

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 29, 2021**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number: 001-38695

CAL-MAINE FOODS, INC.

(Exact name of registrant as specified in its charter)

Delaware

64-0500378

(State or other Jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification No.)

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

(Address of principal executive offices) (Zip Code)

(601) 948-6813

(Registrant's telephone number, including area code)

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

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

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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, 2020, which was the date of the last business day of the registrant's most recently completed second fiscal quarter, was \$1,512,923,967.

As of July 19, 2021, 44,058,463 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 for its 2021 annual meeting of stockholders 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 future production data, expected construction schedules, projected construction costs, potential future supply of and demand for our products, potential future corn and soybean price trends, potential future impact on our business of the coronavirus ("COVID-19") pandemic, potential future impact on our business of new legislation, rules or policies, potential outcomes of legal proceedings, and projected operating data, 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 results could differ materially from those projected in the forward-looking statements. The forward-looking statements are based on management's current intent, belief, expectations, estimates, and projections regarding the Company and its industry. These statements are not guarantees of future performance and involve risks, uncertainties, assumptions, and other factors that are difficult to predict and may be beyond our control. The factors that could cause actual results to differ materially from those projected in the forward-looking statements include, among others, (i) the risk factors set forth in Item 1A Risk Factors and elsewhere in this report as well as those included in other reports we file from time to time with the Securities and Exchange Commission (the "SEC") (including our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K), (ii) the risks and hazards inherent in the shell egg business (including disease, pests, weather conditions, and potential for product recall), (iii) changes in the demand for and market prices of shell eggs and feed costs, (iv) our ability to predict and meet demand for cage-free and other specialty eggs, (v) risks, changes, or obligations that could result from our future acquisition of new flocks or businesses, and risks or changes that may cause conditions to completing a pending acquisition not to be met, (vi) risks relating to the evolving COVID-19 pandemic, and (vii) adverse results in pending litigation matters. Readers are cautioned not to place undue reliance on forward-looking statements because, while we believe the assumptions on which the forward-looking statements are based are reasonable, there can be no assurance that these forward-looking statements will prove to be accurate. Further, forward-looking statements included herein are only made as of the respective dates thereof, or if no date is stated, as of the date hereof. Except as otherwise required by law, we disclaim any intent or obligation to update publicly these forward-looking statements, whether because of new information, future events, or otherwise.

ITEM 1. BUSINESS

Our Business

We are the largest producer and distributor of shell eggs in the United States. Our mission is to be the most sustainable producer and reliable supplier of consistent, high quality fresh shell eggs and egg products in the country, demonstrating a "Culture of Sustainability" in everything we do, and creating value for our shareholders, customers, team members and communities. We sell most of our shell eggs in the southwestern, southeastern, mid-western and mid-Atlantic regions of the U.S. and aim to maintain efficient, state-of-the-art operations located close to our customers. We were founded in 1957 by the late Fred R. Adams, Jr. and are headquartered in Ridgeland, Mississippi.

The Company has one operating segment, which is the production, grading, packaging, marketing and distribution of shell eggs. Our integrated operations consist of hatching chicks, growing and maintaining flocks of pullets, layers, and breeders, manufacturing feed, and producing, processing, packaging, and distributing shell eggs. Layers are mature female chickens, pullets are 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.

Many of our customers rely on us to provide most of their shell egg needs, including specialty and conventional eggs. Specialty eggs encompass a broad range of products. We classify nutritionally enhanced, cage-free, organic and brown eggs as specialty eggs for accounting and reporting purposes. We classify all other shell eggs as conventional products. While we report separate sales information for these egg types, there are many cost factors that are not specifically available for conventional 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.

Over time, we have acquired other companies in our industry. Since 1989 through our fiscal year ended May 29, 2021, we have completed 22 acquisitions ranging in size from 160 thousand layers to 7.5 million layers. In addition, subsequent to our fiscal 2021, we acquired the remaining 50% membership interest in Red River Valley Egg Farm, LLC, effective June 1, 2021. For further description of this transaction, refer to Part II. Item 8. Notes to the Consolidated Financial Statements, [Note 20 – Subsequent Events](#).

When we use “we,” “us,” “our,” or the “Company” in this report, we mean Cal-Maine Foods, Inc. and our consolidated subsidiaries, unless otherwise indicated or the context otherwise requires. Our fiscal year 2021 ended May 29, 2021, and the first three fiscal quarters of fiscal 2021 ended August 29, 2020, November 28, 2020, and February 27, 2021. All references herein to a fiscal year means our fiscal year and all references to a year mean a calendar year.

Industry Background

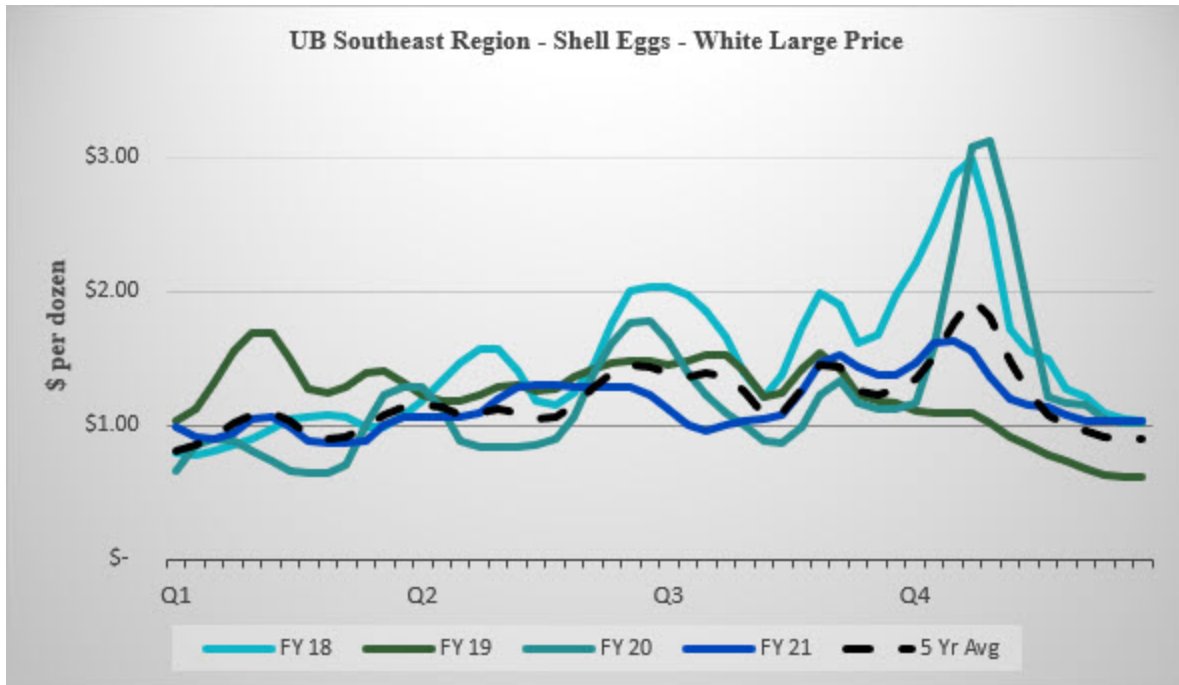
According to the U.S. Department of Agriculture (“USDA”) Agricultural Marketing Service in 2020, approximately 72% of eggs produced in the U.S. were sold as shell eggs, with 66% sold to retail outlets (e.g. through grocery and convenience stores), 3% sold to foodservice customers and 3% exported. The remaining 28% of eggs produced in the U.S. are sold as egg products (shell eggs broken and sold in liquid, frozen, or dried form) to institutions (e.g. companies producing baked goods). For information about egg producers in the U.S., see “Competition” below.

Based on historical consumption trends, we believe general demand for eggs increases basically in line with overall population growth, averaging about 2% per year. Specific events can impact egg consumption in a particular period. For example, in 2015, egg consumption decreased approximately 4% over the prior year primarily due to a shortage of eggs resulting from an outbreak of avian influenza (“AI”) in the spring of that year. In 2016, consumption rebounded and increased 7% over 2015 and 3% over the pre-shortage level of 2014. According to the USDA, annual per capita U.S. consumption since 2016 varied between 278 and 293 eggs. In calendar year 2020, per capita U.S. consumption was estimated to be 287 eggs, or approximately six 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. (assuming all eggs produced domestically by the egg industry are consumed). Sales prices of eggs are dependent upon many factors other than consumption. For information about shell egg prices see “Prices for Shell Eggs” below.

Prices for Shell Eggs

Wholesale shell egg sales prices are a critical component of revenue for the Company. Wholesale shell egg prices are volatile, cyclical, and impacted by a number of factors, including consumer demand, seasonal fluctuations, disease, and by the number and productivity of laying hens in the U.S. While we use several different pricing mechanisms in pricing agreements with our customers, we believe the majority of conventional shell eggs sold in the U.S. in the retail and foodservice channels are sold at prices that take into account, in varying ways, independently quoted wholesale market prices as published by Urner Barry Publications, Inc. (“UB”) for shell eggs. We sell the majority of our conventional shell eggs based on formulas that take into account, in varying ways, independently quoted regional wholesale market prices for shell eggs or formulas related to our costs of production, which include the cost of corn and soybean meal. We do not sell eggs directly to consumers or set the prices at which eggs are sold to consumers.

The weekly average price for the southeast region for large white conventional shell eggs as quoted by UB is shown below for the past three fiscal years along with the five-year average price. As further discussed in [Part II. Item 7. Management’s Discussion and Analysis – Results of Operations](#), conventional shell egg prices experienced a brief but significant increase during the fourth quarter of fiscal 2020 related to the onset of the COVID-19 pandemic. The actual prices that we realize on any given transaction will not necessarily equal quoted market prices because of the individualized terms that we negotiate with individual customers which are influenced by many factors.

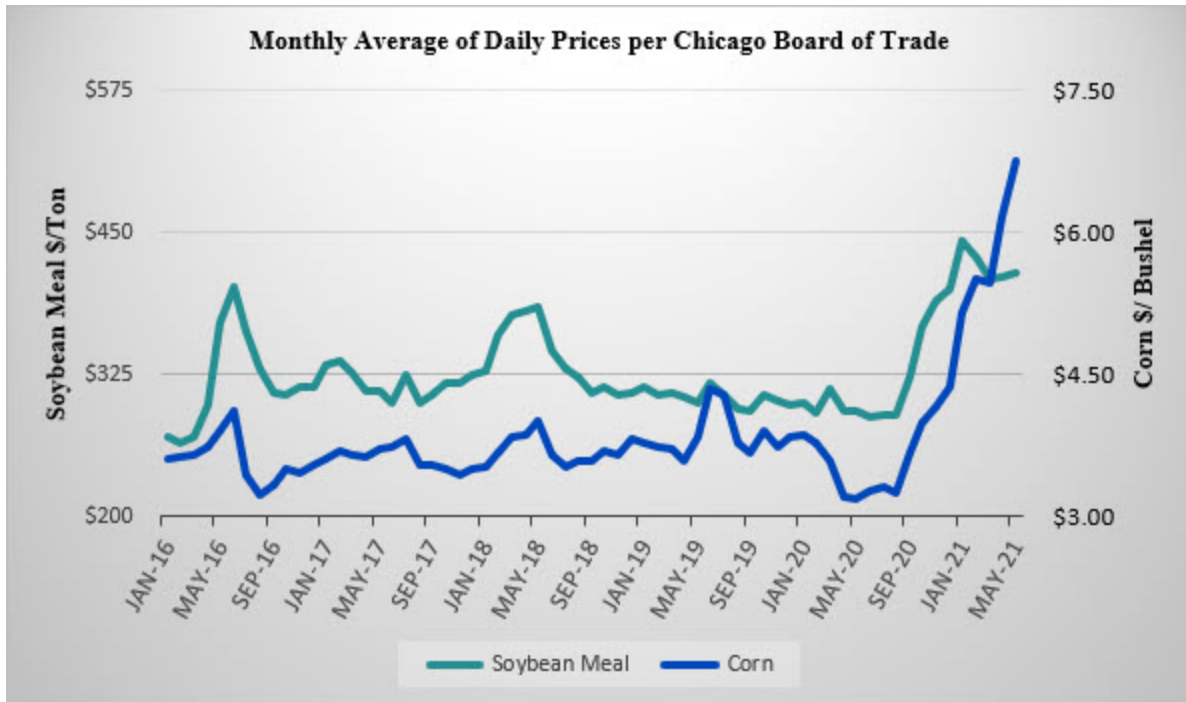


Specialty eggs are sold at prices and terms negotiated directly with customers. Historically, prices for specialty eggs have experienced less volatility than prices for conventional shell eggs and have generally been higher due to customer and consumer willingness to pay more for specialty eggs.

Feed Costs for Shell Egg Production

Feed is a primary cost component in the production of shell eggs and represented 58.2% of our fiscal 2021 farm production costs. We routinely fill our storage bins during harvest season when prices for feed ingredients are generally lower. To ensure continued availability of feed ingredients, we may enter into contracts for future purchases of corn and soybean meal, and as part of these contracts, we may lock-in the basis portion of our grain purchases several months in advance. Ordinarily, we do not enter long-term contracts beyond a year to purchase corn and soybean meal or hedge against increases in the price of corn and soybean meal. As the quality and composition of feed is a critical factor in the nutritional value of shell eggs and health of our chickens, we formulate and produce the vast majority of our own feed at our feed mills located near our production plants. Our annual feed requirements for fiscal 2021 were 1.8 million tons of finished feed, of which we manufactured 1.6 million tons. We currently have the capacity to store 152 thousand tons of corn and soybean meal, and we replenish these stores as needed throughout the year.

Our primary feed ingredients, corn and soybean meal, are commodities and are subject to volatile price changes due to weather, various supply and demand factors, transportation and storage costs, speculators, and agricultural, energy and trade policies in the U.S. and internationally. We purchase the vast majority of our corn and soybean meal from U.S sources but may be forced to purchase internationally when U.S. supplies are not readily available. Feed grains are currently available from an adequate number of sources in the U.S. As a point of reference, a multi-year comparison of the monthly average of daily closing prices per Chicago Board of Trade are shown below for corn and soybean meal:



Shell Egg Production

We produced approximately 90.5% of our total shell eggs sold in fiscal 2021, with 91% of such production coming from company-owned facilities, and 9% 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 purchased approximately 9.5% of the total shell eggs we sold during fiscal 2021 from outside suppliers.

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 breeder farms and hatcheries in a computer-controlled environment and obtain the balance from commercial sources.

After the eggs are produced, they are graded and packaged. Substantially all our farms have modern “in-line” facilities which mechanically gather, grade and package the eggs at the same location where they are laid. The in-line facilities generate significant efficiencies and cost savings compared to the cost of eggs produced from non-in-line facilities, which process eggs laid at another location and transported to the facility. The in-line facilities also 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. Because shell eggs are perishable, we do not maintain large egg inventories. Our egg inventory averaged six days of sales over the course of fiscal 2021. We believe our constant focus on production efficiencies and automation throughout the supply chain enable us to be a low-cost supplier in our markets.

We do not use artificial hormones in the production of our eggs. Hormone use in the poultry and egg production industry has been effectively banned in the U.S. since the 1950s. We have an extensive written protocol that allows the use of medically important antibiotics only when animal health is at risk, consistent with guidance from the United States Food and Drug Administration ("FDA") and the Guidance for Judicious Therapeutic Use of Antimicrobials in Poultry, developed by the American Association of Avian Pathologists. When antibiotics are medically necessary, a licensed veterinary doctor will approve and administer approved doses for a restricted period. Our programs are designed to ensure antibiotics are ordered and used only when necessary and records of their usage – when and where – are maintained to monitor compliance with our protocols. We do not use antibiotics for growth promotion or performance enhancement.

Specialty Eggs

We are one of the largest producers and marketers of value-added specialty shell eggs in the U.S., which continues to be a significant and growing segment of the market. We classify nutritionally enhanced, cage-free, organic and brown eggs as specialty eggs for accounting and reporting purposes. Specialty eggs are intended to meet the demands of consumers who are sensitive to environmental, health and/or animal welfare issues.

As defined by the USDA, eggs packed in USDA grade marked consumer packages labeled as cage-free are laid by hens that are able to roam vertically and horizontally in indoor houses, and have access to fresh food and water. Cage-free systems must allow hens to exhibit natural behaviors and include enrichments such as scratch areas, perches and nests. Hens must have access to litter, protection from predators and be able to move in a barn in a manner that promotes bird welfare.

A significant number of our customers have announced goals to offer cage-free eggs exclusively on or before 2026, subject in most cases to availability of supply, affordability and customer demand, among other contingencies. Additionally, several states have passed legislation requiring the sale and production of only cage-free eggs within this time period and other states are considering such requirements. Our customers typically do not commit to long-term purchases of specific quantities or type of eggs with us, and as a result, it is difficult to accurately predict customer requirements for cage-free eggs. We are, however, engaging with our customers in an effort to achieve a smooth transition in meeting their announced goals and needs. Sales of cage-free eggs represented approximately 23% of our shell egg revenues for fiscal year 2021, and currently our production capacity exceeds customer requirements, which we believe positions us well, as our customer base is primarily outside of states that have mandated cage-free production and sales. We have invested significant capital in recent years to acquire and construct cage-free facilities, and we expect our focus for future expansion will continue to include cage-free facilities, as our customers transition to meet consumer demand and comply with evolving legal requirements. At the same time, we understand the importance of our continued ability to provide affordable conventional eggs in order to provide our customers with a variety of egg choices and to address hunger in our communities.

Egg-Land's Best® and *Land O' Lakes*® branded eggs are produced and processed under license from Eggland's Best, Inc. ("EB") at our facilities under EB guidelines. *Land O' Lakes*® branded eggs are produced by hens that are fed a whole-grain vegetarian diet. Our Farmhouse Eggs® brand eggs are produced at our facilities by cage-free hens that are provided with a vegetarian diet. We market organic, vegetarian, and omega-3 eggs under our *4-Grain*® brand, which consists of both caged and cage-free eggs. We also produce, market, and distribute private label specialty shell eggs to several customers.

Egg Products

Egg products are shell eggs broken and sold in liquid, frozen, or dried form. We sell liquid and frozen egg products primarily to the institutional, foodservice, and food manufacturing sectors in the U.S. Our egg products are sold through our wholly owned subsidiaries American Egg Products, LLC located in Georgia and Texas Egg Products, LLC located in Texas.

