CAL MAINE FOODS INC
Form 10-Q
March 30, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(mark one)

x Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended February 25, 2012

OR

£ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ____________ to ____________

Commission File Number: 000-04892

CAL-MAINE FOODS, INC.

(Exact name of registrant as specified in its charter)

Delaware	64-0500378
(State or other jurisdiction of	(I.R.S. Employer Identification No.)

incorporation or organization)

3320 Woodrow Wilson Avenue, Jackson, Mississippi 39209

(Address of principal executive offices) (Zip Code)

(601) 948-6813

(Registrant's telephone number, including area code)

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 x No¨

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

Yes x No¨

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

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

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

Yes ¨ No x

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate number of shares outstanding of each of the issuer's classes of common stock (exclusive of treasury shares), as of March 28, 2012.

Common Stock, $0.01 par value	21,477,091 shares
Class A Common Stock, $0.01 par value	2,400,000 shares

CAL-MAINE FOODS, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CAL-MAINE FOODS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except per share amounts)

	February 25, 2012 (unaudited)	May 28, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 80,739	$ 57,679
Investment securities available-for-sale	144,962	118,750
Trade receivables (less allowance for doubtful accounts of $645 at February 25, 2012 and $686 at May 28, 2011) and other receivables	66,339	62,790
Inventories	118,925	110,021
Prepaid expenses and other current assets	6,094	5,801
Total current assets	417,059	355,041
Property, plant and equipment, net	222,176	224,887
Goodwill	22,117	22,117
Other investments	16,420	19,142
Other intangible assets	8,527	10,063
Other long-lived assets	6,405	6,544
Notes receivable – noncurrent	2,693	3,049
TOTAL ASSETS	$ 695,397	$ 640,843
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 89,815	$ 69,545
Accrued dividends payable	8,701	2,424
Current maturities of long-term debt	11,458	11,743
Deferred income taxes	24,093	23,770
Total current liabilities	134,067	107,482
Long-term debt, less current maturities	67,488	76,418
Other non-current liabilities	4,188	3,346
Deferred income taxes	36,021	34,720
Total liabilities	241,764	221,966
Commitments and contingencies – see Note 4		
Stockholders' equity:		

Common stock, $0.01 par value per share:		
Authorized shares – 60,000		
Issued 35,130 shares; 21,477 shares outstanding at		
February 25, 2012 and 21,465 shares outstanding at May 28, 2011	351	351
Class A common stock, $0.01 par value per share, authorized, issued and		
outstanding 2,400 shares at February 25, 2012 and May 28, 2011	24	24
Paid-in capital	33,697	33,419
Retained earnings	441,377	406,361
Accumulated other comprehensive loss, net of tax	(967)	(320)
Common stock in treasury at cost – 13,653 shares at February 25, 2012		
and 13,665 shares at May 28, 2011	(20,911)	(20,929)
Total Cal-Maine Foods, Inc. stockholders' equity	453,571	418,906
Noncontrolling interests in consolidated entities	62	(29)
Total stockholders' equity	453,633	418,877
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 695,397	$ 640,843

See notes to condensed consolidated financial statements.

CAL-MAINE FOODS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts)

UNAUDITED

	13 Weeks Ended		39 Weeks Ended	
	February 25, 2012	February 26, 2011	February 25, 2012	February 26, 2011
Net sales	$303,660	$ 274,674	$837,871	$ 699,600
Cost of sales	238,511	209,094	677,444	556,069
Gross profit	65,149	65,580	160,427	143,531
Selling, general and administrative	30,210	26,619	83,858	73,746
Operating income	34,939	38,961	76,569	69,785
Other income (expense):				
Interest expense, net	(1,151)	(1,648)	(3,369)	(4,787)
Other	6,787	13,221	8,116	15,019
	5,636	11,573	4,747	10,232
Income before income taxes	40,575	50,534	81,316	80,017
Income tax expense	14,291	17,075	28,746	27,818
Net income including noncontrolling interest	26,284	33,459	52,570	52,199
Less: Net income (loss) attributable to noncontrolling interest	182	(160)	91	(1,369)
Net income attributable to Cal-Maine Foods, Inc.	$26,102	$ 33,619	$52,479	$ 53,568
Net income per common share:				
Basic	$1.09	$ 1.41	$2.20	$ 2.25
Diluted	$1.09	$ 1.40	$2.19	$ 2.24
Dividends per common share	$0.364	$ 0.470	$0.733	$ 0.749
Weighted average shares outstanding:				
Basic	23,874	23,861	23,871	23,852
Diluted	23,949	23,943	23,948	23,941

See notes to condensed consolidated financial statements.

