg purchases and other	413,863	371,885	11.3 %	101,029	57,336	76.2 %
Total shell eggs	1,145,624	1,103,365	3.8 %	284,665	270,459	5.3 %
Egg products	33,886	33,509	1.1 %	8,640	9,436	(8.4) %
Other	897	1,269	(29.3) %	311	396	(21.5) %
Total	$ 1,180,407	$ 1,138,143	3.7 %	$ 293,616	$ 280,291	4.8 %

Farm production cost (per dozen produced)						
Feed	$ 0.439	$ 0.493	(11.0)%	$ 0.406	$ 0.484	(16.1)%
Other	0.266	0.248	7.3 %	0.272	0.255	6.7 %
Total	$ 0.705	$ 0.741	(4.9) %	$ 0.678	$ 0.739	(8.3) %
Outside egg purchases (average cost per dozen)	$ 1.41	$ 1.37	2.9 %	$ 1.43	$ 1.44	(0.7) %
Dozen produced	798,842	750,302	6.5 %	201,763	195,630	3.1 %
Dozen sold	1,063,086	1,013,696	4.9 %	264,883	249,439	6.2 %

Cost of sales for the fiscal year ended May 30, 2015 was $1,180.4 million, an increase of $42.3 million, or 3.7%, compared to $1,138.1 million for fiscal 2014. Dozens produced increased and dozens purchased from outside shell egg producers increased for fiscal 2015 while cost of feed ingredients decreased in fiscal 2015 compared to fiscal 2014. This fiscal year we produced 75.1% of the eggs sold by us, as compared to 74.0% for the previous year. Feed cost for fiscal 2015 was $0.439 per dozen, compared to $0.493 per dozen for the prior fiscal year, a decrease of 10.2%. The decrease in feed cost per dozen resulted in a decrease in cost of sales of $42.7 million for fiscal 2015 compared with 2014. Gross profit increased from 21.0% of net sales for fiscal 2014 to 25.1% of net sales for fiscal 2015, primarily as a result of lower feed costs and increased egg selling prices.

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Cost of sales for the thirteen-week period ended May 30, 2015 was $293.6 million, an increase of $13.3 million, or 4.8%, compared to $280.3 million for the thirteen-week period ended May 31, 2014. Feed cost per dozen for the fourth quarter of fiscal 2015 was $0.406, compared to $0.484 for comparable fiscal 2014 fourth quarter, a decrease of 14.6%.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

	Fiscal Years Ended 52 Weeks			
(Amounts in thousands)	May 30, 2015	May 31, 2014	$ Change	% Change
Stock compensation expense	$ 2,955	$ 1,794	$ 1,161	64.7%
Specialty egg expense	53,966	46,298	7,668	16.6%
Payroll and overhead	31,965	29,413	2,552	8.7%
Other expenses	24,501	36,161	(11,660)	-32.2%
Delivery expense	46,999	43,046	3,953	9.2%
Total	$ 160,386	$ 156,712	$ 3,674	2.3%

Selling, general and administrative expenses, which include costs of marketing, distribution, accounting and corporate overhead, were $160.4 million in fiscal 2015, an increase of $3.7 million, or 2.3%, compared to $156.7 million for fiscal 2014. 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. For additional information, see Note 11 to Notes to Consolidated Financial Statements. The increase in specialty egg expense for fiscal 2015 compared to fiscal 2014 is attributable to a 20.8% increase in specialty shell egg dozens sold resulting in an increase in advertising promotions and franchise expense. As a percentage of net sales, payroll and overhead is 2.0% for fiscal 2015 and fiscal 2014. Other expenses, which include expenses for repairs, professional fees, and insurance, decreased for fiscal 2015 compared with fiscal 2014 as a result of a 2014 confidential legal settlement and related legal fees as well as decreases in other tax expense. During fiscal 2015 we recognized $239,000 in expense resulting from the increase in fair value of contingent consideration applicable to acquisitions, compared to $4.4 million in fiscal 2014, both of which are reflected in other expenses. See Note 15 to Notes to Consolidated Financial Statements for additional information. As a percentage of net sales, delivery expense is 3.0% for fiscal 2015 and fiscal 2014. As a percent of net sales, selling, general and administrative expense decreased from 10.9% in fiscal 2014 to 10.2% in fiscal 2015.