Summary of Conventional and Specialty Shell Egg and Egg Product Sales

The following table sets forth the contribution as a percentage of revenue and volumes of dozens sold of conventional and specialty shell egg and egg product sales for the following fiscal years:

	2021		2020		2019	
	Revenue	Volume	Revenue	Volume	Revenue	Volume
Conventional Eggs	56.8 %	73.2 %	61.4 %	76.1 %	59.4 %	74.9 %
Specialty Eggs						
Egg-Land's Best®	20.9 %	13.5 %	19.2 %	12.7 %	19.9 %	13.5 %
Other Specialty Eggs	19.1 %	13.3 %	16.7 %	11.2 %	17.3 %	11.6 %
Total Specialty Eggs	40.0 %	26.8 %	35.9 %	23.9 %	37.2 %	25.1 %
Egg Products	2.7 %		2.3 %		3.0 %	

Marketing and Distribution

We sell most of our shell eggs in the southwestern, southeastern, mid-western and mid-Atlantic regions of the U.S. through our extensive distribution network to a diverse group of customers, including national and regional grocery store chains, club stores, companies servicing independent supermarkets in the U.S., 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. Although we face intense competition from numerous other companies, we believe that we have the largest market share for the sale of shell eggs in the grocery segment, including large U.S. food retailers.

We are a member of the EB cooperative and produce, market and distribute EB and Land O'Lakes branded eggs, both directly and through our joint ventures Specialty Eggs, LLC and Southwest Specialty Eggs, LLC, under exclusive license agreements in Alabama, Arizona, Florida, Georgia, Louisiana, Mississippi, Nevada, and Texas; portions of states in California, North Carolina, Oklahoma, South Carolina, Utah, as well as the whole New York City area.

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

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

Customers

Our top three customers accounted for an aggregate of 48.6%, 51.1% and 52.2% of net sales dollars for fiscal 2021, 2020, and 2019, respectively. Our largest customer, Walmart Inc. (including Sam's Club), accounted for 29.8%, 32.1% and 33.7% for fiscal 2021, 2020, and 2019, respectively.

In fiscal 2021, approximately 90.5% of our revenue related to sales to retail customers, 6.8% to sales to foodservice providers and 2.7% to egg products sales. Retail customers include primarily national and regional grocery store chains, club stores, and companies servicing independent supermarkets in the U.S. Foodservice customers include primarily companies that sell food products and related items to restaurants, healthcare and education facilities, and hotels.

Competition

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

The shell egg production industry remains highly fragmented. According to *Egg Industry* magazine in its 2021 survey, 66 producers, each owning at least 500 thousand layers, owned approximately 99% of total industry layers. The ten largest producers owned approximately 53% of total industry layers compared to 54% in the prior year. We believe industry consolidation will continue, and we plan to capitalize on opportunities as they arise. We believe further concentration will result in reduced cyclicality of shell egg prices, but no assurance can be given in that regard. A continuation of this trend could create greater competition among fewer producers.

Seasonality

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

Growth Strategy

Our growth strategy is focused on remaining a low-cost provider of shell eggs located near our customers. In light of the growing customer demand and increased legal requirements for cage-free eggs, we intend to continue to closely evaluate the need to expand through selective acquisitions, with a priority on those that will facilitate our ability to expand our cage-free shell egg production capabilities in key locations and markets. We will continue to closely evaluate the need to continue to expand and convert our own facilities to increase production of cage-free eggs based on a timeline designed to meet the anticipated needs of our customers and comply with evolving legal requirements. As the ongoing production of cage-free eggs is more costly than the production of conventional eggs, aligning our cage-free production capabilities with changing demand for cage-free eggs is important to the success of our business.

Trademarks and License Agreements

We own the trademarks *Farmhouse Eggs*®, *Sunups*®, *Sunny Meadow*® and *4Grain*®. 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.

Government Regulation

Our facilities and operations are subject to regulation by various federal, state, and local agencies, including, but not limited to, the FDA, USDA, Environmental Protection Agency ("EPA"), Occupational Safety and Health Administration ("OSHA") and corresponding state agencies or laws. The applicable regulations relate to grading, quality control, labeling, sanitary control and reuse or disposal of waste. Our shell egg facilities are subject to periodic USDA, FDA, EPA, and OSHA inspections. Our feed production facilities are subject to FDA regulation and inspections. We maintain our own inspection program to monitor compliance with our own standards and customer specifications. It is possible that we will be required to incur significant costs for compliance with such statutes and regulations. In the future, additional rules could be proposed that, if adopted, could increase our costs.

California, Colorado, Massachusetts, Michigan, Nevada, Oregon, Rhode Island, and Washington have passed minimum space and/or cage-free requirements, mandating the sale of only cage-free eggs in their states, with implementation of these laws ranging from January 2022 to January 2026. These states represent approximately 24% of the U.S. total population according to the 2020 U.S. Census. While our direct sales into these states have not been material, these laws will affect sourcing, production and pricing of eggs (conventional as well as specialty) as the national demand for cage-free production could be greater than the current supply which would increase the price of cage-free eggs, unless more cage-free production capacity is constructed. Likewise, the national supply for eggs from conventional production could exceed consumer demand which would decrease the price of conventional eggs.

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 must 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, as environmental, health and safety laws and regulations are becoming increasingly more stringent, including those relating to animal wastes and wastewater discharges, it is possible that we will have to incur significant costs for compliance with such laws and regulations in the future.

Human Capital Resources

As of May 29, 2021, we had 3,286 employees, of whom 2,642 worked in egg production, processing, and marketing, 188 worked in feed mill operations and 456, including our executive officers, were administrative employees. Approximately 4.1% of our personnel are part-time, and we utilize temporary employment agencies and independent contractors to augment our staffing needs when necessary. For fiscal 2021, the average monthly full-time equivalent for contingent workers were 840. None of our employees are covered by a collective bargaining agreement. We consider our relations with employees to be good.

Culture and Values

We are proud to be contributing corporate citizens where we live and work and to help to create healthy, prosperous communities. Our colleagues help us continue to enhance our community contributions, which are driven by our longstanding culture that strives to promote an environment that upholds integrity and respect and provides opportunities for each colleague to realize full potential.

Health and Safety

Our top priority is the health and safety of our employees, who continue to produce high-quality, affordable egg choices for our customers and contribute to a stable food supply. Our enterprise safety committee comprises two corporate safety managers, eight area compliance managers, 53 local site compliance managers, feed mill managers, and general managers. The committee oversees health and safety regularly reviews our written policies and changes to OSHA regulation standards, and shares information as it relates to outcomes from incidents in order to improve future performance. The committee's goals include

working to ensure that our engagements with our consumers, customers, and regulators evidence our strong commitment to our workers' health and safety.

Our commitment to our colleagues' health includes a strong commitment to on-site worker safety, including a focus on accident prevention and life safety. Training and safety personnel conduct monthly multi-lingual training that covers topics such as slip-and-fall avoidance, respiratory protection, prevention of hazardous communication of chemicals, the proper use of personal protective equipment, hearing conservation, emergency response, lockout tagout of equipment, and forklift safety, among others. To help drive our focus on colleague safety, we developed safety committees at each of our sites that employee representation from each department. We regularly provide health and safety information to employees via company bulletin boards. Our local site farm and feed mill management has an open-door policy with employees to discuss improvement ideas. We have also installed dry hydrogen peroxide biodefense systems in our processing facilities. New colleagues undergo a two-day orientation period reviewing our safety and health programs and policies as they relate to their job tasks and then are placed with experienced team members to learn the job tasks. At the 30-day anniversary of the employees' hire date, their supervisor has a one-on-one meeting to discuss any questions the employee may still be unsure about as it relates to their job tasks, health and safety policies and procedures, or any other matters.

We review the success of our safety programs on a monthly basis to monitor their effectiveness and the development of any trends that need to be addressed. During fiscal year 2021 our recordable incident rates decreased by 21% compared to fiscal 2020.

Diversity, Equity and Inclusion

Our culture seeks to embrace the diversity and inclusion of all our team members. This culture is driven by our board and executive management team. Our board comprises seven members, four of whom are independent. Women comprise 29% of our board and 14% of our board members identify as a racial or ethnic minority. As of May 29, 2021, our total workforce comprised 30% women and 52% of colleagues who identify as racial or ethnic minorities. Our Policy against Harassment, Discrimination, Unlawful or Unethical Conduct and Retaliation; Reporting Procedure affirms our commitment to supporting our employees regardless of race, color, religion, sex, national origin or any other basis protected by applicable law.

Cal-Maine Foods strives to ensure that our colleagues are treated equitably. We are an Equal Opportunity Employer that prohibits, by policy and practice, any violation of applicable federal, state, or local law regarding employment. Discrimination because of race, color, religion, sex, pregnancy, age, national origin, citizenship status, veteran status, physical or mental disability, genetic information, or any other basis protected by applicable law is prohibited. We value diversity in our workplaces or in work-related situations. We maintain strong protocols to help our colleagues perform their jobs free from harassment and discrimination. Our focus on equitable treatment extends to recruitment, employment applications, hiring, placement, job assignments, career development, training, remuneration, benefits, discharge and other matters tied to terms and conditions of employment. We are committed to offer our colleagues opportunities commensurate with our operational needs, their experiences, goals and contributions.

Recruitment, Development and Retention

We believe in compensating our colleagues with fair and competitive wages, in addition to offering competitive benefits. Approximately 78% of our employees are paid at hourly rates, with the majority paid at rates above the federal minimum wage requirement. Our annual average weekly wage across all employees for fiscal year 2021 was \$878.30. We offer our full-time eligible employees a range of benefits including company-paid life insurance. The Company provides a comprehensive self-insured health plan and pays approximately 85% of the costs of the plan for participating employees and their families as of December 31, 2020. Recent benchmarking of our health plan indicates comparable benefits, at lower employee contributions, when compared to an applicable Agriculture and Food Manufacturing sector grouping, as well as peer group data. In addition, we offer employees the opportunity to purchase an extensive range of other group plan benefits, such as dental, vision, cancer, disability and voluntary life. After one year of employment, full-time employees, who meet eligibility requirements, may elect to participate in our KSOP retirement plan, which offers a range of investment alternatives and includes many positive features, such as automatic enrollment with scheduled automatic contribution increases and loan provisions. And, regardless of the employees' election to contribute to the KSOP, the Company contributes shares of Company stock or cash equivalent to 3% of pre-tax earnings for each pay period that hours are worked.

We provide extensive training and development related to safety, regulatory compliance, and task training. We invest in developing our future leaders through our Management Intern, Management Trainee, and informal mentoring programs.

Sustainability

We understand that a healthy environment and responsible management of our flocks and natural resources are vital to the production of high-quality eggs and egg products and to the success of our Company. We have engaged in agricultural production for more than 60 years. Our agricultural practices continue to evolve with increased focus on sustainability factors as we continue to strive to meet the need for nutritious, affordable foods to feed a growing population even as we exercise responsible natural resource stewardship. We plan to publish our most recent Sustainability update in late July 2021, which will be available on our website. Information contained in our website is not a part of this report.

COVID-19 Pandemic

For information regarding our response to the COVID-19 pandemic, and its impact on our business, see [Part I. Item 1A. Risk Factors](#) and [Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations](#).

Our Corporate Information

We maintain a website at www.calmainefoods.com where general information about our business and corporate governance matters is available. The information contained in our website is not a part of this report. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements, and all amendments to those reports are available, free of charge, through our website as soon as reasonably practicable after we file them with the SEC. In addition, the SEC maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Information concerning corporate governance matters is also available on our website. Cal-Maine Foods, Inc. is a Delaware corporation, incorporated in 1969.

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, or that we are aware of but 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.

INDUSTRY RISK FACTORS

Market prices of wholesale shell eggs are volatile, and decreases in these prices can adversely impact our revenues and profits.

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. Under certain circumstances, small increases in production, or small decreases in demand, within the industry might have a large adverse effect on shell egg prices. Low shell egg prices adversely affect our revenues and profits.

Market prices for wholesale shell eggs have been volatile and cyclical. Shell egg prices have risen in the past during periods of high demand such as the initial outbreak of the COVID-19 pandemic and periods when high protein diets are popular. Shell egg prices have also risen in the past during periods of constrained supply, such as the avian influenza outbreak in 2015, which we believe, based on published industry estimates, impacted approximately 12% of the national flock of laying hens. During times when prices are high, the egg industry has typically geared up to produce more eggs primarily by increasing the number of layers, ultimately resulting in an oversupply of eggs, which was subsequently followed by a period of lower prices.

As discussed above under the heading "Seasonality" in Part I. Item 1. Business, seasonal fluctuations impact shell egg prices. Therefore, 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 the increase in meals prepared at home due to COVID-19 pandemic, high protein diet trends, industry advertising campaigns, and the improved nutritional reputation of eggs (related to better scientific understanding of the role of cholesterol in

diets) have all contributed to shell egg demand. However, it is possible that the demand for shell eggs will decline in the future. Adverse publicity relating to health concerns and changes in the perception of the nutritional value of shell eggs, changes in consumer views regarding consumption of animal-based products, 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 costs are the largest element of our shell egg (farm) production cost, ranging from 55% to 58% of total farm production cost in the last five fiscal years. Although feed ingredients, primarily corn and soybean meal, are available from a number of sources, we do not have control over the prices of the ingredients we purchase, which are affected by weather, various supply and demand factors, transportation and storage costs, speculators, and agricultural, energy and trade policies in the U.S. and internationally. 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 and cash flow. Alternatively, low feed costs can encourage industry overproduction, possibly resulting in lower egg prices and lower revenue.

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

Shell eggs and shell egg products are vulnerable to contamination by pathogens such as Salmonella. The Company maintains policies and procedures designed to comply with the complex rules and regulations governing egg production, such as The Final Egg Rule issued by the FDA "Prevention of Salmonella Enteritidis in Shell Eggs During Production, Storage, and Transportation," and the FDA's Food Safety Modernization Act. 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 scrutiny by federal and state regulatory agencies. In addition, products purchased from other producers could contain contaminants that might be inadvertently redistributed by us. As such, we might decide or be required to recall a product if we or regulators believe it poses a potential health risk. 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; however, despite these efforts, outbreaks of avian disease can and do 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 and requiring us to euthanize the affected layers. 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 layers or 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.

BUSINESS AND OPERATIONAL RISK FACTORS

The COVID-19 pandemic has had an adverse impact on our business and operations

Since early 2020, the coronavirus ("COVID-19") outbreak, characterized as a pandemic by the World Health Organization on March 11, 2020, has caused significant disruptions in international and U.S. economies and markets. The effects of COVID-19 have had, and may continue to have if a resurgence occurs, a negative impact on our business through disruptions in the supply chain such as increased costs and decreased availability of packaging supplies; the pandemic has also increased labor costs and medical costs.

During the initial outbreak of COVID-19, we saw an increase in demand for eggs as consumers prepared more meals at home. Egg prices initially rose during the fourth quarter of fiscal 2020, but prices quickly decreased as the demand shock subsided and eggs that normally would go to foodservice businesses (e.g. restaurants) entered the retail market (e.g. grocery stores). As a result of the pandemic, the foodservice market for shell eggs was depressed for most of fiscal 2021. As vaccination rates continue to rise and governmental restrictions are lifted, foodservice demand may increase and demand in retail channels, where we sell most of our eggs, could decrease.

Our acquisition growth strategy subjects us to various risks.

As discussed in [Part I. Item I. Business – Growth Strategy](#), we plan to pursue a growth strategy that includes selective acquisitions of other companies engaged in the production and sale of shell eggs, with a priority on those that will facilitate our ability to expand our cage-free shell egg production capabilities in key locations and markets. The number of existing companies with cage-free capacity that we may be able to purchase is limited, as most production of shell eggs by other companies in our markets currently does not meet customer or legal requirements to be designated as cage-free.

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 may over-estimate or underestimate the demand for cage-free eggs, which could cause our acquisition strategy to be less-than-optimal for our future growth and profitability.

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 we acquire 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, and we cannot guarantee that such approvals would be obtained.

The consideration we pay in connection with any acquisition 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 additional debt.

Our largest customers have 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.

Our top three customers accounted for an aggregate of 48.6%, 51.1% and 52.2% of net sales dollars for fiscal 2021, 2020, and 2019, respectively. Our largest customer, Walmart Inc. (including Sam's Club), accounted for 29.8%, 32.1% and 33.7% of net sales dollars for fiscal 2021, 2020, and 2019, respectively. Although we have established long-term relationships with most of our customers who continue to purchase from us based on our ability to service their needs, they are free to acquire shell eggs from other sources. If, for any reason, one or more of our large customers were to purchase significantly less of our shell eggs in the future or terminate their purchases from us, and we were 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.

Our business is highly competitive.

The production and sale of fresh shell eggs, which 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. Increased competition could result in price reductions, greater cyclicity, reduced margins and loss of market share, which would negatively affect our business, results of operations, and financial condition.

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. Competition could cause us to lose talented employees, and unplanned turnover could deplete institutional knowledge and result in increased costs due to increased competition for employees.

Our business is dependent on our information technology systems and software, and failure to protect against or effectively respond to cyber-attacks, security breaches, or other incidents involving those systems, could adversely affect day-to-day operations and decision making processes and have an adverse effect on our performance and reputation.

The efficient operation of our business depends on our information technology systems, which we rely on to effectively manage our business data, communications, logistics, accounting, regulatory 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, reputation, 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, natural disasters, terrorist attacks, viruses, ransomware, security breaches or cyber incidents. Cyber-attacks are becoming more sophisticated and are increasing in the number of attempts and frequency by groups and individuals with a wide range of motives.

A security breach of sensitive information could result in damage to our reputation and our relations with our customers or employees. Any such damage or interruption could have a material adverse effect on our business.

Labor shortages or increases in labor costs could adversely impact our business and results of operations.

Labor is a primary component of our farm production costs. Our success is dependent upon recruiting, motivating, and retaining staff to operate our farms. Approximately 78% of our employees are paid at hourly rates, often in entry-level positions. While the majority are paid at rates above the federal minimum wage requirements, any significant increase in local, state or federal minimum wage requirements could increase our labor costs. In addition, any regulatory changes requiring us to provide additional employee benefits or mandating increases in other employee-related costs, such as unemployment insurance or workers compensation, would increase our costs. A shortage in the labor pool, which may be caused by competition from other employers, the remote locations of many of our farms, or changes in government provided support or immigration laws, particularly in times of lower unemployment, could adversely affect our business and results of operations. A shortage of labor available to us could cause our farms to operate with reduced staff, which could negatively impact our production capacity and efficiencies and could require us to increase wages to attract labor. Accordingly, any significant labor shortages or increases in our labor costs could have a material adverse effect on our results of operations.

We are controlled by the family of our late founder, Fred R. Adams, Jr., and Adolphus B. Baker, our Chief Executive Officer and Chairman of our Board of Directors controls the vote of 100% of our outstanding Class A Common Stock.

Fred R. Adams, Jr., our Founder and Chairman Emeritus died on March 29, 2020. Mr. Adams' son-in-law, Adolphus B. Baker, our Chief Executive Officer and Chairman of our board of directors, Mr. Baker's spouse and her three sisters (who are Mr. Adams' four daughters) beneficially own, directly or indirectly through related entities, 100% of our outstanding Class A Common Stock (which has 10 votes per share), controlling approximately 52.1% of our total voting power. Additionally, such persons and Jean Reed Adams ("Mrs. Adams"), the wife of our late founder, Fred R. Adams, Jr., also have additional voting power due to beneficial ownership of our Common Stock (which has one vote per share), directly or indirectly through related entities, resulting in family voting control of approximately 57.7% of our total voting power. Mr. Baker controls the vote of 100% of our outstanding Class A Common Stock.