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CAL-MAINE FOODS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(unaudited)

	13 Weeks Ended		39 Weeks Ended	
	February 25, 2012	February 26, 2011	February 25, 2012	February 26, 2011
Net income, including noncontrolling interests	$26,284	$ 33,459	$52,570	$ 52,199
Other comprehensive income (loss), before tax:				
Unrealized holding gain (loss) on available-for-sale securities	(1,545)	198	(1,065)	460
Other comprehensive income (loss), before tax	(1,545)	198	(1,065)	460
Income tax expense (benefit) related to items of other comprehensive income (loss)	(602)	77	(418)	179
Other comprehensive income (loss), net of tax	(943)	121	(647)	281
Comprehensive income	25,341	33,580	51,923	52,480
Less: comprehensive income (loss) attributable to the noncontrolling interest	182	(160)	91	(1,369)
Comprehensive income attributable to Cal-Maine Foods, Inc.	$25,159	$ 33,740	$51,832	$ 53,849

See notes to condensed consolidated financial statements.

CAL-MAINE FOODS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

UNAUDITED

	39 Weeks Ended	
	February 25, 2012	February 26, 2011
Cash flows from operating activities		
Net income including noncontrolling interests	$52,570	$ 52,199
Depreciation and amortization	22,805	23,092
Other adjustments, net	9,504	(15,425)
Net cash provided by operations	84,879	59,866
Cash flows from investing activities		
Purchases of investments	(116,433)	(141,034)
Sales of investments	88,956	108,331
Purchases of property, plant and equipment	(19,060)	(14,086)
Payments received on notes receivable and from investments in affiliates	4,840	3,053
Proceeds from sale of non-voting stock in Eggland's Best™	—	4,829
Increase in notes receivable and investments in affiliates	—	(516)
Net proceeds from disposal of property, plant and equipment	42	65
Net cash used in investing activities	(41,655)	(39,358)
Cash flows from financing activities		
Proceeds from issuance of common stock from treasury (including tax benefit on nonqualifying disposition of incentive stock options)	296	142
Principal payments on long-term debt	(9,215)	(25,773)
Payment of dividends	(11,245)	(13,667)
Net cash used in financing activities	(20,164)	(39,298)
Net change in cash and cash equivalents	23,060	(18,790)
Cash and cash equivalents at beginning of period	57,679	99,453
Cash and cash equivalents at end of period	$80,739	$ 80,663

See notes to condensed consolidated financial statements.

CAL-MAINE FOODS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(in thousands, except share amounts)

February 25, 2012

1. Presentation of Interim Information

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary to a fair statement of the results for the interim periods presented have been included. The preparation of condensed consolidated financial statements requires us to make estimates and assumptions. These estimates and assumptions affected reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and assumptions. Operating results for the thirteen and thirty-nine weeks ended February 25, 2012 are not necessarily indicative of the results that may be expected for the year ending June 2, 2012.

The condensed consolidated balance sheet at May 28, 2011 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

For further information, refer to the consolidated financial statements and footnotes thereto included in Cal-Maine Foods, Inc.'s annual report on Form 10-K for the fiscal year ended May 28, 2011. References to “we,” “us,” “our,” or the “Company” refer to Cal-Maine Foods, Inc.

2. Stock Compensation Plans

Total stock based compensation expense (benefit) for the thirty-nine weeks ended February 25, 2012 and February 26, 2011 was $622 and ($ 307), respectively. Our liabilities associated with Stock Appreciation Rights as of February 25, 2012 and February 26, 2011 were $1,172 and $2,225, respectively. The liabilities for our Stock Appreciation Rights are included in the line item “Accounts payable and accrued expenses” in our Condensed Consolidated Balance Sheets. Refer to Note 11 of our May 28, 2011 audited financial statements for further information on our stock compensation plans.