Quarters Ended
13 Weeks

(Amounts in thousands)	May 30, 2015	May 31, 2014	$ Change	% Change
Stock compensation expense	$ 1,290	$ 753	$ 537	71.3%
Specialty egg expense	14,217	12,414	1,803	14.5%
Payroll and overhead	8,920	9,507	(587)	-6.2%
Other expenses	6,679	9,499	(2,820)	-29.7%
Delivery expense	11,738	11,590	148	1.3%
Total	$ 42,844	$ 43,763	$ (919)	51.3%

Selling, general, and administrative expense was $42.8 million for the thirteen-week period ended May 30, 2015, a decrease of $919,000, or 2.1%, compared to $43.8 million for the thirteen-week period ended May 31, 2014. Other expenses for the thirteen-week period ended May 30, 2015, decreased $2.8 million, or 29.7%, compared to the same period of fiscal 2014, primarily as a result of the previously discussed decrease in expense resulting from the fair value of contingent consideration on our acquisition of Maxim as well as a decrease in other tax expense. This decrease is partially offset by the increase in specialty egg expense for the thirteen-week period ended May 30, 2015 compared to the same period of fiscal 2014 which is attributable to a 19.3% 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 $235.3 million for fiscal 2015, compared to $146.1 million for fiscal 2014. Operating income as a percent of net sales for fiscal 2015 was 14.9%, compared to 10.1% for fiscal 2014.

OTHER INCOME (EXPENSE)

Total other income (expense) consists of income (expenses) not directly charged to, or related to, operations such as interest expense, royalty income, and patronage income, equity in earnings of affiliates, among other items. Total other income for fiscal 2015 was $11.2 million compared to $15.8 million for fiscal 2014. As a percent of net sales, total other income was 0.7% for fiscal 2015, compared to 1.12% for fiscal 2014.

Other income, net, decreased from $8.8 million in fiscal 2014 to $2.2 million in fiscal 2015 primarily due to a fiscal 2014 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, as well as a $1.4 million decrease in royalty income related to oil and gas wells located on property we own in Texas. For additional information see Note 2 to Notes to Consolidated Financial Statements.

INCOME TAXES

For the fiscal year ended May 30, 2015, our pre-tax income was $246.5 million, compared to $161.8 million for fiscal 2014. Income tax expense of $84.3 million was recorded for fiscal 2015 with an effective income tax rate of 34.3%, compared to $52.0 million for fiscal 2014 with an effective income tax rate of 32.1%. 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 2015 was $1.0 million as compared to $600,000 for fiscal 2014.

NET INCOME ATTRIBUTABLE TO CAL-MAINE FOODS, INC.

As a result of the above, net income for fiscal 2015 was $161.3 million, or $3.35 per basic share and $3.33 per diluted share, compared to $109.2 million, or $2.27 per basic share and $2.26 per diluted share for fiscal 2014.

CAPITAL RESOURCES AND LIQUIDITY

Our working capital at May 28, 2016 was $542.8 million, compared to $407.4 million at May 30, 2015. The calculation of working capital is defined as current assets less current liabilities. Our current ratio was 7.50 at May 28, 2016 compared to 5.01 at May 30, 2015. 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 $3.7 million in outstanding standby letters of credit, which are collateralized with cash. Our long-term debt at May 28, 2016, including current maturities, amounted to $25.6 million, compared to $50.9 million at May 30, 2015. See Note 9 in the Notes to Consolidated Financial Statements for information regarding our long-term debt instruments.

Net cash provided by operating activities was $381.8 million and $195.3 million for the fiscal years 2016 and 2015, respectively. Improved gross profit margins contributed greatly to our positive cash flow from operations in fiscal 2016 compared to fiscal 2015. As discussed above, our gross profit margins increased in fiscal 2016 primarily as a result of an increase in egg prices and a decrease in feed costs compared to fiscal 2015.

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For fiscal 2016, approximately $292.5 million was provided from the sale of short-term investments, $403.2 million was used to purchase short-term investments and net payments of $5.4 million were received from notes receivable and investments in affiliates.   We used $34.0 million for our investment in the Red River Valley Egg Farm LLC joint venture. For additional information see Note 3 to Notes to Consolidated Financial Statements. Approximately $76.1 million was used to purchase 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 $120.9 million was used to pay dividends on common stock and $25.3 million was used for principal payments on long-term debt. The net result of these activities was an increase in cash of $20.4 million from May 30, 2015.