We understand that the Adams and Baker families intend to retain ownership of a sufficient amount of our Common Stock and our Class A Common Stock to assure continued ownership of more than 50% of the voting power of our outstanding shares of capital stock. As a result of this ownership, the Adams and Baker families have the ability to exert substantial influence over matters requiring action by our stockholders, including amendments to our certificate of incorporation and by-laws, the election and removal of directors, and any merger, consolidation, or sale of all or substantially all of our assets, or other corporate transactions. Delaware law provides that the holders of a majority of the voting power of shares entitled to vote must approve certain fundamental corporate transactions such as a merger, consolidation and sale of all or substantially all of a corporation's assets; accordingly, such a transaction involving us and requiring stockholder approval cannot be effected without the approval of the Adams and Baker families. Such ownership will make an unsolicited acquisition of our Company more difficult and discourage certain types of transactions involving a change of control of our Company, including transactions in which the holders of our Common Stock might otherwise receive a premium for their shares over then current market prices. The Adams and Baker families' controlling ownership of our capital stock may adversely affect the market price of our Common Stock.

The price of our Common Stock may be affected by the availability of shares for sale in the market, and you may experience significant dilution as a result of future issuances of our securities, which could materially and adversely affect the market price of our Common Stock.

The sale or availability for sale of substantial amounts of our Common Stock could adversely impact its price. As described in [Note 19 – Related Party Transaction](#) of Part II. Item 8. Notes to the Consolidated Financial Statements, in August 2020 Mrs.

Adams and the Daughters' Trust (of which the daughters of our late founder are beneficiaries) sold 6.9 million shares of Common Stock in a secondary public offering pursuant to a previously disclosed Agreement Regarding Common Stock (the "Agreement") filed as an exhibit to this report. After the sale, approximately 5.0 million shares (the "Subject Shares") remain registered under a shelf registration statement and prospectus dated October 9, 2018 for potential resale, which shares are subject to the Agreement. The Agreement generally provides that if a holder of Subject Shares intends to sell any of the Subject Shares, such party must give the Company a right of first refusal to purchase all or any of such shares. The price payable by the Company to purchase shares pursuant to the exercise of the right of first refusal will reflect a 6% discount to the then-current market price based on the 20 business-day volume weighted average price. If the Company does not exercise its right of first refusal and purchase the shares offered, such party will, subject to the approval of a special committee of independent directors of the Board of Directors, be permitted to sell the shares not purchased by the Company pursuant to a Company registration statement, Rule 144 under the Securities Act of 1933, or another manner of sale agreed to by the Company. Although pursuant to the Agreement the Company will have a right of first refusal to purchase all or any of those shares, the Company may elect not to exercise its rights of first refusal, and if so such shares would be eligible for sale pursuant to the registration rights in the Agreement or pursuant to Rule 144 under the Securities Act of 1933. Sales, or the availability for sale, of a large number of shares of our Common Stock could result in a decline in the market price of our Common Stock.

In addition, our articles of incorporation authorize us to issue 120,000,000 shares of our Common Stock. As of May 29, 2021, there were 44,058,463 shares of our Common Stock outstanding. Accordingly, a substantial number of shares of our Common Stock are outstanding and are, or could become, available for sale in the market. In addition, we may be obligated to issue additional shares of our Common Stock in connection with employee benefit plans (including equity incentive plans).

In the future, we may decide to raise capital through offerings of our Common Stock, additional securities convertible into or exchangeable for Common Stock, or rights to acquire these securities or our Common Stock. The issuance of additional shares of our Common Stock or additional securities convertible into or exchangeable for our Common Stock could result in dilution of existing stockholders' equity interests in us. Issuances of substantial amounts of our Common Stock, or the perception that such issuances could occur, may adversely affect prevailing market prices for our Common Stock, and we cannot predict the effect this dilution may have on the price of our Common Stock.

LEGAL AND REGULATORY RISK FACTORS

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. In particular, changes in customer preferences and new legislation have accelerated an increase in demand for cage-free eggs, which increases uncertainty in our business and increases our costs.

We and many of our customers face pressure from animal rights groups, such as People for the Ethical Treatment of Animals and the Humane Society of the United States, to require companies that supply food products to operate their business in a manner that treats animals in conformity with certain standards developed or approved by these groups. In general, we may incur additional costs to conform our practices to address these standards or to defend our existing practices and protect our image with our customers. The standards promoted by these groups change over time, but typically require minimum cage space for hens, among other requirements, and some of these groups have led successful legislative efforts to ban any form of caged housing in various states. As discussed in Part I. Item 1. Business - Government Regulation, several states have passed minimum space and/or cage-free requirements for hens, and other states are considering such requirements. In addition, in recent years, many large restaurant chains, foodservice companies and grocery chains, including our largest customers, announced goals to transition to an exclusively cage-free egg supply chain by specified future dates, in some cases subject to available supply, affordability and consumer demand.

Changing our infrastructure and operating procedures to conform to consumer preferences, customer demands and new laws has resulted and will continue to result in additional costs, including capital and operating cost increases. The USDA reported that the estimated cage-free flock is 86.0 million hens as of June 1, 2021, which is approximately 27% of the total U.S. hen population. According to the USDA Agricultural Marketing Service approximately 66% of the U.S. laying flock would have to be in cage-free production by 2026 to meet projected demand from the retailers, foodservice providers and food manufacturers that have made promises to transition to cage-free eggs. The United Egg Producers, a nation-wide egg farmer cooperative, has estimated that the cost to build farms compliant with cage-free standards is \$45 a bird. Based on that figure, such an increase in the size of the cage-free flock would require an estimated industry-wide investment of approximately \$5.5 billion.

In response to our customers' announced goals and increased legal requirements for cage-free eggs, we increased capital expenditures to increase our cage-free production capacity. We are also enhancing our focus on cage-free capacity when considering acquisition opportunities. Our customers typically do not commit to long-term purchases of specific quantities or

type of eggs with us, and as a result, we cannot predict with any certainty which types of eggs they will require us to supply in future periods. The ongoing production of cage-free eggs is more costly than the production of conventional eggs, and these higher production costs contribute to the higher prices of cage-free eggs compared with conventional eggs. Many consumers prefer to buy less expensive conventional shell eggs. These consumer preferences may in turn influence our customers' future needs for cage-free eggs. Due to these uncertainties, we may over-estimate future demand for cage-free eggs, which could increase our costs unnecessarily, or we may under-estimate future demand for cage-free eggs, which could harm us competitively.

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, waste disposal, and other areas of our business. 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 state and local health and agricultural agencies, among others. 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 increase our costs.

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 pollution/wastewater discharge permits.

If we fail to comply with applicable laws or regulations, 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, it is possible that we will be required to incur significant costs for compliance with such laws and regulations in the future.

Current and 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 liabilities due to adverse 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 Part I. Item 3. Legal Proceedings below. Such lawsuits are expensive to defend, divert management's attention, and may result in significant adverse 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.

FINANCIAL AND ECONOMIC RISK FACTORS

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 Eggs*®, *4Grain*®, *Sunups*®, and *Sunny Meadow*®. We 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 our competitors to compete more effectively with us by allowing them to make and sell products substantially similar to those we offer. This could negatively impact our ability to produce and sell those products, thereby adversely affecting our operations.

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 29, 2021, we had \$35.5 million of goodwill. While we believe the current carrying value of this goodwill is not impaired, future goodwill impairment charges could adversely affect our results of operations in any particular period or our net worth.

Events beyond our control such as pandemics, extreme weather and natural disasters could negatively impact our business.

Pandemics such as COVID-19, or similar disease outbreaks in the future, may depress demand for shell eggs due to quarantines or restrictions on public interactions that would limit the ability of consumers to purchase shell eggs. Pandemics, or similar disease outbreaks in the future, may disrupt our supply chain and operations at our facilities. If a significant percentage of our workforce, or the workforce of our suppliers or transportation providers, is unable to work because of illness or government restrictions, our operations would be negatively impacted, potentially materially. Pandemics or disease outbreaks may also impact hens or the food supply.

Fire, bioterrorism, pandemic, extreme weather or natural disasters, including droughts, floods, excessive cold or heat, hurricanes or other storms, (some of which may be believed to be the result of or intensified by climate change), could impair the health or growth of our flocks, decrease 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, labor shortages or disruption of transportation channels, among other things. Any of these factors could have a material adverse effect on our financial results.

Weak or unstable economic conditions could negatively impact our business.

Weak or unstable economic conditions, including higher inflation, may adversely affect our business by:

- Limiting our access to capital markets or increasing the cost of capital we may need to grow our business;
- Changing consumer spending and habits and demand for eggs, particularly higher-priced specialty eggs;
- Restricting the supply of energy sources or increasing our cost to procure energy; or
- Reducing the availability of feed ingredients, packaging material, and other raw materials, or increasing the cost of these items.

Deterioration of economic conditions could also negatively impact:

- The financial condition of our suppliers, which may make it more difficult for them to supply raw materials;
- The financial condition of our customers, which may decrease demand for eggs or increase our bad debt expense; or
- The financial condition of our insurers, which could increase our cost to obtain insurance, and/or make it difficult for or insurers to meet their obligations in the event we experience a loss due to an insured peril.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The table below provides summary information about the primary operational facilities we use in our business.

Type	Quantity	Owned	Leased	Production Capacity	Location
Breeding Facilities	3	3	—	House up to 255,000 hens	MS, GA
Distribution Centers	3	2	1	NA	FL, NC, TX
Feed Mills	25	24	1	Production capacity of 814 tons of feed per hour	AL, AR, FL, GA, KS, KY, LA, MS, OH, OK, SC, TN, TX, UT
Hatcheries	2	1	1	Hatch up to 407,600 chicks per week	MS, FL
Processing and Packaging	44	43	1	Approximately 565,800 dozen shell eggs per hour	AL, AR, FL, GA, KS, KY, LA, MS, OH, OK, SC, TX, UT
Pullet Facilities	24	24	—	Grow 24.4 Million pullets annually	AR, FL, GA, KS, KY, OH, SC, TX, UT
Shell Egg Production	41	40	1	As of May 29, 2021, 37.8 million layers in Company owned facilities	AL, AR, FL, GA, KS, KY, LA, MS, OH, OK, SC, TX, UT
Egg Products Processing Facilities	2	2	—	Capable of producing 60 million lbs. per year	GA, TX

As of May 29, 2021, we owned approximately 28.3 thousand acres of land. There are no material encumbrances on our properties.

ITEM 3. LEGAL PROCEEDINGS

Refer to the description of certain legal proceedings pending against us under Part II. Item 8. Notes to the Consolidated Financial Statements, [Note – 18 Commitments and Contingencies](#), which discussion is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II.**ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

We have two classes of capital stock, Common Stock and Class A Common Stock. Our Common Stock trades on the NASDAQ Global Select Market under the symbol “CALM”. There is no public trading market for the Class A Common Stock.

All outstanding Class A shares are owned by a limited liability company of which Adolphus Baker, our Chairman and Chief Executive Officer, is the sole managing member and will be voted at the direction of Mr. Baker. At July 14, 2021, there were approximately 322 record holders of our Common Stock and approximately 39,079 beneficial owners whose shares were held by nominees or broker dealers. For additional information about our capital structure, see [Note 12 - Equity](#) in Part II. Item 8. Notes to the Consolidated Financial Statements.

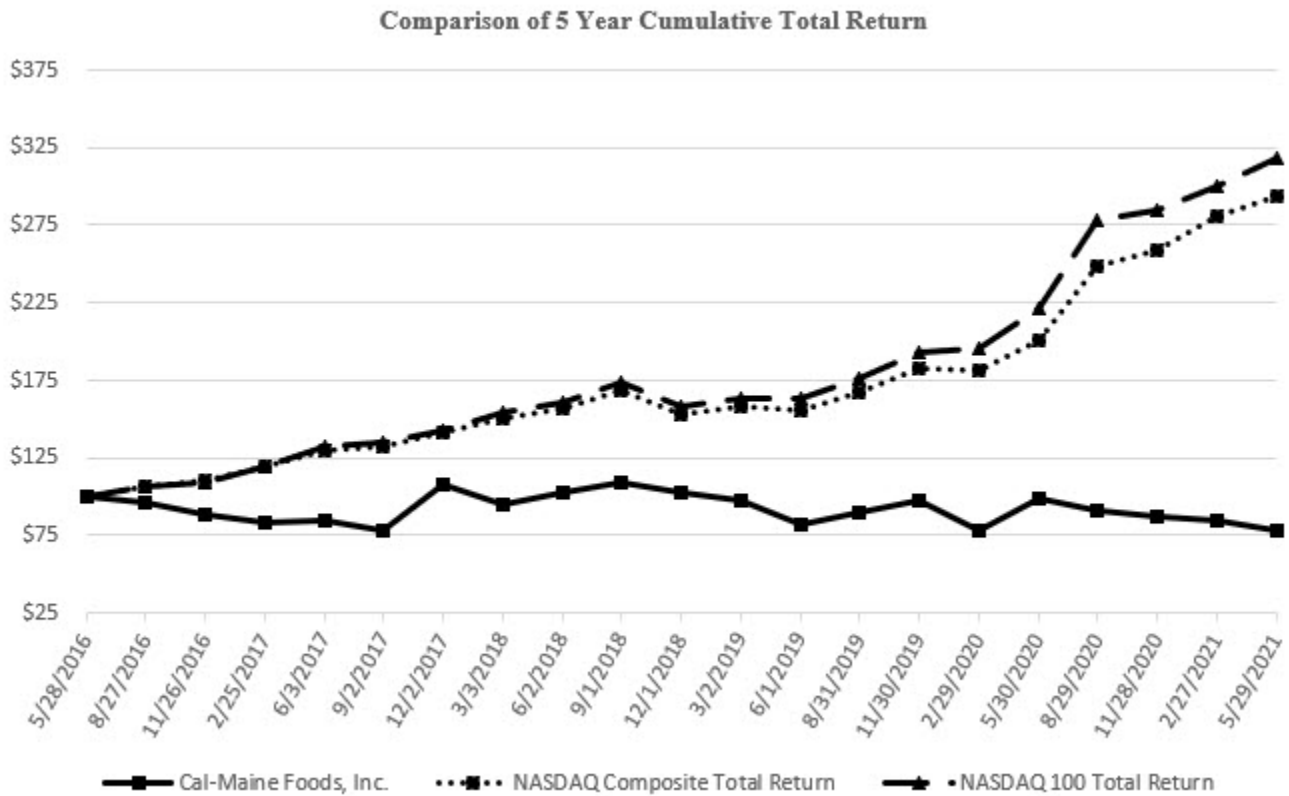
Dividends

Cal-Maine has a variable 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 GAAP in an amount equal to one-third (1/3) of such quarterly income. Dividends are paid to shareholders of record as of the 60th day following the last day of such quarter, except for the fourth fiscal quarter. For the fourth quarter, the Company 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. Under the Company's Revolving Credit Facility, dividends are restricted to the amount permitted under the Company's current dividend policy, and may not be paid if a default exists or will arise after giving effect to the

dividend. At the end of fiscal 2021, the amount of cumulative losses to be recovered before payment of a dividend was \$4.2 million.

Stock Performance Graph

The following graph shows a comparison of cumulative total shareholder return, calculated on a dividend reinvested basis, for the Company, the NASDAQ Composite Total Return, and the NASDAQ 100 Total Return for the five years ended May 29, 2021. The graph assumes \$100 was invested on May 28, 2016 in the stock or index. Each date plotted indicates the last day of a fiscal quarter.



Issuer Purchases of Equity Securities

There were no purchases of our Common Stock made by or on behalf of our Company or any affiliated purchaser during our fiscal 2021 fourth quarter.

Recent Sales of Unregistered Securities

No sales of securities without registration under the Securities Act of 1933 occurred during our fiscal year ended May 29, 2021.

Securities Authorized for Issuance under Equity Compensation Plans

	Equity Compensation Plan Information		
	(a)	(b)	(c)
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by shareholders	—	\$ —	302,147
Equity compensation plans not approved by shareholders	—	—	—
Total	—	\$ —	302,147

- (a) There were no outstanding options, warrants or rights as of May 29, 2021. There were 1,125,188 shares of restricted stock outstanding under our Amended and Restated 2012 Omnibus Long-Term Incentive Plan as of May 29, 2021.
- (b) There were no outstanding options, warrants or rights as of May 29, 2021.
- (c) Reflects shares available for future issuance as of May 29, 2021 under our Amended and Restated 2012 Omnibus Long-Term Incentive Plan.

For additional information, see [Note 16 – Stock Compensation Plans](#) in Part II. Item 8. Notes to the Consolidated Financial Statements.

ITEM 6. SELECTED FINANCIAL DATA

This Item is reserved as a result of the Company’s early adoption of Item 301 of Regulation S-K, as deleted pursuant to SEC Release No. 33-10890; 34-90459 (Management’s Discussion and Analysis; Selected Financial Data, and Supplementary Financial Information) adopted by the Securities and Exchange Commission on November 19, 2020.

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 [Part I. Item 1A. 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](#)."

COMPANY OVERVIEW

Cal-Maine Foods, Inc. is primarily engaged in the production, grading, packaging, marketing and distribution of fresh shell eggs. Our fiscal year end is the Saturday closest to May 31. The Company, which is headquartered in Ridgeland, Mississippi, is the largest producer and distributor of fresh shell eggs in the United States. In fiscal 2021, we sold approximately 1,073.2 million dozen shell eggs, which we believe represented approximately 19% of domestic shell egg consumption. Our total flock of approximately 37.8 million layers and 10.8 million pullets and breeders is the largest in the U.S. We sell most of our shell eggs to a diverse group of customers, including national and regional grocery store chains, club stores, foodservice distributors, and egg product consumers in states across the southwestern, southeastern, mid-western and mid-Atlantic regions of the U.S.

The Company has one operating segment, which is the production, grading, packaging, marketing and distribution of shell eggs. Many of our customers rely on us to provide most of their shell egg needs, including specialty and conventional 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 conventional 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 conventional 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. For further description of our business, refer to [Part I. Item I. Business](#).

COVID-19

Since early 2020, the coronavirus ("COVID-19") outbreak, characterized as a pandemic by the World Health Organization on March 11, 2020, has caused significant disruptions in international and U.S. economies and markets. We understand the challenges and difficult economic environment facing families in the communities where we live and work, and we are committed to helping where we can. We have provided food assistance to those in need by donating approximately 2.5 million dozen eggs in fiscal 2021. We believe we are taking all reasonable precautions in the management of our operations in response to the COVID-19 pandemic. Our top priority is the health and safety of our employees, who work hard every day to produce eggs for our customers. As part of the nation's food supply, we work in a critical infrastructure industry, and we believe we have a special responsibility to maintain our normal work schedule. As such, we are in regular communication with our managers across our operations and continue to closely monitor the situation in our facilities and in the communities where we live and work. We have implemented procedures designed to protect our employees, taking into account guidelines published by the Centers for Disease Control and other government health agencies, and we have strict sanitation protocols and biosecurity measures in place throughout our operations with restricted access to visitors. All non-essential corporate travel has been suspended. There are no known indications that COVID-19 affects hens or can be transferred through the food supply.