3. Inventories

Inventories consisted of the following:

	February 25, 2012	May 28, 2011
Flocks	$ 69,791	$ 69,251
Eggs	10,403	8,346
Feed and supplies	38,731	32,424
	$ 118,925	$ 110,021

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4. Contingencies

Financial Instruments

The Company maintains standby letters of credit ("LOC") with a bank totaling $5,086 at February 25, 2012. These LOCs are collateralized with cash and are included in "Other long-lived assets" in the Condensed Consolidated Balance Sheets. The outstanding LOCs are for the benefit of certain insurance companies. None of the LOCs are recorded as a liability on the Condensed Consolidated Balance Sheets.

Legal Contingencies

The Company is a defendant in certain legal actions, and intends to vigorously defend its position in these actions. In management's opinion, the likelihood of a material adverse outcome is remote in regards to all matters except the egg antitrust litigation.

Management believes that the likelihood of a material adverse outcome is reasonably possible in the egg antitrust litigation. Two of the defendants in the case have reached a settlement agreement with the plaintiffs, subject to court approval. Neither settlement agreement admits any liability on the part of the defendants. Since the inception of this litigation, the Company has denied the allegations of wrongdoing by the plaintiffs and has vigorously defended the case. The Company's decision to defend was not altered by settlement by two of our co-defendants. The Company will continue to defend the case based on defenses, which we believe are meritorious and provable. At the present time, it is not possible to estimate the amount of monetary exposure, if any, to the Company because of this case.

Accordingly, adjustments, if any, which might result from the resolution of these legal matters, have not been reflected in the financial statements. These legal actions are discussed in detail at Part II, Item 1, of this report.

5. Net Income per Common Share

Basic net income per share was calculated by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted net income per share was calculated by dividing net income by the weighted-average number of common shares outstanding during the period plus the dilutive effects of options. The computations of basic and diluted net income per share attributable to the Company are as follows:

	13 weeks		39 weeks	
	February 25, 2012	February 26, 2011	February 25, 2012	February 26, 2011

Net income attributable to Cal-Maine Foods, Inc.	$26,102	$ 33,619	$52,479	$ 53,568
Basic weighted-average shares	23,874	23,861	23,871	23,852
Effect of dilutive securities:				
Common stock options	75	82	77	89
Dilutive potential common shares	23,949	23,943	23,948	23,941
Net income per common share attributable to Cal-Maine Foods Inc:				
Basic	$1.09	$ 1.41	$2.20	$ 2.25
Diluted	$1.09	$ 1.40	$2.19	$ 2.24

6. Accrued Dividends Payable and Dividends per Common Share

We make an accrual of dividends payable at the end of each quarter according to the Company's dividend policy. According to the dividend policy, 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 computed in accordance with generally accepted accounting principles in an amount equal to one-third (1/3) of such quarterly income. Dividends are paid to shareholders of record as of the 60th day following the last day of such quarter, except for the fourth fiscal quarter. For the fourth quarter, the Company will pay dividends to shareholders of record on the 70th day after the quarter end. Dividends are payable on the 15th day following the record date. Following a quarter for which the Company does not report net income, the Company will not pay a dividend for a subsequent profitable quarter until the Company is profitable on a cumulative basis computed from the date of the last quarter for which a dividend was paid. The amount of the accrual appears on the Condensed Consolidated Balance Sheets as "Accrued dividends payable."

On our condensed consolidated statement of operations, we determine dividends per common share in accordance with the computation in the following table (shares in thousands):

	13 Weeks Ended		39 Weeks Ended	
	February 25, 2012	February 26, 2011	February 25, 2012	February 26, 2011
Net income attributable to Cal-Maine Foods, Inc.	$26,102	$ 33,619	$52,479	$ 53,568
1/3 of Net income attributable to Cal-Maine Foods, Inc.	8,701	11,206	17,493	17,856
Accrued dividends payable**	8,701	11,206	—	—
Average Common stock outstanding (shares)	21,474	21,461	21,471	21,452
Average Class A common stock outstanding (shares)	2,400	2,400	2,400	2,400
Total average common stock outstanding (shares)	23,874	23,861	23,871	23,852
Dividends per common share*	$0.364	$ 0.470	$0.733	$ 0.749