For the fiscal year ended May 30, 2015, $195.3 million in net cash was provided by operating activities. This compares to $123.9 million of net cash provided by operating activities for the fiscal year ended May 31, 2014. Improved gross profit margins contributed greatly to our positive cash flow from operations in fiscal 2015 compared to fiscal 2014, as well as fiscal 2014 payment of a $28.0 million legal settlement. As discussed above, our gross profit margins increased in fiscal 2015 primarily as a result of an increase in egg prices and dozens sold and a decrease in feed costs compared to fiscal 2014.

For fiscal 2015, approximately $146.8 million was provided from the sale of short-term investments, $202.5 million was used to purchase short-term investments and net payments of $2.0 million were received from notes receivable and investments in affiliates.   We used $8.2 million for our investment in Southwest Specialty Egg LLC joint venture. For additional information see Note 3 to Notes to Consolidated Financial Statements. Approximately $82.3 million was used to purchase 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 $48.9 million was used to pay dividends on common stock and $10.2 million was used for principal payments on long-term debt. The net result of these activities was a decrease in cash of $5.9 million from May 31, 2014.

Certain property, plant, and equipment is pledged as collateral on our notes payable and senior secured notes. Unless otherwise approved by our lenders, we are required by provisions of our loan agreements to (1) maintain minimum levels of working capital (current ratio of not less than 1.25 to 1) and net worth (minimum of $90.0 million tangible net worth, plus 45% of cumulative net income since the fiscal year ended May 28, 2005); (2) limit dividends paid in any given quarter to not exceed an amount equal to one third of the previous quarter's consolidated net income (allowed if no events of default); (3) maintain minimum total funded debt to total capitalization (debt to total tangible capitalization ratio not to exceed 55%); and (4) maintain various cash-flow coverage ratios (1.25 to 1), among other restrictions. At May 28, 2016, 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.

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We have been making and expect to continue to make significant investments in new and remodeled facilities to meet the increasing demand for cage-free, organic and other specialty eggs, including through our previously discussed Red River joint venture. We expect to fund approximately $7.5 million for our remaining 50% share of the construction and startup costs for the Red River joint venture during fiscal 2017. The complex is expected to be completely stocked in early calendar 2017. Additionally, the following table represents material construction projects approved as of July 14, 2016 (in thousands):

Location	Project	Projected Completion	Projected Cost	Spent as of May 28, 2016	Remaining Projected Cost
Cage-Free Layer Expansion	Quincy, FL	Complete	$ 3,104	$ 3,104	$ -
Layer House Expansions	Okeechobee, FL	Complete	13,340	13,340	-
Pullet Houses & Layer Houses	Shady Dale, GA	Complete	8,105	8,105	-
Breeder Pullet Houses	Edwards, MS	August 2016	2,461	1,294	1,167
Cage-Free Layer & Pullet Houses	South Texas	October 2016	49,586	48,588	998
Cage-Free Layer Houses	South Texas	October 2016	4,033	747	3,286
Cage-Free Layer Houses	Lake City, FL	October 2016	8,144	1,776	6,368
Cooler & Dry Storage Expansion	Bethune, SC	October 2016	1,529	512	1,017
Organic Facility Expansion	Chase, KS	October 2016	18,550	17,110	1,440
Warehouse	Luling, TX	November 2016	2,343	2,022	321
Cage-Free Layer Houses	South Texas	December 2016	4,063	536	3,527
Distribution Center Remodel	Louisburg, NC	February 2017	2,955	-	2,955
Conventional/Cage-Free Layer House with Pullets	South Texas	February 2017	11,353	1,573	9,780
Refurbish Layer Houses Cage Free	Shady Dale, GA	February 2017	4,864	671	4,193
Conventional/Cage-Free Layer House with Pullets	Guthrie, KY	May 2017	11,751	2,447	9,304
California Compliant/Cage Free Layer House Expansions	Delta, UT	April 2017	10,696	5,655	5,041
Conventional/Cage-Free Layer Houses	Green Forest, AR	August 2017	8,146	1,926	6,220
			$ 165,023	$ 109,406	$ 55,617

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 2017		Fiscal 2018		Fiscal 2019		Fiscal 2020	
Long-Term Debt (Principal)	$	25,570	$	16,320	$	4,500	$	3,250	$	1,500
Long-Term Debt (Interest)	1,983		1,324		437		195		27	
Operating Leases	945		571		310		57		7	
Total	$	28,498	$	18,215	$	5,247	$	3,502	$	1,534

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 investment securities for which there is a determinable fair market value and no restrictions on the Company's ability to sell within the next 12 months as available-for-sale, and carries them 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 risk associated with our customers is 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 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 flock's productive life, 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 write-downs to 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.