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

In fiscal 2021, we spent \$2.3 million (excluding medical insurance claims) related to the pandemic. The majority these expenses resulted from additional labor and increased cost of packaging materials, primarily reflected in cost of sales. Medical insurance claims related to COVID-19 paid during fiscal 2021 were an additional \$1.4 million.

Executive Overview of Results – Fiscal Years Ended May 29, 2021, May 30, 2020 and June 1, 2019

	Fiscal Years Ended		
	May 29, 2021	May 30, 2020	June 1, 2019
Net sales (in thousands)	\$ 1,348,987	\$ 1,351,609	\$ 1,361,188
Gross profit (in thousands)	\$ 160,661	\$ 179,588	\$ 222,859
Net average shell egg price ^(a)	\$ 1.217	\$ 1.231	\$ 1.265
Average UB Southeast Region - Shell Eggs - White Large	\$ 1.155	\$ 1.220	\$ 1.229
Feed costs per dozen produced	\$ 0.446	\$ 0.409	\$ 0.415

(a) 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 2019, an increase in the U.S flock size resulted in an oversupply of eggs, particularly from the start of our third quarter of fiscal 2019 through the end of the third quarter of fiscal 2020. This led to lower selling prices for conventional eggs, and demand for specialty eggs was negatively impacted by the low conventional egg prices.

Our net sales for fiscal 2021 decreased \$2.6 million compared to fiscal 2020, primarily due to the decrease in the selling price and volume of conventional eggs, partially offset by the increased volume of specialty eggs sold. We sell the majority of our conventional eggs at prices that take into account, in varying ways, independently quoted wholesale market prices as published by UB for shell eggs. The daily average of the UB Southeast Region – Shell Eggs – White Large decreased 5.3% during our fiscal 2021 as compared to fiscal 2020.

The total number of shell eggs produced in the U.S. for fiscal 2021 was 2.0% less than the same period last year as reported by the United States Department of Agriculture (“USDA”). Hen numbers reported by the USDA as of June 1, 2021, were 315.7 million, which represents 5.3 million fewer hens than a year ago. Notably, this is the lowest national supply of laying hens since October 2016. However, we believe the decreased demand in foodservice seen throughout the first three quarters of fiscal 2021 due to the pandemic contributed to the depressed price of shell eggs in the retail market due to the extra supply entering the retail channel from the foodservice channel.

The pandemic continues to affect the demand for shell eggs. During the early restrictive phase of the pandemic, which occurred during our fourth quarter of fiscal 2020, demand increased substantially as consumers were preparing for more meals at home. Consumer demand maintained a steady growth throughout our first three quarters of fiscal 2021 but began trending down during our fourth quarter of fiscal 2021 as consumers started to resume pre-pandemic activities. Foodservice demand has started to improve, though it has remained below pre-pandemic levels. Our experience appears consistent with industry trends during this period. According to data provided by Informational Resources, Inc. (“IRi”), IRi’s Total US – Multi Outlet for all shell eggs demand increased by approximately 6% for the first three quarters during our fiscal year and decreased approximately 20% during our fourth fiscal quarter as compared to the same periods in fiscal 2020.

According to IRi Total U.S. – Multi Outlet data, for the 52 weeks ended May 30, 2021, dozens sold for conventional eggs decreased 3.4%, while dozens sold for specialty eggs increased 8.6% as compared to the same period in the prior year. Similarly, our total dozens sold for conventional eggs decreased 3.4%, while our total dozens sold for specialty eggs increased 12.5%, as compared to fiscal 2020. Specialty egg demand has historically been impacted by the price of the conventional egg. When the price of conventional eggs is low the demand for specialty eggs declines and as the price of conventional eggs increases the demand for specialty eggs increase. We have also seen demand for specialty eggs increases during holiday seasons. We believe that the increase in demand for specialty eggs has been affected since the onset of the pandemic as consumers have been preparing more meals at home rather than going out to eat, and therefore they have been more willing to spend money on specialty eggs.

Gross profit decreased \$18.9 million to \$160.7 million in fiscal 2021. The decrease resulted primarily from lower selling prices for conventional eggs, as discussed above, and from increased feed costs. For fiscal year 2021, the average Chicago Board of Trade (“CBOT”) daily market price was \$3.77 per bushel for corn and \$300.62 per ton for soybean meal, representing increases of 21.1% and 23.0%, respectively, compared to the daily average CBOT prices for fiscal 2020. Feed costs started trending higher midway through the second quarter of fiscal 2021. Increased export demand for both soybeans and corn, as well as weather-related shortfalls in production and yields, have placed additional pressure on domestic supplies, resulting in higher and more volatile prices.

We continue to execute our growth strategy of remaining a low-cost provider of shell eggs and growth through selective acquisitions, with a focus on expanding cage-free capacity. Subsequent to fiscal 2021, we acquired the remaining 50%

membership interest in Red River Valley Egg Farm, LLC (“Red River”), which owns and operates a specialty shell egg production complex with approximately 1.7 million cage-free laying hens, cage-free pullet capacity, a feed mill, processing plant, related offices and outbuildings and related equipment located on approximately 400 acres near Bogata, Texas.

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.

	Fiscal Year Ended	
	May 29, 2021	May 30, 2020
Net sales	100.0 %	100.0 %
Cost of sales	88.1 %	86.7 %
Gross profit	11.9 %	13.3 %
Selling, general and administrative	13.6 %	13.2 %
Loss on disposal of fixed assets	0.2 %	— %
Operating income (loss)	(1.9) %	0.1 %
Total other income	1.2 %	1.4 %
Income (loss) before income taxes	(0.7) %	1.5 %
Income tax expense (benefit)	(0.9) %	0.1 %
Net income	0.2 %	1.4 %

Fiscal Year Ended May 29, 2021 Compared to Fiscal Year Ended May 30, 2020

NET SALES

Net shell egg sales represented 97.3% and 97.7% of total net sales for the fiscal year 2021 and 2020, respectively. Shell egg sales classified as “Other” represent sales of hard cooked eggs, hatching eggs, and other miscellaneous products included with our shell egg operations. The table below presents an analysis of our conventional and specialty shell egg sales (in thousands, except percentage data):

	May 29, 2021		May 30, 2020	
Total net sales	\$ 1,348,987		\$ 1,351,609	
Conventional	\$ 766,284	58.4 %	\$ 830,278	62.9 %
Specialty	539,780	41.1 %	485,465	36.8 %
Egg sales, net	1,306,064	99.5 %	1,315,743	99.7 %
Other	6,190	0.5 %	4,452	0.3 %
Net shell egg sales	<u>\$ 1,312,254</u>	<u>100.0 %</u>	<u>\$ 1,320,195</u>	<u>100.0 %</u>
Dozens sold:				
Conventional	785,446	73.2 %	813,255	76.1 %
Specialty	287,765	26.8 %	255,895	23.9 %
Total dozens sold	<u>1,073,211</u>	<u>100.0 %</u>	<u>1,069,150</u>	<u>100.0 %</u>
Net average selling price per dozen:				
Conventional	\$ 0.976		\$ 1.021	
Specialty	\$ 1.876		\$ 1.897	
All shell eggs	\$ 1.217		\$ 1.231	
Egg products sales:				
Egg products net sales	\$ 36,733		\$ 31,414	
Pounds sold	63,627		65,985	
Net average selling price per pound	\$ 0.577		\$ 0.476	

Shell egg net sales

- Conventional egg sales decreased \$64.0 million or 7.7%, compared to fiscal 2020, primarily due to decreases in price and volume of conventional eggs sold. Changes in price and volume resulted in a \$35.3 million and a \$27.1 million decrease in net sales, respectively.
- The decrease in volume and price of conventional eggs in fiscal 2021 compared to fiscal 2020 was due to the significant increase in retail demand that occurred in the fourth quarter of fiscal 2020 related to the onset of the pandemic, as consumers purchased more eggs in anticipation of preparing more meals at home. Additionally, the extra supply entering the retail channel from the foodservice further depressed prices of conventional shell eggs throughout the first three quarters of fiscal 2021.
- Specialty egg sales increased \$54.3 million or 11.2%, primarily due to increased volume of 12.5% which resulted in a \$59.8 million increase in net sales. More cage-free facilities came into production and we increased promotional spending, both of which helped increase our cage-free sales.
- We believe that the increase in demand for specialty eggs has been affected since the onset of the pandemic as consumers have been preparing more meals at home rather than going out to eat, and therefore they have been more willing to spend money on specialty eggs.

Egg products net sales

- Egg products net sales increased \$5.3 million or 16.9%, primarily due to an increase in selling price of 21.2% compared to fiscal 2020, which had a \$6.4 million positive impact on net sales.
- Fiscal 2020 net average selling prices were negatively impacted by an oversupply of eggs throughout the first three quarters in fiscal 2020, followed by a decline in foodservice demand in the fourth quarter of fiscal 2020, due to the pandemic. Our net average selling price has increased in fiscal 2021 as demand has started to increase in the foodservice channel.

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 (in thousands, except cost per dozen data):

	Fiscal Year Ended		
	May 29, 2021	May 30, 2020	% Change
Cost of Sales:			
Farm production	\$ 730,902	\$ 677,181	7.9 %
Processing, packaging, and warehouse	250,058	234,243	6.8
Egg purchases and other (including change in inventory)	177,634	232,027	(23.4)
Total shell eggs	1,158,594	1,143,451	1.3
Egg products	29,536	25,651	15.1
Other	196	2,919	(93.3)
Total	\$ 1,188,326	\$ 1,172,021	1.4 %
Farm production costs (per dozen produced)			
Feed	\$ 0.446	\$ 0.409	9.0 %
Other	\$ 0.320	\$ 0.329	(2.7) %
Total	\$ 0.766	\$ 0.738	3.8 %
Outside egg purchases (average cost per dozen)	\$ 1.22	\$ 1.26	(3.2) %
Dozens produced	970,837	927,799	4.6 %
Percent produced to sold	90.5%	86.8%	4.3 %

Farm Production

- Feed costs increased \$53.7 million, primarily due to increased export demand, as well as weather-related shortfalls in production and yields, which have placed additional pressure on domestic supplies.
- Other farm production costs decreased due to lower facility expense, resulting from improved efficiencies in our utilization and from increased volume of eggs produced.
- We also had lower amortization expense, due to the lower feed costs in prior periods, which are capitalized in our flocks during pullet production. In fiscal 2020 we incurred higher amortization expense due to selling flocks early in response to market conditions.

Processing, packaging, and warehouse

- Processing costs increased due to a 3.2% increase in the volume of eggs processed.
- Cost of packaging materials increased 3.0% as the retail channel demand increased due to the pandemic and manufacturers increased prices and implemented pandemic surcharges.
- Labor costs increased 7.2% due to the pandemic, due to crisis pay and wage increases in response to labor shortages.

Egg purchases and other (including change in inventory)

- Costs in this category decreased primarily due to the decrease in the volume of outside egg purchases, as our percentage of produced to sold increased to 90.5%, as well as a decrease in the cost of these purchases.

Looking forward to fiscal 2022, we believe with the ongoing uncertainties and continued supply chain disruptions related to the COVID-19 outbreak, weather fluctuations, increase demand for exports and geopolitical issues, that feed ingredients will remain higher in the near future and expect to see price volatility throughout the year. We do not anticipate problems in securing an adequate amount of feed ingredients for fiscal 2022.

GROSS PROFIT

Gross profit, as a percentage of net sales, was 11.9% for fiscal 2021, compared to 13.3% for fiscal 2020. The decrease resulted primarily from lower selling prices for conventional eggs and increased feed costs.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

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

	Fiscal Year Ended			
	May 29, 2021	May 30, 2020	\$ Change	% Change
Specialty egg expense	\$ 59,294	\$ 49,237	\$ 10,057	20.4 %
Delivery expense	52,670	52,230	440	0.8 %
Payroll, taxes and benefits	43,327	44,156	(829)	(1.9) %
Stock compensation expense	3,778	3,617	161	4.5 %
Other expenses	24,874	28,997	(4,123)	(14.2) %
Total	\$ 183,943	\$ 178,237	\$ 5,706	3.2 %

Specialty egg expense

- Advertising and franchise fees increased due to the increased volume of specialty eggs sales of 12.5% along with increased promotional spending throughout the year as compared to the same period in the prior year.

Other expenses

- Other expenses decreased due to a legal settlement paid in the second quarter of fiscal 2020, in an amount that was not material.
- In addition, for fiscal 2021 we received a return of brokerage commissions on property and casualty insurance placements.

OPERATING INCOME (LOSS)

As a result of the above, our operating loss was \$26.3 million for fiscal 2021, compared to operating income of \$1.3 million for fiscal 2020.

OTHER INCOME (EXPENSE)

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

The Company recorded interest income of \$2.8 million in fiscal 2021, compared to \$5.0 million in fiscal 2020. We recorded interest expense of \$213 thousand and \$498 thousand in fiscal 2021 and 2020, respectively. The decrease in interest income resulted from significantly lower investment balances and lower interest rates.

Patronage dividends, which represent distributions from our membership in Egghand's Best, Inc. ("EB"), decreased \$1.1 million or 10.8%. Patronage dividends are paid once a year based on EB's profits and its available cash.

Equity in income from unconsolidated entities for fiscal 2021 was \$622 thousand compared to \$534 thousand for fiscal 2020.

Other, net for fiscal 2021 was income of \$4.1 million compared to \$3.7 million for fiscal 2020. The increase was primarily driven by realized and unrealized gains in investment securities available-for-sale.

INCOME TAXES

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was enacted. The most significant provision of the CARES Act that materially affected the Company's income taxes included the five-year carryback allowance for taxable net operating losses generated in the tax years 2018 through 2020, our fiscal years 2019 through 2021.

The Tax Cut and Jobs Act enacted in December 2017 disallowed the carrying back of taxable net operating losses to offset prior years' taxable income. The CARES Act allows us to carry those losses generated or that may be generated during our fiscal years 2019 through 2021 back to offset taxable income recognized during the prior five years. The Company is electing to utilize that provision, which will provide additional liquidity in the form of an income tax refund currently estimated to be approximately \$36.5 million. We believe we will receive the refund during our third fiscal quarter of 2022. Additionally, we recorded a total income tax benefit of approximately \$12.4 million related to the carryback provisions during our fiscal year 2021. For more information regarding the income tax effects of the CARES Act, refer to Part II. Item 8. Notes to the Financial Statements, [Note 17 – Income Taxes](#).

For the fiscal year ended May 29, 2021, our pre-tax loss was \$9.9 million, compared to pre-tax income of \$20.1 million for fiscal 2020. We recorded an income tax benefit of \$12.0 million for fiscal 2021, which includes the tax benefit of \$12.4 million described above. Our fiscal 2021 effective tax rate increased to 120.8% from 8.6% in fiscal 2020, driven primarily by the net operating loss carryback provisions allowed under the CARES Act. Excluding the effects of the CARES Act, our income tax benefit was \$2.2 million for fiscal 2021 with an adjusted effective tax rate of 22.7%. Income tax expense was \$4.8 million for the comparable period of fiscal 2020, which reflects an adjusted effective tax rate of approximately 24.1%.

At May 29, 2021, the Company had an income tax receivable of \$42.5 million compared to \$9.9 million at May 30, 2020. During fiscal 2021, the Company recorded an income tax receivable of \$36.5 million related to the decision to carryback fiscal 2021 taxable net operating losses to recover a portion of taxes paid in fiscal 2016. Additionally, we received \$1.4 million in state tax refunds related to claims for refund previously filed with state taxing authorities.

For the thirteen weeks ended May 29, 2021, our pretax loss was \$12.2 million, and our income tax benefit was \$7.9 million with an effective tax rate of 65.1%, including the impact of the CARES Act. Our income tax provision for the fourth quarter of fiscal 2021 reflects the carryback of taxable net operating losses generated during periods in which the statutory federal income tax rate was 21% to periods in which the statutory federal income tax rate was 35%, as permitted by the CARES Act. Excluding the effects of the CARES Act, our income tax expense was \$1.8 million with an adjusted effective tax rate of 15.4%. The low effective rate was primarily related to a \$7.4 million income tax benefit recorded during the fourth quarter of fiscal 2021 in connection with the CARES Act.

Items causing our effective tax rate to differ from the federal statutory income tax rate of 21% are state income taxes, certain federal tax credits 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, certain nondeductible expenses, and net income or loss attributable to noncontrolling interest.

NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTEREST

Net income (loss) attributable to noncontrolling interest for fiscal 2020 was a loss of \$63 thousand. During fiscal 2020, we acquired the remaining 27.9% interest in our majority-owned subsidiary TEP.

NET INCOME ATTRIBUTABLE TO CAL-MAINE FOODS, INC.

As a result of the above, net income for fiscal 2021 was \$2.1 million, or \$0.04 per basic and diluted share, compared to \$18.4 million, or \$0.38 per basic and diluted share for fiscal 2020.

Fiscal Year Ended May 30, 2020 Compared to Fiscal Year Ended June 1, 2019

The discussion of our results of operations for the fiscal year ended May 30, 2020 compared to the fiscal year ended June 1, 2019 can be found in Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's fiscal 2020 Annual Report on Form 10-K.

CAPITAL RESOURCES AND LIQUIDITY

Our working capital at May 29, 2021 was \$303.5 million, compared to \$429.1 million at May 30, 2020. The calculation of working capital is defined as current assets less current liabilities. Our current ratio was 5.77 at May 29, 2021 compared to 5.60 at May 30, 2020. The current ratio is calculated by dividing current assets by current liabilities. Due to seasonal factors described [Part I. Item I. Business – Seasonality](#), we generally expect our need for working capital to be highest in the fourth and first fiscal quarters ending in May/June and August/September, respectively.

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We had no long-term debt outstanding at the end of fiscal 2021 and 2020. On July 10, 2018, we entered into a \$100.0 million Senior Secured Revolving Credit Facility (the “Revolving Credit Facility”). As of May 29, 2021, no amounts were borrowed under the Revolving Credit Facility. We have \$4.1 million in outstanding standby letters of credit, which were issued under our Revolving Credit Facility for the benefit of certain insurance companies. Refer to Part II. Item 8. Notes to the Financial Statements, [Note 10 – Credit Facility](#) for further information regarding our long-term debt.

Net cash provided by operating activities was \$26.1 million for fiscal year 2021 compared with \$73.6 million for fiscal year 2020. Decreased gross profit margins resulting primarily from lower selling prices for shell eggs, and increased feed costs contributed greatly to our decrease in cash flow from operations. The increase in accounts receivables balance at fiscal 2021 compared to prior fiscal 2020 is due to the income tax receivable related to the CARES Act, which is expected to be received in our third quarter of fiscal 2022.