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

*** Accrued dividends payable is calculated based on the net income for the applicable 13-week period*

7. 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 - Quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability
- Level 3 - Unobservable inputs for the asset or liability that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

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

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

Long-term debt: The carrying value of the Company's long-term debt is at its stated value. We have not elected to carry our long-term debt at fair value. Except for the "Note payable-Texas Egg Products, LLC," fair values for debt are based on quoted market prices or published forward interest rate curves. We believe that cost approximates fair value for the "Note payable-Texas Egg Products, LLC." Estimated fair values are management's estimates; however, when there is no readily available market data, the estimated fair values may not necessarily represent the amounts that could be realized in a current transaction, and the fair values could change significantly. There is no readily available market data for the "Note payable-Texas Egg Products, LLC." The fair value and carrying value of the Company's long-term debt were as follows:

	February 25, 2012		May 28, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
5.99 – 6.80% Notes payable	$65,238	$ 68,243	$72,874	$ 74,280
Series A Senior Secured Notes at 5.45%	13,156	13,366	14,735	14,634
Note payable-Texas Egg Products, LLC (payable to non-affiliate equity members)*	552	552	552	552
	$78,946	$ 82,161	$88,161	$ 89,466

* *Cost approximates fair value for the Note payable – Texas Egg Products, LLC*

<u>Assets Measured at Fair Value on a Recurring Basis</u>

Assets measured at fair value on a recurring basis consisted of the following types of instruments as of February 25, 2012:

	Fair Value Measurements at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance
Investment securities available-for-sale				
Municipal bonds	$ -	$ 91,142	$ —	$ 91,142
U.S. government obligations	-	17,359	—	17,359
Corporate bonds	-	12,580	—	12,580
Certificates of deposit	-	12,746	—	12,746
Government agency bonds	-	11,135	—	11,135

Total assets measured at fair value	$ -	$ 144,962	$ —	$ 144,962

Assets measured at fair value on a recurring basis consisted of the following types of instruments as of May 28, 2011:

	Fair Value Measurements at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance
Investment securities available-for-sale				
Municipal bonds	$ —	$ 70,528	$ —	$ 70,528
U.S. government obligations	—	15,207	—	15,207
Corporate bonds	—	13,387	—	13,387
Certificates of deposit	—	10,224	—	10,224
Government agency bonds	—	8,904	—	8,904
U.S. treasury bills	—	500	—	500
Total assets measured at fair value	$ —	$ 118,750	$ —	$ 118,750

Level 2: We classified our current investment securities – available-for-sale as level 2. These securities consist of municipal bonds, U.S. government obligations, corporate bonds, certificates of deposit, and government agency bonds, which contain the aforementioned 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.

8. Available-for-Sale Securities Classified as Current Assets

	February 25, 2012			
	Amortized Cost	Gains in Accumulated Other Comprehensive Income	Losses in Accumulated Other Comprehensive Income	Estimated Fair Value
Municipal bonds	$92,020	$ —	$ 878	$91,142
U.S. government obligations	17,904	—	545	17,359
Corporate bonds	12,962	—	382	12,580
Certificates of deposit	12,370	376	—	12,746
Government agency bonds	11,291	—	156	11,135
Total available-for-sale securities	$146,547	$ 376	$ 1,961	$144,962

	May 28, 2011			
	Amortized Cost	Gains in Accumulated Other Comprehensive Income	Losses in Accumulated Other Comprehensive Income	Estimated Fair Value
Municipal bonds	$70,932	$ —	$ 404	$70,528
U.S. government obligations	15,279	—	72	15,207
Corporate bonds	13,367	20	—	13,387
Certificates of deposit	10,156	68	—	10,224
Government agency bonds	9,036	—	132	8,904
U.S. treasury bills	500	—	—	500
Total available-for-sale securities	$119,270	$ 88	$ 608	$118,750

Proceeds from the sales of available-for-sale securities were $88,956 and $108,331 during the thirty-nine week periods ending February 25, 2012 and February 26, 2011, respectively. Gross realized gains on those sales during the thirty-nine week period ending February 25, 2012 were $9. There were no gross realized gains during the thirty-nine week period ending February 26, 2011. Gross realized losses on those sales during the thirty-nine week periods ending February 25, 2012 and February 26, 2011 were $315 and $108, respectively. For purposes of determining gross realized gains and losses, the cost of securities sold is based on average cost. Unrealized holding losses net of tax on available-for-sale securities were $647 for the thirty-nine week period ending February 25, 2012. Unrealized holding gains net of tax on available-for-sale securities were $281 for the thirty-nine week period ending February 26, 2011. These have been included in accumulated other comprehensive income.