INTANGIBLE ASSETS

Included in other intangible assets are separable intangible assets acquired in business acquisitions, which include franchise fees, non-compete agreements and customer relationship intangibles, and are amortized over their estimated useful lives of 3 to 25

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years. The gross cost and accumulated amortization of intangible assets are removed when the recorded amounts are fully amortized and the asset is no longer in use. Included in other long-lived assets are loan acquisition costs, which are amortized over the life of the related loan.

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%. These investments are recorded using the cost or equity method, and are 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 $51.0 million at May 28, 2016. The combined total assets and total liabilities of these companies were approximately $444.2 million and $77.0 million, respectively, at May 28, 2016.

GOODWILL

At May 28, 2016, goodwill represented 2.6% of total assets and 3.2% of stockholders' equity. Goodwill relates to the following:

Fiscal Year	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	Revised Hillandale incremental purchase price	9,257
2009	Revised Hillandale incremental purchase price	2,527
2009	Acquisition of Zephyr Egg, LLC	1,876
2009	Acquisition of Tampa Farms, LLC	4,600
2010	Revised Hillandale incremental purchase price	(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 evaluated for impairment annually by first performing a qualitative assessment to determine whether a quantitative goodwill test is necessary. After assessing the totality of events or circumstances, if we determine it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then we perform additional quantitative tests to determine the magnitude of any impairment.

REVENUE RECOGNITION AND DELIVERY COSTS

The Company recognizes revenue only when all of the following criteria have been met:

- Persuasive evidence of an arrangement exists;
- Delivery has occurred;
- The fee for the arrangement is determinable; and
- Collectability is reasonably assured.

The Company believes the above criteria are met upon delivery and acceptance of the product by our customers. Costs to deliver product to customers are included in selling, general and administrative expenses in the accompanying Consolidated Statements of Income and totaled $49.6 million, $47.0 million, and $43.0 million in fiscal years 2016, 2015, and 2014, respectively. Sales revenue reported in the accompanying consolidated statements of income is reduced to reflect estimated returns and allowances. The Company records an estimated sales allowance for returns and discounts at the time of sale using historical trends based on actual sales returns and sales.

SALES INCENTIVES PROVIDED TO CUSTOMERS

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

STOCK BASED COMPENSATION

We account for share-based compensation in accordance with ASC 718, "Compensation-Stock Compensation" ("ASC 718"). ASC 718 requires all share-based payments to employees, including grants of employee stock options, restricted stock and performance-based shares to be recognized in the income statement based on their fair values. ASC 718 requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow. See Note 11: Stock Compensation Plans in the Notes to the Consolidated Financial Statements for more information.

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 2016 averaged approximately 60% of our total farm egg production cost, decreased 15.7% 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 non-specialty shell egg prices. The following table outlines the impact of price changes for corn and soybean meal on feed cost per dozen:

Feed ingredient		Approximate change in feed ingredient cost	Approximate impact on feed costs per dozen		Approximate dollar impact on farm production cost for the 2016 fiscal year	
Corn	$ 0.25	change in the average market price per bushel	$	0.01	$	8,193,070
Soybean Meal	$ 25.00	change in the average market price per ton	$	0.01	$	8,193,070

We generally do not enter into long-term contracts to purchase corn and soybean meal or hedge against increases in the price of corn and soybean meal.

INTEREST RATE RISK

The fair value of our debt 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 $300,000 at May 28, 2016.

We are not a party to any 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 28, 2016 and May 30, 2015, 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 28, 2016. 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 entity'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 28, 2016 and May 30, 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended May 28, 2016, 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 28, 2016, based on criteria established in 2013 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated July 15, 2016, expressed an unqualified opinion.