For fiscal 2021, approximately \$129.1 million was provided from the sale and maturity of investments securities available-for-sale, \$88.3 million was used to purchase short-term investments and net payments of \$6.7 million were received from investments in unconsolidated entities. Approximately \$95.1 million was used to purchase or construct property, plant and equipment, most of which related to the expansion of our cage-free shell egg production capacity. Refer to the table of material construction projects presented below for additional information on purchases and construction of property, plant and equipment. The net result of these and other activities as of May 29, 2021 was a decrease in cash of \$20.8 million from May 30, 2020.

For fiscal 2020, approximately \$204.3 million was provided from the sale and maturity of investments securities available-for-sale, \$107.2 million was used to purchase short-term investments and net payments of \$7.1 million were received from investments in unconsolidated entities. We used \$44.7 million to acquire Mahard and the remaining interest in TEP. Approximately \$124.2 million was used to purchase or construct property, plant and equipment, most of which related to the expansion of our cage-free shell egg production capacity. Refer to the table of material construction projects presented below for additional information on purchases and construction of property, plant and equipment. We used \$1.5 million for principal payments on long-term debt. The net result of these and other activities as of May 30, 2020 was an increase in cash of \$8.9 million from June 1, 2019.

We continue to monitor the increasing demand for cage-free eggs and to engage with our customers in an effort to achieve a smooth transition to meet their announced commitment timeline for cage-free egg sales. We have invested approximately \$476 million in facilities, equipment and related operations to expand our cage-free production starting with our first facility in 2008, which includes the \$48.5 million acquisition of the remaining 50% interest in Red River discussed in [Note 20 – Subsequent Events](#) in Part II. Item 8. Notes to the Consolidated Financial Statements. The following table presents current material construction projects approved as of May 29, 2021 (in thousands):

Project(s) Type	Projected Completion	Projected Cost	Spent as of May 29, 2021	Remaining Projected Cost
Cage-Free Layer & Pullet Houses/Processing Facility	Fiscal 2022	\$ 140,876	\$ 93,612	\$ 47,264
		<u>\$ 140,876</u>	<u>\$ 93,612</u>	<u>\$ 47,264</u>

We believe our current cash balances, investments, cash flows from operations, and Revolving Credit Facility will be sufficient to fund our current capital needs. As we monitor the demand for cage-free eggs and our growth strategy described in [Part I. Item I. Business – Growth Strategy](#), there may be a need for long-term debt financing. We believe with our strong balance sheet that we will have adequate access to capital markets if that need arises.

CONTRACTUAL OBLIGATIONS

The following table summarizes by fiscal year the future estimated cash payments, in thousands, to be made under existing contractual obligations as of May 29, 2021. Further information on debt obligations is contained in [Note 10 – Credit Facility](#), and on lease obligations in [Note 15 – Leases](#), each in Part II. Item 8. Notes to the Consolidated Financial Statements. As of May 29, 2021, we had no outstanding long-term debt.

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Finance leases	\$ 697	\$ 239	\$ 458	\$ —	\$ —
Operating leases	1,882	802	1,049	31	—
Purchase obligations:					
Feed ingredients and fuel ^(a)	89,779	89,779	—	—	—
Construction contracts and other equipment	38,063	38,063	—	—	—
Red River ^(b)	48,500	48,500	—	—	—
Total	<u>\$ 178,921</u>	<u>\$ 177,383</u>	<u>\$ 1,507</u>	<u>\$ 31</u>	<u>\$ —</u>

(a) Actual purchase obligations may change based on the contractual terms and agreements

(b) Represents the cash paid for the acquisition of Red River

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

For information on changes in accounting principles and new accounting principles, see “*New Accounting Pronouncements and Policies*” in Part II. Item 8. Notes to Consolidated Financial Statements, [Note 1 - Summary of Significant Accounting Policies](#).

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with U.S. GAAP 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. Critical accounting estimates are those estimates made in accordance with GAAP that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on the financial condition or results of operations. Our critical accounting estimates are described below.

INVESTMENTS IN SECURITIES

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

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Trade receivables are stated at their carrying values, which include a reserve for credit losses. The Company extends credit to customers based on an evaluation of each customer's financial condition and credit history. Collateral is generally not required. The Company minimizes exposure to counter party credit risk through credit analysis and approvals, credit limits, and monitoring procedures. In determining our reserve for credit losses, receivables are pooled according to age, with each pool assigned an expected loss based on historical loss information adjusted as needed for economic and other forward-looking factors.

INVENTORIES

Inventories of eggs, feed, supplies and flocks are valued principally at the lower of cost (first-in, first-out method) or net realizable value. 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 will 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, improvements, 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 asset to its estimated fair value.

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. They are amortized over their estimated useful lives of 5 to 15 years. The gross cost and accumulated amortization of intangible assets are removed when the recorded amounts are fully amortized and the asset is no longer in use.

EQUITY AND COST METHOD INVESTMENTS

We have invested in other companies engaged in the production, processing and distribution of shell eggs and egg products. 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 is shown on the Company's Consolidated Balance Sheet in the amounts presented for "Investment in unconsolidated entities" and "Other long-term assets".

GOODWILL

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.

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At May 29, 2021, goodwill represented 2.9% of total assets and 3.5% of stockholders' equity. Goodwill relates to the following (in thousands):

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
2017	Acquisition of Foodonics International, Inc.	3,389
2017	Acquisition of Happy Hen Egg Farms, Inc.	2,940
	Total Goodwill	<u>\$ 35,525</u>

REVENUE RECOGNITION AND DELIVERY COSTS

Revenue recognition is completed upon satisfaction of the performance obligation to the customer, which typically occurs within days of the Company and customer agreeing upon the order. See [Note 14 – Revenue Recognition](#) in Part II. Item 8. Notes to the Consolidated Financial Statements for further discussion of the policy.

The Company believes the performance obligation is 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. 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 statement of income 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 16 – Stock Compensation Plans](#) in Part II. Item 8. 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 conventional eggs, which are subject to significant price fluctuations that are largely beyond our control. We are focused on growing our specialty shell egg business because the selling prices of specialty shell eggs are generally not as volatile as conventional shell egg prices. Our exposure to market risk also includes changes in the prices of corn and soybean meal, which are commodities subject to significant price fluctuations due to market conditions that are largely beyond our control. To ensure continued availability of feed ingredients, we may enter into contracts for future purchases of corn and soybean meal, and as part of these contracts, we may lock-in the basis portion of our grain purchases several months in advance. Ordinarily, we do not enter long-term contracts beyond a year to purchase corn and soybean meal or hedge against increases in the price of corn and soybean meal. The following table outlines the impact of price changes for corn and soybean meal on feed costs per dozen as feed ingredient pricing varies:

		Change in price per bushel of corn						
		\$ (0.87)	\$ (0.58)	\$ (0.29)	\$ 0.00	\$ 0.29	\$ 0.58	\$ 0.87
Change in price per ton Soybean Meal	\$ (82.50)	0.386	0.396	0.406	0.416	0.426	0.436	0.446
	\$ (55.00)	0.396	0.406	0.416	0.426	0.436	0.446	0.456
	\$ (27.50)	0.406	0.416	0.426	0.436	0.446	0.456	0.466
	\$ 0.00	0.416	0.426	0.436	0.446 ^(a)	0.456	0.466	0.476
	\$ 27.50	0.426	0.436	0.446	0.456	0.466	0.476	0.486
	\$ 55.00	0.436	0.446	0.456	0.466	0.476	0.486	0.496
	\$ 82.50	0.446	0.456	0.466	0.476	0.486	0.496	0.506

(a) Based on 2021 actual costs, table flexes feed cost inputs to show \$0.01 impacts to per dozen egg feed production costs.

INTEREST RATE RISK

The fair value of our debt is sensitive to changes in the general level of U.S. interest rates. In July 2018, we entered into a \$100.0 million Senior Secured Revolving Credit Facility which bears interest at a variable rate. No amounts were outstanding under that facility during fiscal 2021. Under our current policies, we do not use interest rate derivative instruments to manage our exposure to interest rate changes.

FIXED INCOME SECURITIES RISK

At May 29, 2021, the effective maturity of our cash equivalents and investment securities available for sale was 11.2 months, and the composite credit rating of the holdings are A- / A3 / A- (S&P / Moody's / Fitch).

CONCENTRATION OF CREDIT RISK

Our financial instruments exposed to concentrations of credit risk consist primarily of trade receivables. Concentrations of credit risk with respect to receivables are limited due to our large number of customers and their dispersion across geographic areas, except that at May 29, 2021 and May 30, 2020, 23.8% and 29.5%, respectively, of our net accounts receivable balance was due from Walmart Inc. (including Sam's Club). No other single customer or customer group represented 10% or greater of net accounts receivable.

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
Ridgeland, Mississippi

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Cal-Maine Foods, Inc. and Subsidiaries (the “Company”) as of May 29, 2021 and May 30, 2020, the related consolidated statements of income, comprehensive income, stockholders’ equity and cash flows for each of the three years in the period ended May 29, 2021, and the related consolidated notes and schedule listed in the Index at Item 15(1) (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at May 29, 2021 and May 30, 2020, and the results of its operations and its cash flows for each of the three years in the period ended May 29, 2021, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of May 29, 2021, based on the criteria established in *2013 Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated July 19, 2021 expressed an unqualified opinion.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the Audit Committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Contingent Liabilities – Litigation and Claims – Refer to Note 18 in the Consolidated Financial Statements

Critical Audit Matter Description

The Company records liabilities for legal proceedings and claims in those instances where it can reasonably estimate the amount of the loss and when the liability is probable. Where the reasonable estimate of the probable loss is a range, the Company records the most likely estimate of the loss, or the low end of the range if there is no one best estimate. The Company either discloses the amount of a possible loss or range of loss in excess of established accruals if estimable, or states that such an estimate cannot be made. The Company discloses significant legal proceedings and claims even where liability is not probable or the amount of the liability is not estimable, or both, if the Company believes there is at least a reasonable possibility that a loss may be incurred.

We identified litigation and claims as a critical audit matter because of the challenges auditing management's judgments applied in determining the likelihood of loss related to the resolution of such claims. Specifically, auditing management's determination of whether any contingent loss arising from the related litigation and claims is probable, reasonably possible or remote, and the related disclosures, is subjective and requires significant judgment due to the sensitivity of the issue.

How the Critical Audit Matter was addressed during the Audit

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of the controls relating to the Company's evaluation of the liability related to legal proceedings and claims, including controls over determining the likelihood of a loss and whether the amount of loss can be reasonably estimated, as well as financial statement disclosures over the legal proceedings and claims. These procedures also included obtaining and evaluating the letters of audit inquiry with external legal counsel, evaluating the reasonableness of the Company's assessment regarding whether an unfavorable outcome is reasonably possible or probable and reasonably estimable, evaluating the sufficiency of the Company's disclosures related to legal proceedings and claims and evaluating the completeness and accuracy of the Company's legal contingencies.

/s/ Frost, PLLC

We have served as the Company's auditor since 2007.

Little Rock, Arkansas
July 19, 2021

Cal-Maine Foods, Inc. and Subsidiaries
Consolidated Balance Sheets
(in thousands, except for par value amounts)

	May 29, 2021	May 30, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 57,352	\$ 78,130
Investment securities available-for-sale	112,158	154,163
Receivables:		
Trade receivables, net	79,066	84,976
Income tax receivable	42,516	9,884
Other	5,057	3,515
Total receivables, net	126,639	98,375
Inventories, net	218,375	187,216
Prepaid expenses and other current assets	5,407	4,367
Total current assets	519,931	522,251
Property, plant & equipment, net	589,417	557,375
Finance lease right-of-use asset, net	525	678
Operating lease right-of-use asset, net	1,724	2,531
Investments in unconsolidated entities	54,941	60,982
Goodwill	35,525	35,525
Intangible assets, net	20,341	22,816
Other long-term assets	6,770	4,536
Total assets	<u>\$ 1,229,174</u>	<u>\$ 1,206,694</u>
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	\$ 52,784	\$ 55,904
Accrued wages and benefits	23,812	23,277
Accrued expenses and other liabilities	12,595	13,001
Current portion of finance lease obligation	215	205
Current portion of operating lease obligation	691	796
Total current liabilities	90,097	93,183
Long-term finance lease obligation	438	652
Long-term operating lease obligation	1,034	1,735
Other noncurrent liabilities	10,416	8,681
Deferred income taxes	114,408	92,768
Total liabilities	216,393	197,019
Commitments and contingencies - see Note 18		
Stockholders' equity:		
Common stock (\$0.01 par value):		
Common stock – authorized 120,000 shares, issued 70,261 shares	703	703
Class A convertible common stock – authorized and issued 4,800 shares	48	48
Paid-in capital	64,044	60,372
Retained earnings	975,977	975,147
Accumulated other comprehensive income (loss), net of tax	(558)	79
Common stock in treasury, at cost – 26,202 and 26,287 shares in 2021 and 2020, respectively	(27,433)	(26,674)
Total stockholders' equity	1,012,781	1,009,675
Total liabilities and stockholders' equity	<u>\$ 1,229,174</u>	<u>\$ 1,206,694</u>

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

	Fiscal years ended		
	May 29, 2021	May 30, 2020	June 1, 2019
	52 weeks	52 weeks	52 weeks
Net sales	\$ 1,348,987	\$ 1,351,609	\$ 1,361,188
Cost of sales	1,188,326	1,172,021	1,138,329
Gross profit	160,661	179,588	222,859
Selling, general and administrative	183,943	178,237	177,045
Loss on disposal of fixed assets	2,982	82	33
Operating income (loss)	(26,264)	1,269	45,781
Other income (expense):			
Interest expense	(213)	(498)	(644)
Interest income	2,828	4,962	7,978
Patronage dividends	9,004	10,096	10,482
Equity in income of unconsolidated entities	622	534	4,776
Other, net	4,074	3,696	2,432
Total other income	16,315	18,790	25,024
Income (loss) before income taxes	(9,949)	20,059	70,805
Income tax expense (benefit)	(12,009)	1,731	15,743
Net income	2,060	18,328	55,062
Less: Net income (loss) attributable to noncontrolling interest	—	(63)	833
Net income attributable to Cal-Maine Foods, Inc.	<u>\$ 2,060</u>	<u>\$ 18,391</u>	<u>\$ 54,229</u>
Net income per share attributable to Cal-Maine Foods, Inc.:			
Basic	<u>\$ 0.04</u>	<u>\$ 0.38</u>	<u>\$ 1.12</u>
Diluted	<u>\$ 0.04</u>	<u>\$ 0.38</u>	<u>\$ 1.12</u>
Weighted average shares outstanding:			
Basic	<u>48,522</u>	<u>48,467</u>	<u>48,467</u>
Diluted	<u>48,656</u>	<u>48,584</u>	<u>48,589</u>

Cal-Maine Foods, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
(in thousands)

	Fiscal years ended		
	2021	2020	2019
Net income	\$ 2,060	\$ 18,328	\$ 55,062
Other comprehensive income (loss), before tax:			
Unrealized holding gain (loss) available-for-sale securities, net of reclassification adjustments	(736)	59	1,719
Increase in accumulated post-retirement benefits obligation, net of reclassification adjustments	(137)	(445)	(349)
Other comprehensive income (loss), before tax	(873)	(386)	1,370
Income tax expense (benefit) related to items of other comprehensive income (loss)	(236)	(110)	322
Other comprehensive income (loss), net of tax	(637)	(276)	1,048
Comprehensive income	1,423	18,052	56,110
Less: comprehensive income (loss) attributable to the noncontrolling interest	—	(63)	833
Comprehensive income attributable to Cal-Maine Foods, Inc.	<u>\$ 1,423</u>	<u>\$ 18,115</u>	<u>\$ 55,277</u>

Cal-Maine Foods, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity
(in thousands)
Common Stock

	Shares	Amount	Class A Shares	Class A Amount	Treasury Shares	Treasury Amount	Paid In Capital	Retained Earnings	Accum. Other Comp. Income (loss)	Noncontrolling Interest	Total
Balance at June 2, 2018	70,261	\$ 703	4,800	\$ 48	26,430	\$ (24,966)	\$ 53,323	\$ 924,918	\$ (693)	\$ 2,349	955,682
Stock compensation plan transactions	—	—	—	—	(64)	(900)	3,534	—	—	—	2,570
Dividends	—	—	—	—	—	—	—	(24,620)	—	—	(24,620)
Net income	—	—	—	—	—	—	—	54,229	—	833	55,062
Other comprehensive income, net of tax	—	—	—	—	—	—	—	—	1,048	—	1,048
Balance at June 1, 2019	70,261	703	4,800	—	48	26,366	(25,866)	954,527	355	3,182	989,806
Stock compensation plan transactions	—	—	—	—	(79)	(808)	3,515	—	—	—	2,628
Distributions to noncontrolling interest partners	—	—	—	—	—	—	—	—	—	(755)	(755)
Acquisition of noncontrolling interest in Texas Egg Products, LLC	—	—	—	—	—	—	—	2,229	—	(2,364)	(135)
Net income	—	—	—	—	—	—	—	18,391	—	(63)	18,328
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	—	(276)	—	(276)
Balance at May 30, 2020	70,261	703	4,800	—	48	26,287	(26,674)	975,147	79	—	1,009,675
Impact of ASC 326, see Note 1	—	—	—	—	—	—	—	422	—	—	422
Balance at May 31, 2020	70,261	703	4,800	—	48	26,287	(26,674)	975,569	79	—	1,010,097
Stock compensation plan transactions	—	—	—	—	(85)	(759)	3,667	—	—	—	2,823
Dividends	—	—	—	—	—	—	—	(1,652)	—	—	(1,652)
Contributions	—	—	—	—	—	—	5	—	—	—	5
Net income	—	—	—	—	—	—	—	2,060	—	—	2,060
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	—	(637)	—	(637)
Balance at May 29, 2021	70,261	\$ 703	4,800	\$ 48	26,202	\$ (27,433)	\$ 64,044	\$ 975,977	\$ (558)	\$ —	\$ 1,012,781

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

	Fiscal year ended		
	May 29, 2021	May 30, 2020	June 1, 2019
Cash flows from operating activities:			
Net income	\$ 2,060	\$ 18,328	\$ 55,062
Adjustments to reconcile net income to net cash provided by operating			
Depreciation and amortization	59,477	58,103	54,650
Deferred income taxes	22,351	10,281	6,123
Equity in income of affiliates	(622)	(534)	(4,776)
Loss on disposal of property, plant and equipment	2,982	82	33
Impairment loss on fixed assets	196	2,919	—
Stock compensation expense, net of amounts paid	3,778	3,617	3,619
Unrealized losses on investments	1,810	744	—
Gains on sales of investments	(22)	(611)	—
Purchases of equity securities	(334)	(275)	—
Sales of equity securities	55	1,212	—
Amortization of investments	890	316	962
Other	(427)	(248)	23
Change in operating assets and liabilities, net of effects from acquisitions:			
(Increase) decrease in receivables and other assets	(33,487)	(28,300)	16,012
Increase in inventories	(31,159)	(9,704)	(2,285)
(Increase) decrease in accounts payable, accrued expenses and other liabilities	(1,412)	17,679	(14,338)
Net cash provided by operating activities	26,136	73,609	115,085
Cash flows from investing activities:			
Purchases of investments	(88,283)	(107,234)	(176,951)
Sales of investments	129,108	204,277	209,806
Acquisition of businesses, net of cash acquired	—	(44,650)	(17,889)
Investment in unconsolidated entities	—	—	(4,273)
Distributions from unconsolidated entities	6,663	7,114	7,904
Purchases of property, plant and equipment	(95,069)	(124,178)	(67,989)
Net proceeds from disposal of property, plant and equipment	3,390	3,306	1,575
Net cash used in investing activities	(44,191)	(61,365)	(47,817)
Cash flows from financing activities:			
Principal payments on long-term debt	—	(1,500)	(3,754)
Principal payments on finance lease	(205)	(196)	—
Distributions to noncontrolling interest partners	—	(755)	—
Purchase of common stock by treasury	(871)	(910)	(985)
Payments of dividends	(1,652)	—	(41,713)
Contributions	5	—	—
Net cash used in financing activities	(2,723)	(3,361)	(46,452)
Increase (decrease) in cash and cash equivalents	(20,778)	8,883	20,816
Cash and cash equivalents at beginning of year	78,130	69,247	48,431
Cash and cash equivalents at end of year	<u>\$ 57,352</u>	<u>\$ 78,130</u>	<u>\$ 69,247</u>
Supplemental information:			
Cash paid for operating leases	\$ 929	\$ 871	\$ —
Income taxes paid (refunds received)	\$ (1,618)	\$ (8,443)	\$ 36,312
Interest paid	\$ 508	\$ 498	\$ 644

Cal-Maine Foods, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 1 - Summary of Significant Accounting Policies

Nature of Operations

Cal-Maine Foods, Inc. (“we,” “us,” “our,” or the “Company”) is primarily engaged in the production, grading, packing and sale of fresh shell eggs, including cage-free, organic, and nutritionally-enhanced eggs. The Company, which is headquartered in Ridgeland, Mississippi, is the largest producer and distributor of fresh shell eggs in the United States and sells the majority of its shell eggs in states across the southwestern, southeastern, mid-western and mid-Atlantic regions of the United States.