Contractual maturities of available-for-sale debt securities at February 25, 2012, are as follows:

		Estimated Fair Value
Within one year	$	86,362
After 1-5 years		45,854
	$	132,216

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.

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9. Recent Accounting Pronouncements

In May 2011, the FASB issued ASU 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS (“ASU 2011-04”). ASU 2011-04 amends ASC 820, Fair Value Measurements (“ASC 820”), providing a consistent definition and measurement of fair value, as well as similar disclosure requirements between U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles, clarifies the application of existing fair value measurement and expands the ASC 820 disclosure requirements, particularly for Level 3 fair value measurements. ASU 2011-04 will be effective for the Company’s fourth quarter of fiscal 2012. The adoption of ASU 2011-04 is not expected to have a material effect on the Company’s consolidated financial statements, but may require certain additional disclosures. The amendments in ASU 2011-04 are to be applied prospectively. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011.

In June 2011, the FASB issued ASU 2011-05, Presentation of Comprehensive Income (“ASU 2011-05”). ASU 2011-05 requires the presentation of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. Early adoption of ASU 2011-05 is permitted. The Company adopted ASU 2011-05 in the first quarter of fiscal 2012. The adoption of ASU 2011-05 did not have a material effect on the Company’s condensed consolidated financial statements, but requires a change in the presentation of the Company’s comprehensive income from the statement of stockholder’s equity, where it was previously disclosed, to the presentation of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. The Company chose to present comprehensive income in two separate but consecutive statements.

In September 2011, the FASB issued ASU 2011-08, Intangibles—Goodwill and Other (Topic 350) - Testing Goodwill for Impairment (“ASU 2011-08”). ASU 2011-08 provides an entity the option to first assess 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. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is not required. ASU 2011-08 is effective for the Company beginning with the first quarter of fiscal year 2013, with early adoption permitted. We do not expect the adoption of ASU 2011-08 to have a material impact on our consolidated financial statements.

10. Financial Statement Impact of the Shady Dale, GA Fire

In the quarter ended August 28, 2010, the Shady Dale, GA complex was damaged by a fire. The fire destroyed one of the twelve layer houses, which was empty at the time. There was an additional loss of laying hens at three adjoining layer houses due to smoke inhalation. The Company intends to seek reimbursement for all of its insured losses, including lost profits and expenses. The Company believes the cost of lost production and additional expenses that have been incurred related to the fire will be substantially covered by the Company’s insurance policies. The Company has received $460 from its insurance carriers through February 25, 2012 as a partial payment for the loss of the building. The book value of assets written off and out of pocket expenses incurred because of the fire was $1,084 through February 25, 2012. This amount is recorded as an insurance receivable. With the receipt of the $460 from our insurance carriers, this insurance receivable has a current balance of $624. Any gain or loss will be recognized when we believe there are no longer any contingencies expected with the settlement. Additionally, any gains associated with the business interruption claim will be recognized when settled. In the quarter ended November 26, 2011, construction was completed of a new layer house to replace the layer house destroyed in the fire. Laying hens were placed in this new layer house, and it is currently at full production.

11. Guarantee

The Company owns 50% of the membership interests in Delta Egg Farm, LLC ("Delta Egg"). The Company is a guarantor of 50% of Delta Egg's long-term debt, which totaled approximately $9,875 at February 25, 2012. Delta Egg's long-term debt is secured by substantially all of the fixed assets of Delta Egg and is due in monthly installments through fiscal 2018. Delta Egg is engaged in the production, processing, and distribution of shell eggs. The other 50% owner also guarantees 50% of the debt. The guarantee arose when Delta Egg borrowed funds to construct its production and processing facility in 1999. Payment under the guarantee would be required if Delta Egg is not able to pay the debt. Management of the Company believes that payment under the guarantee will be unlikely because Delta Egg is well capitalized.