/s/Frost, PLLC

Little Rock, Arkansas

July 15, 2016

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Cal-Maine Foods, Inc. and Subsidiaries

Consolidated Balance Sheets

(in thousands, except for par value amounts)

	May 28 2016	May 30 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 29,046	$ 8,667
Investment securities available-for-sale	360,499	249,961
Receivables:		
Trade receivables, less allowance for doubtful accounts of $727 in 2016 and $513 in 2015	62,012	99,013
Income tax receivable	11,830	-
Other	5,436	2,964
	79,278	101,977
Inventories	154,799	146,260
Prepaid expenses and other current assets	2,661	2,099
Total current assets	626,283	508,964
Other assets:		
Other investments	53,975	18,843
Goodwill	29,196	29,196
Other intangible assets	4,958	7,560
Other long-lived assets	5,079	5,300
	93,208	60,899
Property, plant and equipment, less accumulated depreciation	392,274	358,790
Total assets	$ 1,111,765	$ 928,653
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	$ 36,262	$ 44,709
Accrued dividends payable	-	15,372
Accrued wages and benefits	23,198	16,939
Accrued income taxes payable	-	5,288
Accrued expenses and other liabilities	7,671	9,173
Current maturities of long-term debt	16,320	10,065
Total current liabilities	83,451	101,546
Long-term debt, less current maturities	9,250	40,795
Other noncurrent liabilities	6,321	5,745
Deferred income taxes	95,382	76,005
Total liabilities	194,404	224,091

Commitments and contingencies – See Notes 8, 9, and 13

Stockholders' equity:		
Common stock, $.01 par value		
120,000 and 70,261 shares authorized and issued in 2016 and 2015, respectively		
43,737 and 43,698 shares outstanding in 2016 and 2015, respectively	703	703
Class A convertible common stock, $.01 par value		
4,800 shares authorized, issued and outstanding in 2016 and 2015, respectively	48	48
Paid-in capital	46,404	43,304
Retained earnings	890,440	679,969
Accumulated other comprehensive income (loss), net of tax	(48)	22
Common stock in treasury, at cost –26,524 and 26,563 shares in 2016 and 2015, respectively	(22,272)	(20,482)
Total Cal-Maine Foods, Inc. stockholders' equity	915,275	703,564
Noncontrolling interest in consolidated entities	2,086	998
Total stockholders’ equity	917,361	704,562
Total liabilities and stockholders' equity	$ 1,111,765	$ 928,653

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 28 2016	May 30 2015	May 31 2014
Net sales	$ 1,908,650	$ 1,576,128	$ 1,440,907
Cost of sales	1,260,576	1,180,407	1,138,143
Gross profit	648,074	395,721	302,764
Selling, general and administrative	177,760	160,386	156,712
Operating income	470,314	235,335	146,052
Other income (expense):			
Interest expense	(1,156)	(2,313)	(3,755)
Interest income	4,314	1,798	1,099
Patronage dividends	6,930	6,893	6,139
Equity in income of affiliates	5,016	2,657	3,512
Other, net	1,831	2,179	8,795
Total other income	16,935	11,214	15,790
Income before income taxes and noncontrolling interest	487,249	246,549	161,842
Income tax expense	169,202	84,268	52,035
Net income including noncontrolling interest	318,047	162,281	109,807
Less: Net income attributable to noncontrolling interest	2,006	1,027	600
Net income attributable to Cal-Maine Foods, Inc.	$ 316,041	$ 161,254	$ 109,207
Net income per share:			
Basic	$ 6.56	$ 3.35	$ 2.27
Diluted	$ 6.53	$ 3.33	$ 2.26
Weighted average shares outstanding:			
Basic	48,195	48,136	48,095
Diluted	48,365	48,437	48,297

See accompanying notes.

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Cal-Maine Foods, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

(in thousands)

	Fiscal years ended		
	May 28 2016	May 30 2015	May 31 2014
Net income, including noncontrolling interests	$ 318,047	$ 162,281	$ 109,807
Other comprehensive income, before tax:			
Unrealized holding gain (loss) on available-for-sale securities, net of reclassification adjustments	(25)	(143)	392
(Increase) decrease in accumulated postretirement benefits obligation, net of reclassification adjustments	(118)	(741)	255
Other comprehensive income (loss), before tax	(143)	(884)	647
Income tax (benefit) expense related to items of other comprehensive income (loss)	(73)	(345)	252
Other comprehensive income (loss), net of tax	(70)	(539)	395