Principles of Consolidation

The consolidated financial statements include the accounts of all wholly-owned subsidiaries, and majority-owned subsidiaries over which we exercise control. All significant intercompany transactions and accounts have been eliminated in consolidation.

Fiscal Year

The Company’s fiscal year-end is on the Saturday closest to May 31. Each of the year-to-date periods ended May 29, 2021, May 30, 2020, and June 1, 2019, included 52 weeks.

Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles (“GAAP”) in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

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

Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. We maintain bank accounts that are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Company routinely maintains cash balances with certain financial institutions in excess of federally insured amounts. The Company has not experienced any loss in such accounts. The Company manages this risk through maintaining cash deposits and other highly liquid investments in high quality financial institutions.

We primarily utilize a cash management system with a series of separate accounts consisting of lockbox accounts for receiving cash, concentration accounts to which funds are moved, and zero-balance disbursement accounts for funding accounts payable. Checks issued, but not presented to the banks for payment, may result in negative book cash balances, which are included in accounts payable. At May 29, 2021 and May 30, 2020, checks outstanding in excess of related book cash balances totaled \$7.5 million and \$11.2 million, respectively.

Investment Securities

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

Trade Receivables

Trade receivables are stated at their carrying values, which include a reserve for credit losses. At May 29, 2021 and May 30, 2020, reserves for credit losses were \$795 thousand and \$744 thousand, respectively. The Company extends credit to customers based on an evaluation of each customer's financial condition and credit history. Collateral is generally not required. The Company minimizes exposure to counter party credit risk through credit analysis and approvals, credit limits, and monitoring procedures. In determining our reserve for credit losses, receivables are pooled according to age, with each pool assigned an expected loss based on historical loss information adjusted as needed for economic and other forward-looking factors. At both May 29, 2021 and May 30, 2020 one customer accounted for approximately 23.8% and 29.5% of the Company's trade accounts receivable, respectively.

Inventories

Inventories of eggs, feed, supplies and flocks are valued principally at the lower of cost (first-in, first-out method) or net realizable value.

The cost associated with flocks, consisting principally of chicks, feed, labor, contractor payments and overhead costs, are accumulated during a growing period of approximately 22 weeks. Flock costs are amortized to cost of sales over the productive lives of the flocks, generally one to two years. Flock mortality is charged to cost of sales as incurred.

The Company does not disclose the gross cost and accumulated amortization with respect to its flock inventories since this information is not utilized by management in the operation of the Company.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. 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. Repairs and maintenance are expensed as incurred. Expenditures that increase the value or productive capacity of assets are capitalized. When property, plant, 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. The Company capitalizes interest cost incurred on funds used to construct property, plant, and equipment as part of the asset to which it relates, and is amortized over the asset's estimated useful life.

Leases

The Company determines if an arrangement is a lease at inception of the arrangement and classifies it as an operating lease or finance lease. We recognize the right to use an underlying asset for the lease term as a right-of-use ("ROU") asset on our balance sheet. A lease liability is recorded to represent our obligation to make lease payments over the term of the lease. These assets and liabilities are included in our Consolidated Balance Sheet in Finance lease right-of-use asset, Operating lease right-of-use asset, Current portion of finance lease obligation, Current portion of operating lease obligation, Long-term finance lease obligation, and Long-term operating lease obligation.

The Company records ROU assets and lease obligations based on the discounted future minimum lease payments over the term of the lease. When the rate implicit in the lease is not easily determinable, the Company's incremental borrowing rate is used to calculate the present value of the future lease payments. The Company elected not to recognize ROU assets and lease obligations for leases with an initial term of 12 months or less. Lease expense for operating leases is recognized on a straight-line basis over the lease term.

Investments in Unconsolidated Entities

The equity method of accounting is used when the Company has a 20% to 50% interest in other entities or when the Company exercises significant influence over the entity. Under the equity method, original investments are recorded at cost and adjusted by the Company's share of undistributed earnings or losses of these entities. Nonmarketable investments in which the Company has less than a 20% interest and in which it does not have the ability to exercise significant influence over the investee are initially recorded at cost, and periodically reviewed for impairment.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets acquired. Goodwill is evaluated for impairment annually by first performing a qualitative assessment to determine whether a quantitative goodwill test is necessary. After assessing the totality of events or circumstances, if we determine it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then we perform additional quantitative tests to determine the magnitude of any impairment.

Intangible Assets

Included in other intangible assets are separable intangible assets acquired in business acquisitions, which include franchise fees, non-compete agreements and customer relationship intangibles. They are amortized over their estimated useful lives of 5 to 15 years. The gross cost and accumulated amortization of intangible assets are removed when the recorded amounts are fully amortized and the asset is no longer in use or the contract has expired.

Accrued Self Insurance

We use a combination of insurance and self-insurance mechanisms to provide for the potential liabilities for health and welfare, workers' compensation, auto liability and general liability risks. Liabilities associated with our risks retained are estimated, in part, by considering claims experience, demographic factors, severity factors and other actuarial assumptions.

Treasury Stock

Treasury stock purchases are accounted for under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock. The grant of restricted stock through the Company's share-based compensation plans is funded through the issuance of treasury stock. Gains and losses on the subsequent reissuance of shares in accordance with the Company's share-based compensation plans are credited or charged to paid-in capital in excess of par value using the average-cost method.

Revenue Recognition and Delivery Costs

Revenue recognition is completed upon satisfaction of the performance obligation to the customer, which typically occurs within days of the Company and customer agreeing upon the order. See [Note 14 – Revenue Recognition](#) for further discussion of the policy.

The Company believes the performance obligation is 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. 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.

Advertising Costs

The Company expensed advertising costs as incurred of \$11.7 million, \$6.0 million, and \$7.3 million in fiscal 2021, 2020, and 2019, respectively.

Income Taxes

Income taxes are provided using the liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company's policy with respect to evaluating uncertain tax positions is based upon whether management believes it is more likely than not the uncertain tax positions will be sustained upon review by the taxing authorities. The tax positions must meet the more-likely-than-not recognition threshold with consideration given to the amounts and probabilities of the outcomes that could be realized upon settlement using the facts, circumstances and information at the reporting date. The Company will reflect only the portion of the tax benefit that will be sustained upon resolution of the position and applicable interest on the portion of the tax benefit not recognized. The Company initially and subsequently measures the largest amount of tax benefit that is greater than 50% likely to be realized upon settlement with a taxing authority that has full knowledge of all relevant information. Based upon management's assessment, there are no uncertain tax positions expected to have a material impact on the Company's consolidated financial statements.

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 statement of income 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 16 – Stock Compensation Plans](#) for more information.

Business Combinations

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

Loss Contingencies

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

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

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

New Accounting Pronouncements and Policies

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

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

Reclassification

Certain reclassifications were made to the fiscal 2020 financial statements to conform to the fiscal 2021 financial statement presentation. These reclassifications had no effect on income.

Note 2 – Acquisitions

Effective on October 20, 2019, the Company acquired certain assets of Mahard Egg Farm (“Mahard”), relating to its commercial shell egg production, processing, distribution and sales for \$45.5 million. The acquired assets include facilities with current

capacity for approximately 3.9 million laying hens and permitted capacity for up to 8.0 million laying hens, a feed mill, pullet raising facilities and related production facilities located in Chillicothe, Texas, and Nebo, Oklahoma, a distribution warehouse located in Gordonville, Texas and an equity interest in Texas Egg Products, LLC ("TEP"). As a result of the acquisition, the Company acquired a 21.1% equity interest in TEP which brought our total ownership to 93.2%. The acquired operations of Mahard are included in the accompanying financial statements as of October 20, 2019. Acquisition related costs incurred during the period were immaterial to the financial statements.

The following table summarizes the aggregate purchase price allocation for Mahard (in thousands):

Inventory	\$ 5,276
Property, plant and equipment	38,433
Customer list and non-compete agreement	2,000
Liabilities assumed	(194)
Total purchase price	\$ 45,515

Effective March 28, 2020, the Company acquired from Feathercrest Farms, Inc. the remaining 6.8% interest in our majority-owned subsidiary TEP for \$135 thousand.

Note 3 - Investment Securities

The following presents the Company's investment securities as of May 29, 2021 and May 30, 2020 (in thousands):

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

May 30, 2020	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Municipal bonds	\$ 16,093	\$ 86	\$ —	\$ 16,179
Commercial paper	6,965	17	—	6,982
Corporate bonds	125,594	1,274	—	126,868
Certificates of deposits	1,492	—	—	1,492
Asset backed securities	2,629	13	—	2,642
Total current investment securities	\$ 152,773	\$ 1,390	\$ —	\$ 154,163
Mutual funds	\$ 2,005	\$ 744	\$ —	\$ 2,749
Total noncurrent investment securities	\$ 2,005	\$ 744	\$ —	\$ 2,749

Available-for-sale

Proceeds from the sales and maturities of available-for-sale securities were \$129.1 million, \$204.3 million, and \$209.7 million during fiscal 2021, 2020, and 2019, respectively. Gross realized gains for fiscal 2021, 2020, and 2019 were \$456 thousand, \$278 thousand, and \$9 thousand, respectively. Gross realized losses for fiscal 2021, 2020, and 2019 were \$19 thousand, \$6 thousand, and \$33 thousand, respectively. There were no allowance for credit losses at May 29, 2021 and May 30, 2020.

Actual maturities may differ from contractual maturities because some borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Contractual maturities of investment securities at May 29, 2021 are as follows (in thousands):

	Estimated Fair Value
Within one year	\$ 33,899
1-5 years	78,259
Total	<u>\$ 112,158</u>

Noncurrent

Proceeds from sales and maturities of noncurrent investment securities were \$54 thousand, \$1.2 million, and \$84 thousand during fiscal 2021, 2020 and 2019, respectively. Gross realized gains on those sales and maturities during fiscal 2020 and 2019 were \$611 thousand, and \$48 thousand, respectively. There were no realized losses for fiscal 2021, 2020, and 2019.

Note 4 - Fair Value Measures

The Company is required to categorize both financial and nonfinancial assets and liabilities based on the following fair value hierarchy. The fair value of an asset is the price at which the asset could be sold in an orderly transaction between unrelated, knowledgeable, and willing parties able to engage in the transaction. A liability's fair value is defined as the amount that would be paid to transfer the liability to a new obligor in a transaction between such parties, not the amount that would be paid to settle the liability with the creditor.

- *Level 1* - Quoted prices in active markets for identical assets or liabilities
- *Level 2* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, including:
 - Quoted prices for similar assets or liabilities in active markets
 - Quoted prices for identical or similar assets in non-active markets
 - Inputs other than quoted prices that are observable for the asset or liability
 - Inputs derived principally from or corroborated by other observable market data
- *Level 3* - Unobservable inputs for the asset or liability supported by little or no market activity and are significant to the fair value of the assets or liabilities

The disclosure of fair value of certain financial assets and liabilities recorded at cost are as follows:

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

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

In accordance with the fair value hierarchy described above, the following table shows the fair value of our financial assets and liabilities that are required to be measured at fair value on a recurring basis as of May 29, 2021 and May 30, 2020 (in thousands):

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

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May 30, 2020	Level 1	Level 2	Level 3	Balance
Assets				
Municipal bonds	\$ —	\$ 16,179	\$ —	\$ 16,179
Commercial paper	—	6,982	—	6,982
Corporate bonds	—	126,868	—	126,868
Certificates of deposits	—	1,492	—	1,492
Asset backed securities	—	2,642	—	2,642
Mutual funds	2,749	—	—	2,749
Total assets measured at fair value	<u>\$ 2,749</u>	<u>\$ 154,163</u>	<u>\$ —</u>	<u>\$ 156,912</u>

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

Note 5 - Inventories

Inventories consisted of the following (in thousands):

	May 29, 2021	May 30, 2020
Flocks, net of amortization	\$ 123,860	\$ 110,198
Eggs and egg products	21,084	18,487
Feed and supplies	73,431	58,531
	<u>\$ 218,375</u>	<u>\$ 187,216</u>

We grow and maintain flocks of layers (mature female chickens), pullets (female chickens under 18 weeks of age), and breeders (male and female chickens used to produce fertile eggs to hatch for egg production flocks). Our total flock at May 29, 2021, consisted of approximately 10.8 million pullets and breeders and 37.8 million layers.

The Company expensed amortization and mortality associated with the flocks to cost of sales as follows (in thousands):

	May 29, 2021	May 30, 2020	June 1, 2019
Amortization	\$ 133,448	\$ 133,379	\$ 119,658
Mortality	6,769	5,823	5,161
Total flock costs charged to cost of sales	<u>\$ 140,217</u>	<u>\$ 139,202</u>	<u>\$ 124,819</u>

Note 6 - Property, Plant and Equipment

Property, plant and equipment consisted of the following (in thousands):

	May 29, 2021	May 30, 2020
Land and improvements	\$ 101,174	\$ 91,865
Buildings and improvements	454,332	393,195
Machinery and equipment	584,778	531,545
Construction-in-progress	72,879	126,061
	<u>1,213,163</u>	<u>1,142,666</u>
Less: accumulated depreciation	<u>623,746</u>	<u>585,291</u>
	<u>\$ 589,417</u>	<u>\$ 557,375</u>

Depreciation expense was \$56.5 million, \$54.5 million and \$51.7 million in the fiscal years ended May 29, 2021, May 30, 2020, and June 1, 2019, respectively.

The Company maintains insurance for both property damage and business interruption relating to catastrophic events, such as fires. Insurance recoveries received for property damage and business interruption in excess of the net book value of damaged assets, clean-up and demolition costs, and post-event costs are recognized as income in the period received or committed when all contingencies associated with the recoveries are resolved. Gains on insurance recoveries related to business interruption are recorded within “Cost of sales” and any gains or losses related to property damage are recorded within “Loss on disposal of fixed

assets.” Insurance recoveries related to business interruption are classified as operating cash flows and recoveries related to property damage are classified as investing cash flows in the statement of cash flows. Insurance claims incurred or finalized during the fiscal years ended May 29, 2021, May 30, 2020, and June 1, 2019 did not have a material effect on the Company’s consolidated financial statements.

Included in cost of sales for fiscal 2021 and 2020 is a non-cash impairment loss on fixed assets of \$196 thousand and \$2.9 million, respectively, related to decommissioning some older, less efficient production facilities as the Company continues to invest in new facilities to meet the increasing demand for specialty eggs and to reduce production costs.

Note 7 - Investment in Unconsolidated Entities

At May 29, 2021, the Company had several investments in unconsolidated entities that are accounted for using the equity method of accounting. Red River Valley Egg Farm, LLC ("Red River") operates a cage-free shell egg production complex near Bogota, Texas. Specialty Eggs, LLC ("Specialty Eggs") owns the Egg-Land's Best franchise for most of Georgia and South Carolina, as well as a portion of western North Carolina and eastern Alabama. Southwest Specialty Eggs, LLC ("Southwest Specialty Eggs") owns the Egg-Land's Best franchise for Arizona, southern California and Clark County, Nevada (including Las Vegas). As of May 29, 2021, the Company owned 50% in Red River, Specialty Eggs, and Southwest Specialty Eggs. Equity method investments are included in “Investments in unconsolidated entities” in the accompanying Consolidated Balance Sheets and totaled \$49.9 million and \$54.7 million at May 29, 2021 and May 30, 2020, respectively.

Equity in income of unconsolidated entities of \$622 thousand, \$534 thousand, and \$4.8 million from these entities has been included in the Consolidated Statements of Income for fiscal 2021, 2020, and 2019, respectively.

The condensed consolidated financial information for the Company’s unconsolidated joint ventures was as follows (in thousands):

	For the fiscal year ended		
	May 29, 2021	May 30, 2020	June 1, 2019
Net sales	\$ 119,853	\$ 188,922	\$ 112,396
Net income	1,596	1,064	9,490
Total assets	106,592	113,513	128,470
Total liabilities	5,850	4,655	7,600
Total equity	100,742	108,858	120,870

The Company is a member of Egglan’s Best, Inc. (“EB”), which is a cooperative. At May 29, 2021 and May 30, 2020, “Investments in unconsolidated entities” as shown on the Company’s Consolidated Balance Sheet includes the cost of the Company’s investment in EB plus any qualified written allocations. The Company cannot exert significant influence over EB’s operating and financial activities; therefore, the Company accounts for this investment using the cost method. The carrying value of this investment at May 29, 2021 and May 30, 2020 was \$768 thousand and \$2.0 million, respectively.

The following relates to the Company’s transactions with these unconsolidated affiliates (in thousands):

	For the fiscal year ended		
	May 29, 2021	May 30, 2020	June 1, 2019
Sales to unconsolidated entities	\$ 56,765	\$ 54,559	\$ 58,093
Purchases from unconsolidated entities	76,059	71,475	81,685
Distributions from unconsolidated entities	6,663	7,114	7,904
		May 29, 2021	May 30, 2020
Accounts receivable from unconsolidated entities		2,404	\$ 4,935
Accounts payable to unconsolidated entities		4,161	5,706

Note 8 - Goodwill and Other Intangible Assets

Goodwill and other intangibles consisted of the following (in thousands):

	Goodwill	Other Intangibles					Total intangibles	
		Franchise rights	Customer relationships	Non-compete agreements	Right of Use	Water rights		Trademark
Balance June 1, 2019	\$ 35,525	\$ 19,955	\$ 2,504	\$ 297	\$ —	\$ 720	\$ 286	\$ 59,287
Additions	—	—	1,000	1,000	—	—	—	2,000
Amortization	—	(1,628)	(1,150)	(118)	—	—	(50)	(2,946)
Balance May 30, 2020	35,525	18,327	2,354	1,179	—	720	236	58,341
Additions	—	—	—	—	39	—	—	39
Amortization	—	(1,628)	(666)	(160)	(10)	—	(50)	(2,514)
Balance May 29, 2021	\$ 35,525	\$ 16,699	\$ 1,688	\$ 1,019	\$ 29	\$ 720	\$ 186	\$ 55,866

For the Other Intangibles listed above, the gross carrying amounts and accumulated amortization are as follows (in thousands):

	May 29, 2021		May 30, 2020	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Other intangible assets:				
Franchise rights	\$ 29,284	\$ (12,585)	\$ 29,284	\$ (10,957)
Customer relationships	9,644	(7,956)	20,544	(18,190)
Non-compete agreements	1,450	(431)	1,450	(271)
Right of use intangible	229	(200)	191	(191)
Water rights *	720	—	720	—
Trademark	400	(214)	400	(164)
Total	\$ 41,727	\$ (21,386)	\$ 52,589	\$ (29,773)

* Water rights are an indefinite life intangible asset.

No significant residual value is estimated for these intangible assets. Aggregate amortization expense for fiscal years 2021, 2020, and 2019 totaled \$2.5 million, \$2.9 million, and \$2.8 million, respectively.

The following table presents the total estimated amortization of intangible assets for the five succeeding years (in thousands):

For fiscal year	Estimated amortization expense
2022	\$ 2,220
2023	2,206
2024	2,170
2025	2,040
2026	2,015
Thereafter	8,970
Total	\$ 19,621

Note 9 - Employee Benefit Plans

The Company maintains a medical plan that is qualified under Section 401(a) of the Internal Revenue Code and is not subject to tax under present income tax laws. The plan is funded by contributions from the Company and its employees. Under its plan, the Company self-insures its portion of medical claims for substantially all full-time employees. The Company uses stop-loss insurance to limit its portion of medical claims to \$225,000 per occurrence. The Company's expenses including accruals for incurred but not reported claims were approximately \$21.7 million, \$17.8 million, and \$18.1 million in fiscal years 2021, 2020, and 2019, respectively. The liability recorded for incurred but not reported claims was \$2.4 million and \$1.7 million as of May 29, 2021 and May 30, 2020, respectively.

The Company has a KSOP plan that covers substantially all employees (the "Plan"). The Company makes contributions to the Plan at a rate of 3% of participants' eligible compensation, plus an additional amount determined at the discretion of the Board of

Directors. Contributions can be made in cash or the Company's common stock, and vest immediately. The Company's cash contributions to the Plan were \$3.8 million in fiscal years 2021 and 2020, and \$3.7 million in fiscal year 2019. The Company did not make direct contributions of the Company's common stock in fiscal years 2021, 2020, or 2019. Dividends on the Company's common stock are paid to the Plan in cash. The Plan acquires the Company's common stock, which is listed on the NASDAQ, by using the dividends and the Company's cash contribution to purchase shares in the public markets. The Plan sells common stock on the NASDAQ to pay benefits to Plan participants. Participants may make contributions to the Plan up to the maximum allowed by the Internal Revenue Service regulations. The Company does not match participant contributions.

The Company has deferred compensation agreements with certain officers for payments to be made over specified periods beginning when the officers reach age 65 or over as specified in the agreements. Amounts accrued for the agreements are based upon deferred compensation earned over the estimated remaining service period of each officer. Payments made under these agreements were \$170 thousand, \$150 thousand, and \$129 thousand in fiscal years 2021, 2020, and 2019, respectively. The liability recorded related to these agreements was \$1.4 million at May 29, 2021 and May 30, 2020.

In December 2006, the Company adopted an additional deferred compensation plan to provide deferred compensation to named officers of the Company. The awards issued under this plan were \$279 thousand, \$266 thousand, and \$267 thousand in fiscal 2021, 2020, and 2019, respectively. Payments made under the plan were \$55 thousand and \$1.2 million in fiscal 2021 and 2020, respectively. The liability recorded for this plan was \$4.1 million and \$2.7 million at May 29, 2021 and May 30, 2020, respectively.

Deferred compensation expense for both plans totaled \$1.6 million, \$621 thousand and \$377 thousand in fiscal 2021, 2020, and 2019, respectively.

Postretirement Medical Plan

The Company maintains an unfunded postretirement medical plan to provide limited health benefits to certain qualified retired employees and officers. Retired non-officers and spouses are eligible for coverage until attainment of Medicare eligibility, at which time coverage ceases. Retired officers and spouses are eligible for lifetime benefits under the plan. Officers and their spouses, who retired prior to May 1, 2012, must participate in Medicare Plans A and B. Officers, and their spouses, who retire on or after May 1, 2012 must participate in Medicare Plans A, B, and D.

The plan is accounted for in accordance with ASC 715, Compensation – Retirement Benefits (“ASC 715”), whereby an employer recognizes the funded status of a defined benefit postretirement plan as an asset or liability, and recognizes changes in the funded status in the year the change occurs through comprehensive income. Additionally, this expense is recognized on an accrual basis over the employees' approximate period of employment. The liability associated with the plan was \$3.4 million at May 29, 2021 and May 30, 2020. The remaining disclosures associated with ASC 715 are immaterial to the Company's financial statements.

Note 10 - Credit Facility

For fiscal years 2021, 2020 and 2019, interest was \$213 thousand, \$498 thousand, and \$644 thousand, respectively.

On July 10, 2018, we entered into a \$100.0 million Senior Secured Revolving Credit Facility (the “Revolving Credit Facility”) with a five-year term. The credit agreement for the Revolving Credit Facility includes an accordion feature permitting the Company, with the consent of the administrative agent, to increase the revolving commitments in the aggregate up to \$125.0 million. No amounts were borrowed under the facility as of May 29, 2021 or during fiscal 2021. The Company had \$4.1 million of outstanding standby letters of credit issued under the Revolving Credit Facility at May 29, 2021.

The interest rate is based, at the Company's election, on either the Eurodollar Rate plus the Applicable Margin or the Base Rate plus the Applicable Margin. The “Eurodollar Rate” means the reserve adjusted rate at which Eurodollar deposits in the London interbank market for an interest period of one, two, three, six or twelve months (as selected by the Company) are quoted. The “Base Rate” means a fluctuating rate per annum equal to the highest of (a) the federal funds rate plus 0.5% per annum, (b) the prime rate of interest established by the administrative agent, and (c) the Eurodollar Rate for an interest period of one month plus 1.00% per annum, subject to certain interest rate floors. The “Applicable Margin” means 0% to 0.75% per annum for Base Rate Loans and 1.00% to 1.75% per annum for Eurodollar Rate Loans, in each case depending upon the average outstanding balance at the quarterly pricing date. The Company will pay a commitment fee of 0.2% on the unused portion of the facility.

The Revolving Credit Facility is guaranteed by all the current and future wholly-owned direct and indirect domestic subsidiaries of the Company and is secured by a first-priority perfected security interest in substantially all of the Company's and the

guarantors' accounts, payment intangibles, instruments (including promissory notes), chattel paper, inventory (including farm products) and deposit accounts maintained with the administrative agent.

The credit agreement for the Revolving Credit Facility contains customary covenants, including restrictions on the incurrence of liens, and additional debt, sales of assets and other fundamental corporate changes and investments. The credit agreement requires maintenance of two financial covenants (i) a minimum working capital ratio of 2.00 to 1.00 and (ii) an annual limit on capital expenditures of \$150.0 million. Additionally, the credit agreement requires that Fred R. Adams Jr., his spouse, natural children, sons-in-law or grandchildren, or any trust, guardianship, conservatorship or custodianship for the primary benefit of any of the foregoing, or any family limited partnership, similar limited liability company or other entity that 100% of the voting control of such entity is held by any of the foregoing, shall maintain at least 50% of the Company's voting stock. Failure to satisfy any of these covenants will constitute a default under the terms of the credit agreement. Further, dividends are restricted to the Company's current dividend policy of one-third of the Company's net income computed in accordance with GAAP. The Company is allowed to repurchase up to \$75.0 million of its capital stock in any year provided there is no default under the credit agreement and the Company has availability of at least \$20.0 million under the facility.

The credit agreement for the Revolving Credit Facility includes customary events of default and customary remedies upon the occurrence of an event of default, including acceleration of the amounts due and foreclosure of the collateral.

At May 29, 2021, we were in compliance with the covenant requirements of the Revolving Credit Facility.

Note 11 - Accrued Dividends Payable and Dividends per Common Share

We accrue dividends at the end of each quarter according to our dividend policy adopted by our Board of Directors. The Company pays a dividend to shareholders of its Common Stock and Class A Common Stock on a quarterly basis for each quarter for which the Company reports net income attributable to Cal-Maine Foods, Inc. computed in accordance with GAAP in an amount equal to one-third (1/3) of such quarterly income. Dividends are paid to shareholders of record as of the 60th day following the last day of such quarter, except for the fourth fiscal quarter. For the fourth quarter, the Company pays dividends to shareholders of record on the 65th day after the quarter end. Dividends are payable on the 15th day following the record date. Following a quarter for which the Company does not report net income attributable to Cal-Maine Foods, Inc., the Company will not pay a dividend for a subsequent profitable quarter until the Company is profitable on a cumulative basis computed from the date of the last quarter for which a dividend was paid. At the end of fiscal 2021, the amount of cumulative losses to be recovered before payment of a dividend was \$4.2 million.

On our consolidated statement of income, we determine dividends per common share in accordance with the computation in the following table (in thousands, except per share data):

	13 Weeks Ended		52 Weeks Ended	
	May 29, 2021	May 30, 2020	May 29, 2021	May 30, 2020
Net income (loss) attributable to Cal-Maine Foods, Inc.	\$ (4,244)	\$ 60,463	\$ 2,060	\$ 18,391
Cumulative losses to be recovered prior to payment of dividend at beginning of period	—	(61,833)	(1,370)	(19,761)
Net income attributable to Cal-Maine Foods, Inc. available for dividend	\$ —	\$ —	\$ —	\$ —
1/3 of net income attributable to Cal-Maine Foods, Inc. available for dividend	\$ —			
Common stock outstanding (shares)	44,058			
Class A common stock outstanding (shares)	4,800			
Total common stock outstanding (shares)	48,858			
Dividends per common share*	\$ —	\$ —	\$ 0.034	\$ —

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

Note 12 - Equity

The Company has two classes of capital stock: Common Stock and Class A Common Stock. Except as otherwise required by law or the Company's certificate of incorporation, holders of shares of the Company's capital stock vote as a single class on all matters submitted to a vote of the stockholders, with each share of Common Stock entitled to one vote and each share of Class A Common Stock entitled to ten votes. Holders of capital stock have the right of cumulative voting in the election of directors. The Common Stock and Class A Common Stock have equal liquidation rights and the same dividend rights. In the case of any dividend payable in stock, holders of Common Stock are entitled to receive the same percentage dividend (payable only in shares of Common Stock) as the holders of Class A Common Stock receive (payable only in shares of Class A Common Stock). Upon liquidation, dissolution, or winding-up of the Company, the holders of Common Stock are entitled to share ratably with the holders of Class A Common Stock in all assets available for distribution after payment in full of creditors. The holders of Common Stock and Class A Common Stock are not entitled to preemptive or subscription rights. No class of capital stock may be combined or subdivided unless the other classes of capital stock are combined or subdivided in the same proportion. No dividend may be declared and paid on Class A Common Stock unless the dividend is payable only to the holders of Class A Common Stock and a dividend is declared and paid to Common Stock concurrently.

Each share of Class A Common Stock is convertible, at the option of its holder, into one share of Common Stock at any time. The Company's Second Restated Certificate of Incorporation ("Restated Charter") identifies family members of Mr. Adams ("Immediate Family Members") and arrangements and entities that are permitted to receive and hold shares of Class A Common Stock, with ten votes per share, without such shares converting into shares of Common Stock, with one vote per share ("Permitted Transferees"). The Permitted Transferees include arrangements and entities such as revocable trusts and limited liability companies that could hold Class A Common Stock for the benefit of Immediate Family Members. Each Permitted Transferee must have a relationship, specifically defined in the Restated Charter, with another Permitted Transferee or an Immediate Family Member. A share of Class A Common Stock transferred to a person other than a Permitted Transferee would automatically convert into Common Stock with one vote per share. Additionally, the Restated Charter includes a sunset provision pursuant to which all of the outstanding Class A Common Stock will automatically convert to Common Stock if: (a) less than 4,300,000 shares of Class A Common Stock, in the aggregate, are beneficially owned by Immediate Family Members and/or Permitted Transferees, or (b) if less than 4,600,000 shares of Class A Common Stock and Common Stock, in the aggregate, are beneficially owned by Immediate Family Members and/or Permitted Transferees.

Note 13 - Net Income per Common Share

Basic net income per share attributable to Cal-Maine Foods, Inc. is based on the weighted average Common Stock and Class A Common Stock outstanding. Diluted net income per share attributable to Cal-Maine Foods, Inc. is based on weighted-average common shares outstanding during the relevant period adjusted for the dilutive effect of share-based awards.

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

	May 29, 2021	May 30, 2020	June 1, 2019
Numerator			
Net income	\$ 2,060	\$ 18,328	\$ 55,062
Less: Net income (loss) attributable to noncontrolling interest	—	(63)	833
Net income attributable to Cal-Maine Foods, Inc.	<u>\$ 2,060</u>	<u>\$ 18,391</u>	<u>\$ 54,229</u>
Denominator			
Weighted-average common shares outstanding, basic	48,522	48,467	48,467
Effect of dilutive securities of restricted shares	134	117	122
Weighted-average common shares outstanding, diluted	<u>48,656</u>	<u>48,584</u>	<u>48,589</u>
Net income per common share attributable to Cal-Maine Foods, Inc.			
Basic	<u>\$ 0.04</u>	<u>\$ 0.38</u>	<u>\$ 1.12</u>
Diluted	<u>\$ 0.04</u>	<u>\$ 0.38</u>	<u>\$ 1.12</u>

Note 14 - Revenue Recognition*Satisfaction of Performance Obligation*

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

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

Costs to deliver product to customers are included in selling, general and administrative expenses in the accompanying Consolidated Statements of Income and totaled \$52.7 million, \$52.2 million, and \$53.6 million in fiscal years 2021, 2020, and 2019, respectively.

Returns and Refunds

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

Sales Incentives Provided to Customers

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

Disaggregation of Revenue

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

	13 Weeks Ended		52 Weeks Ended	
	May 29, 2021	May 30, 2020	May 29, 2021	May 30, 2020
Conventional shell egg sales	\$ 205,987	\$ 311,380	\$ 766,284	\$ 830,278
Specialty shell egg sales	131,243	133,347	539,780	485,465
Egg products	10,997	7,204	36,733	31,414
Other	1,571	1,402	6,190	4,452
	<u>\$ 349,798</u>	<u>\$ 453,333</u>	<u>\$ 1,348,987</u>	<u>\$ 1,351,609</u>

Contract Costs

The Company can incur costs to obtain or fulfill a contract with a customer. If the amortization period of these costs is less than one year, they are expensed as incurred. When the amortization period is greater than one year, a contract asset is recognized and is amortized over the contract life as a reduction in net sales. As of May 29, 2021 the balance for contract assets is immaterial.

Contract Balances

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

Concentration of Credit Risks

Our largest customer, Walmart Inc. (including Sam's Club) accounted for 29.8%, 32.1% and 33.7% of net sales dollars for fiscal 2021, 2020, and 2019, respectively. H-E-B, LP accounted for 10.1% of net sales dollars for fiscal 2020.

Note 15 - Leases

Expenses related to operating leases, amortization of finance lease ROU assets and finance lease interest are included in Cost of sales, Selling general and administrative expense, and Interest expense in the Consolidated Statements of Income.

The Company's lease cost consists of the following (in thousands):

	13 Weeks Ended May 29, 2021	52 Weeks Ended May 30, 2020
Operating Lease cost	\$ 226	\$ 929
Finance Lease cost		
Amortization of right-of-use asset	\$ 43	\$ 168
Interest on lease obligations	\$ 7	\$ 34
Short term lease cost	\$ 1,057	\$ 3,771

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

	As of May 29, 2021	
	Operating Leases	Finance Leases
2022	\$ 802	\$ 239
2023	539	239
2024	380	219
2025	130	—
2026	26	—
Thereafter	5	—
Total	1,882	697
Less imputed interest	(157)	(44)
Total	\$ 1,725	\$ 653

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

	As of May 29, 2021	
	Operating Leases	Finance Leases
Weighted-average remaining lease term (years)	2.8	2.5
Weighted-average discount rate	5.9 %	4.9 %

Note 16 - Stock Compensation Plans

On October 2, 2020, shareholders approved the Amended and Restated Cal-Maine Foods, Inc. 2012 Omnibus Long-Term Incentive Plan (the "LTIP Plan"). The purpose of the LTIP Plan is to assist us and our subsidiaries in attracting and retaining selected individuals who are expected to contribute to our long-term success. The maximum number of shares of common stock available for awards under the LTIP Plan is 2,000,000 of which 1,126,188 shares remain available for issuance, and may be authorized but unissued shares or treasury shares. Awards may be granted under the LTIP Plan to any employee, any non-employee member of the Company's Board of Directors, and any consultant who is a natural person and provides services to us or one of our subsidiaries (except for incentive stock options, which may be granted only to our employees).

The only outstanding awards under the LTIP Plan are restricted stock awards. The restricted stock vests one to three years from the grant date, or upon death or disability, change in control, or retirement (subject to certain requirements). The restricted stock contains no other service or performance conditions. Restricted stock is awarded in the name of the recipient and, except for the right of disposal, constitutes issued and outstanding shares of the Company's common stock for all corporate purposes during the

period of restriction including the right to receive dividends. Compensation expense is a fixed amount based on the grant date closing price and is amortized on a straight-line basis over the vesting period. Forfeitures are recognized as they occur.

Total stock-based compensation expense was \$3.8 million, \$3.6 million, and \$3.6 million in fiscal 2021, 2020, and 2019, respectively.

Our unrecognized compensation expense as a result of non-vested shares was \$6.6 million and at May 29, 2021 and \$6.3 million May 30, 2020. The unrecognized compensation expense will be amortized to stock compensation expense over a period of 2.1 years.

A summary of our equity award activity and related information for our restricted stock is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding, June 1, 2019	248,412	\$ 42.20
Granted	104,566	38.25
Vested	(77,801)	43.00
Forfeited	(2,131)	43.20
Outstanding, May 30, 2020	273,046	\$ 41.36
Granted	112,860	37.82
Vested	(79,328)	43.96
Forfeited	(4,431)	40.12
Outstanding, May 29, 2021	302,147	\$ 39.37

Note 17 - Income Taxes

Income tax expense (benefit) consisted of the following:

	Fiscal year ended		
	May 29, 2021	May 30, 2020	June 1, 2019
Current:			
Federal	\$ (35,090)	\$ (6,750)	\$ 8,160
State	730	(1,800)	1,460
	(34,360)	(8,550)	9,620
Deferred:			
Federal	21,658	8,872	4,843
State	693	1,409	1,280
	22,351	10,281	6,123
	\$ (12,009)	\$ 1,731	\$ 15,743

Significant components of the Company’s deferred tax liabilities and assets were as follows:

	May 29, 2021	May 30, 2020
Deferred tax liabilities:		
Property, plant and equipment	\$ 82,508	\$ 60,645
Inventories	31,501	28,075
Investment in affiliates	7,670	8,099
Other comprehensive income	—	214
Other	5,648	5,002
Total deferred tax liabilities	127,327	102,035
Deferred tax assets:		
Accrued expenses	3,728	3,376
State operating loss carryforwards	3,416	792
Other comprehensive income	497	—
Other	5,278	5,099
Total deferred tax assets	12,919	9,267
Net deferred tax liabilities	\$ 114,408	\$ 92,768

The differences between income tax expense (benefit) at the Company’s effective income tax rate and income tax expense at the statutory federal income tax rate were as follows:

	Fiscal year end		
	May 29, 2021	May 30, 2020	June 1, 2019
Statutory federal income tax	\$ (2,087)	\$ 4,226	\$ 14,694
State income taxes, net	1,124	(309)	2,164
Domestic manufacturers deduction	3,566	684	—
Enacted net operating loss carryback provision	(16,014)	(3,041)	—
Tax exempt interest income	(50)	(111)	(197)
Other, net	1,452	282	(918)
	\$ (12,009)	\$ 1,731	\$ 15,743

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was enacted. The CARES Act contains several income tax provisions, as well as other measures, that are intended to assist businesses impacted by the economic effects of the COVID-19 pandemic. The most significant provision of the CARES Act that materially affects our accounting for income taxes includes a five-year carryback allowance for taxable net operating losses generated in tax years 2018 through 2020, our fiscal years 2019 through 2021.

Our financial statements for the fiscal year ended May 29, 2021 were materially affected by the changes enacted by the CARES Act. As a result of the applicable accounting guidance and the provisions enacted by the CARES Act, our income tax provision for fiscal 2021 reflects the carryback of taxable net operating losses generated during periods in which the statutory federal income tax rate was 21% to periods in which the statutory federal income tax rate was 35%. Due to the difference in statutory rates, we recorded a \$16.0 million discrete income tax benefit related to the carryback provisions during the fiscal year ended May 29, 2021. Because the net operating losses were carried back to years in which we initially reduced our taxable income using the Domestic Production Activities Deduction, we recorded a partially offsetting \$3.6 million discrete income tax expense during fiscal 2021 to account for the reduced taxable income.

Federal and state income taxes of \$995 thousand, \$32 thousand, and \$37.4 million were paid in fiscal years 2021, 2020, and 2019, respectively. Federal and state income taxes of \$2.6 million, \$8.4 million, and \$418 thousand were refunded in fiscal years 2021, 2020, and 2019, respectively.

The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Company measures the tax benefits recognized based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution.

As of May 29, 2021, we are under audit by the Internal Revenue Service (IRS) for the fiscal years 2013 through 2015. Although we are subject to income tax in many jurisdictions within the U.S., we were not under audit by any state and local tax authorities. As of May 29, 2021, the IRS has proposed adjustments related to the Company's research and development credits claimed during the years under audit. Management is continuing to evaluate those proposed adjustments and does not anticipate the adjustments would result in a material change to its consolidated financial statements. However, the Company believes it is reasonably possible that an additional decrease of up to \$1.4 million in previously recognized tax benefits related to research and development credits may be necessary within the coming year. Tax periods for all years beginning with fiscal year 2013 remain open to examination by federal and state taxing jurisdictions to which we are subject.

Note 18 - Commitments and Contingencies

Financial Instruments

The Company maintained standby letters of credit ("LOC") totaling \$4.1 million at May 29, 2021, which were issued under the Company's Revolving Credit Facility. The outstanding LOCs are for the benefit of certain insurance companies. None of the LOCs are recorded as a liability on the Consolidated Balance Sheets.

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

On April 23, 2020, the Company and its subsidiary Wharton County Foods, LLC ("WCF") were named as defendants in State of Texas v. Cal-Maine Foods, Inc. d/b/a Wharton; and Wharton County Foods, LLC, Cause No. 2020-25427, in the District Court of Harris County, Texas. The State of Texas (the "State") asserted claims based on the Company's and WCF's alleged violation of the Texas Deceptive Trade Practices—Consumer Protection Act, Tex. Bus. & Com. Code §§ 17.41-17.63 ("DTPA"). The State claimed that the Company and WCF offered shell eggs at excessive or exorbitant prices during the COVID-19 state of emergency and made misleading statements about shell egg prices. The State sought temporary and permanent injunctions against the Company and WCF to prevent further alleged violations of the DTPA, along with over \$100,000 in damages. On August 13, 2020, the court granted the defendants' motion to dismiss the State's original petition with prejudice. On September 11, 2020, the State filed a notice of appeal, which was assigned to the Texas Court of Appeals for the First District. The State filed its opening brief on December 7, 2020. The Company and WCF filed their response on February 8, 2021. The Texas Court of Appeals has not ruled on these submissions. Management believes the risk of material loss related to this matter to be remote.

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

On April 30, 2020, the Company was named as one of several defendants in Bell et al. v. Cal-Maine Foods et al., Case No. 1:20-cv-461, in the Western District of Texas, Austin Division. The defendants include numerous grocery stores, retailers, producers, and farms. Plaintiffs assert that defendants violated the DTPA by allegedly demanding exorbitant or excessive prices for eggs during the COVID-19 state of emergency. Plaintiffs request certification of a class of all consumers who purchased eggs in Texas sold, distributed, produced, or handled by any of the defendants during the COVID-19 state of emergency. Plaintiffs seek to enjoin the Company and other defendants from selling eggs at a price more than 10% greater than the price of eggs prior to the declaration of the state of emergency and damages in the amount of \$10,000 per violation, or \$250,000 for each violation impacting anyone over 65 years old. On December 1, 2020, the Company and certain other defendants filed their motion to dismiss the plaintiffs' first amended class action complaint. The court has not ruled on this motion to dismiss. Management believes the risk of material loss related to this matter to be remote.

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

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

On September 13, 2019, the case with the Egg Products Plaintiffs was remanded from a multi-district litigation proceeding in the United States District Court for the Eastern District of Pennsylvania, In re Processed Egg Products Antitrust Litigation, MDL No. 2002, to the United States District Court for the Northern District of Illinois, Kraft Foods Global, Inc. et al. v. United Egg Producers, Inc. et al., Case No. 1:11-cv-8808, for trial. The Egg Products Plaintiffs allege that the Company and other defendants violated Section 1 of the Sherman Act, 15 U.S.C. § 1, by agreeing to limit the production of eggs and thereby illegally to raise the prices that plaintiffs paid for processed egg products. In particular, the Egg Products Plaintiffs are attacking certain features of the United Egg Producers animal-welfare guidelines and program used by the Company and many other egg producers. The

Egg Products Plaintiffs seek to enjoin the Company and other defendants from engaging in antitrust violations and seek treble money damages. The parties filed a joint status report on May 18, 2020, but no schedule has yet been entered by the court. It appears that the case will not be tried until later in 2021 or 2022.

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

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

State of Oklahoma Watershed Pollution Litigation

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

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

Other Matters

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

Note 19 - Related Party Transaction

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

Note 20 – Subsequent Events

Effective on May 30, 2021, the Company paid \$48.5 million to acquire the remaining 50% membership interest in Red River, including certain liabilities. As a result of the acquisition, the entity became a wholly owned subsidiary of the Company. Red River owns and operates a specialty shell egg production complex with approximately 1.7 million cage-free laying hens, cage-free pullet capacity, feed mill, processing plant, related offices and outbuildings and related equipment located on approximately 400 acres near Bogata, Texas.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
Fiscal Years ended May 29, 2021, May 30, 2020, and June 1, 2019
(in thousands)

Description	Balance at Beginning of Period	Charged to Cost and Expense	Write-off of Accounts	Balance at End of Period
Year ended May 29, 2021				
Allowance for doubtful accounts	\$ 743	\$ 135	\$ 83	\$ 795
Year ended May 30, 2020				
Allowance for doubtful accounts	\$ 206	\$ 550	\$ 13	\$ 743
Year ended June 1, 2019				
Allowance for doubtful accounts	\$ 268	\$ 42	\$ 104	\$ 206

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on an evaluation of our disclosure controls and procedures conducted by our Chief Executive Officer and Chief Financial Officer, together with other financial officers, such officers concluded that our disclosure controls and procedures were effective as of May 29, 2021 at the reasonable assurance level.

Internal Control Over Financial Reporting

(a) Management’s Report on Internal Control Over Financial Reporting

The following sets forth, in accordance with Section 404(a) of the Sarbanes-Oxley Act of 2002 and Item 308 of the Securities and Exchange Commission’s Regulation S-K, the report of management on our internal control over financial reporting.

1. Our management is responsible for establishing and maintaining adequate internal control over financial reporting. “Internal control over financial reporting” is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, together with other financial officers, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:
 - Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
 - Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
 - Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.
2. Our management, in accordance with Rule 13a-15(c) under the Exchange Act and with the participation of our Chief Executive Officer and Chief Financial Officer, together with other financial officers, evaluated the effectiveness of our internal control over financial reporting as of May 29, 2021. The framework on which management’s evaluation of our internal control over financial reporting is based is the “Internal Control – Integrated Framework” published in 2013 by the Committee of Sponsoring Organizations (“COSO”) of the Treadway Commission.
3. Management has determined that our internal control over financial reporting as of May 29, 2021 is effective. It is noted that internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives, but rather reasonable assurance of achieving such objectives.
4. The attestation report of FROST, PLLC on our internal control over financial reporting, which includes that firm’s opinion on the effectiveness of our internal control over financial reporting, is set forth below.

(b) Attestation Report of the Registrant’s Public Accounting Firm

**Report of Independent Registered Public Accounting Firm
on Internal Control Over Financial Reporting**

Board of Directors and Stockholders
Cal-Maine Foods, Inc. and Subsidiaries
Ridgeland, Mississippi

Opinion on Internal Control Over Financial Reporting

We have audited Cal-Maine Foods, Inc. and Subsidiaries' (the "Company") internal control over financial reporting as of May 29, 2021, based on criteria established in *2013 Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as May 29, 2021, based on criteria established in *2013 Internal Control – Integrated Framework* issued by the COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows of the Company and our report dated July 19, 2021 expressed an unqualified opinion.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting in Item 9A. Our responsibility is to express an opinion on the entity's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCOAB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and directors of the entity; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Frost, PLLC

Little Rock, Arkansas
July 19, 2021

(c) Changes in Internal Control Over Financial Reporting

In connection with its evaluation of the effectiveness, as of May 29, 2021, of our internal control over financial reporting, management determined that there was no change in our internal control over financial reporting that occurred during the fourth quarter ended May 29, 2021, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Except as set forth below, the information concerning directors, executive officers and corporate governance required by Item 10 is incorporated by reference from our definitive proxy statement which is to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934 in connection with our 2021 Annual Meeting of Shareholders.

We have adopted a Code of Conduct and Ethics for Directors, Officers and Employees, including the chief executive and principal financial and accounting officers of the Company. We will provide a copy of the code free of charge to any person that requests a copy by writing to:

Cal-Maine Foods, Inc.
P.O. Box 2960
Jackson, Mississippi 39207
Attn.: Investor Relations

Requests can be made by phone at (601) 948-6813.

A copy is also available at our website www.calmainefoods.com. We intend to disclose any amendments to, or waivers from, the Code of Conduct and Ethics for Directors, Officers and Employees on our website promptly following the date of any such amendment or waiver. Information contained on our website is not a part of this report.

ITEM 11. EXECUTIVE COMPENSATION

The information concerning executive compensation required by Item 11 is incorporated by reference from our definitive proxy statement which is to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934 in connection with our 2021 Annual Meeting of Shareholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information concerning security ownership of certain beneficial owners and management and related stockholder matters required by Item 12 is incorporated by reference from our definitive proxy statement which is to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934 in connection with our 2021 Annual Meeting of Shareholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information concerning certain relationships and related transactions, and director independence required by Item 13 is incorporated by reference from our definitive proxy statement which is to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934 in connection with our 2021 Annual Meeting of Shareholders.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information concerning principal accounting fees and services required by Item 14 is incorporated by reference from our definitive proxy statement which is to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934 in connection with our 2021 Annual Meeting of Shareholders.

PART IV.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

The following consolidated financial statements and notes thereto of Cal-Maine Foods, Inc. and subsidiaries are included in Item 8 and are filed herewith:

Report of Independent Registered Public Accounting Firm.	33
Consolidated Balance Sheets – May 29, 2021 and May 30, 2020	35
Consolidated Statements of Income – Fiscal Years Ended May 29, 2021, May 30, 2020, and June 1, 2019	36
Consolidated Statements of Comprehensive Income – Fiscal Years Ended May 29, 2021, May 30, 2020, and June 1, 2019	37
Consolidated Statements of Changes in Stockholders' Equity for the Fiscal Years Ended May 29, 2021, May 30, 2020, and June 1, 2019	38
Consolidated Statements of Cash Flows for the Fiscal Years Ended May 29, 2021, May 30, 2020, and June 1, 2019	39
Notes to Consolidated Financial Statements	40
(a)(2) <u>Financial Statement Schedule</u>	
Schedule II – Valuation and Qualifying Accounts	58

All other schedules are omitted either because they are not applicable or required, or because the required information is included in the financial statements or notes thereto.

(a)(3) Exhibits Required by Item 601 of Regulation S-K

See Part (b) of this Item 15.

(b) Exhibits Required by Item 601 of Regulation S-K

The following exhibits are filed herewith or incorporated by reference:

Exhibit Number	Exhibit
3.1	Second Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 in the Registrant’s Form 8-K, filed July 20, 2018)
3.2	Composite Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 in the Registrant’s Form 10-Q for the quarter ended March 2, 2013, filed April 5, 2013)
4.1**	Description of Registrant's Securities Registered Under Section 12 of the Exchange Act
10.1	Underwriting Agreement, dated August 19, 2020, among the Company, the Selling Stockholders and BofA Securities Inc., as representative of the several underwriters named therein (incorporated by reference to Exhibit 1.1 in the Registrant’s Form 8-K, filed August 24, 2020)
10.2	Agreement Regarding Common Stock, including Registration Rights Exhibit (attached) (incorporated by reference to Exhibit 10.1 to the Registrant’s Form 8-K, filed June 5, 2018)
10.3*	Deferred Compensation Plan, dated December 28, 2006 (incorporated by reference to Exhibit 10.15 in the Registrant’s Form 8-K, filed January 4, 2007)
10.4	Credit Agreement, dated July 10, 2018, among the Registrant and BMO Harris Bank N.A., as Administrative Agent, Swingline Lender and L/C Issuer, BMO Harris Bank N.A. and Greenstone Farm Credit Services, ACA, as lenders, and BMO Capital Markets, as the sole Lead Arranger and sole Book Runner (incorporated by reference to Exhibit 10.1 in the Registrant's Form 8-K filed July 10, 2018)
10.5*	Cal-Maine Foods, Inc. KSOP, as amended and restated, effective April 1, 2012 (incorporated by reference to Exhibit 4.4 in the Registrant’s Form S-8, filed March 30, 2012)
10.6*	Cal-Maine Foods, Inc. KSOP Trust, as amended and restated, effective April 1, 2012 (incorporated by reference to Exhibit 4.5 in the Registrant’s Form S-8, filed March 30, 2012)
10.7*	Amended and Restated Cal-Maine Foods, Inc. 2012 Omnibus Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company’s Form 8-K filed October 2, 2020).
10.8*	Form of Restricted Stock Agreement for 2012 Omnibus Long-Term Incentive Plan (incorporated by reference to Exhibit 10.13 in the Registrant’s Form 10-K for the year ended May 31, 2014, filed July 28, 2014)
21**	Subsidiaries of the Registrant
23.1**	Consent of FROST, PLLC
31.1**	Rule 13a-14(a) Certification of Chief Executive Officer
31.2**	Rule 13a-14(a) Certification of Chief Financial Officer
32***	Section 1350 Certifications of the Chief Executive Officer and the Chief Financial Officer
101.SCH***+	Inline XBRL Taxonomy Extension Schema Document
101.CAL***+	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF***+	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB***+	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE***+	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Management contract or compensatory plan or arrangement

** Filed herewith as an Exhibit

*** Furnished herewith as an Exhibit

† Submitted electronically with this Annual Report on Form 10-K

(c) Financial Statement Schedules Required by Regulation S-X

The financial statement schedule required by Regulation S-X is filed at page 58. All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

ITEM 16. FORM 10-K SUMMARY

Not applicable

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in Ridgeland, Mississippi.

CAL-MAINE FOODS, INC.

/s/ Adolphus B. Baker

Adolphus B. Baker

Chief Executive Officer and Chairman of the Board

Date: July 19, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Adolphus B. Baker</u> Adolphus B. Baker	Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	July 19, 2021
<u>/s/ Max P. Bowman</u> Max P. Bowman	Vice President, Chief Financial Officer and Director (Principal Financial Officer)	July 19, 2021
<u>/s/ Michael D. Castleberry</u> Michael D. Castleberry	Vice President, Controller (Principal Accounting Officer)	July 19, 2021
<u>/s/ Sherman L. Miller</u> Sherman L. Miller	President, Chief Operating Officer and Director	July 19, 2021
<u>/s/ Letitia C. Hughes</u> Letitia C. Hughes	Director	July 19, 2021
<u>/s/ James E. Poole</u> James E. Poole	Director	July 19, 2021
<u>/s/ Steve W. Sanders</u> Steve W. Sanders	Director	July 19, 2021
<u>/s/ Camille S. Young</u> Camille S. Young	Director	July 19, 2021

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