12. Noncontrolling Interest

The following reflects the equity activity, including our noncontrolling interest, for the thirty-nine week period ended February 25, 2012:

	Cal-Maine Foods, Inc. Common Stock							
(in thousands)	Amount	Class A Amount	Treasury Amount	Paid in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interest	Total Equity
Balance at May 28, 2011	$351	$ 24	$(20,929)	$ 33,419	$ (320)	$406,361	$ (29)	$418,877
Dividends*						(17,463)		(17,463)
Issuance of common stock from treasury			18	53				71
Tax benefit on non-qualifying disposition of incentive stock options				225				225
Unrealized loss on available-for-sale securities, net of tax					(647)			(647)
Net income						52,479	91	52,570
Balance at February 25, 2012	$351	$ 24	$(20,911)	$ 33,697	$ (967)	$441,377	$ 62	$453,633

* Dividends are calculated as 1/3 of net income (includes adjustment for actual dividends paid based on accrual from previous period).

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

This report contains numerous forward-looking statements relating to our shell egg business, including estimated production data, expected operating schedules, expected capital costs and other operating data, including anticipated results of operations. Such forward-looking statements are identified by the use of words such as “believes,” “intends,” “expects,” “hopes,” “may,” “should,” “plans,” “projected,” “contemplates,” “anticipates” or similar words. Actual production, operating schedules, capital costs, results of operations and other projections and estimates could differ materially from those projected in the forward-looking statements. The forward-looking statements are based on management's current intent, belief, expectations, estimates and projections regarding our company and our industry. These statements are not guarantees of future performance and involve risks, uncertainties, assumptions and other factors that are difficult to predict and 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 of our Annual Report on Form 10-K for the fiscal year ended May 28, 2011 as well as those included in other reports that we file from time to time with the Securities and Exchange Commission (including our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K), (ii) the risks and hazards inherent in the shell egg business (including disease, pests, weather conditions and potential for recall), (iii) changes in the market prices of shell eggs and feed costs, (iv) changes or obligations that could result from our future acquisition of new flocks or businesses, and (v) adverse results in pending litigation matters. Readers are cautioned not to place undue reliance on forward-looking statements because, while we believe the assumptions on which the forward-looking statements are based are reasonable, there can be no assurance that these forward-looking statements will prove to be accurate. Further, the forward-looking statements included herein are only made as of the respective dates thereof, or if no date is stated, as of the date hereof. Except as otherwise required by law, we disclaim any intent or obligation to update publicly these forward-looking statements, whether because of new information, future events or otherwise.

OVERVIEW

Cal-Maine Foods, Inc. ("we," "us," "our," or the "Company") is primarily engaged in the production, grading, packaging, marketing and distribution of fresh shell eggs. Our fiscal year end is the Saturday closest to May 31.

Our operations are fully integrated. At our facilities we hatch chicks, grow and maintain flocks of pullets (young female chickens, usually under 20 weeks of age), layers (mature female chickens) and breeders (male or female birds used to produce fertile eggs to be hatched for egg production flocks), manufacture feed, and produce, process and distribute shell eggs. We are the largest producer and marketer of shell eggs in the United States. We market the majority of our shell eggs in 29 states, primarily in the southwestern, southeastern, mid-western, and mid-Atlantic regions of the United States. We market our shell eggs through our extensive distribution network to a diverse group of customers, including national and regional grocery store chains, club stores, foodservice distributors, and egg product manufacturers.

Our operating results are directly tied to egg prices, which are highly volatile and subject to wide fluctuations, and are outside of our control. The shell egg industry has traditionally been subject to periods of high profitability followed by periods of significant loss. In the past, during periods of high profitability, shell egg producers have tended to increase the number of layers in production with a resulting increase in the supply of shell eggs, which generally has caused a drop in shell egg prices until supply and demand return to balance. As a result, our financial results from year to year may vary significantly. Shorter term, retail sales of shell eggs historically have been greatest during the fall and winter months and lowest during the summer months. Our need for working capital generally is highest in the last and first fiscal quarters ending in May and August, respectively, when egg prices are normally at seasonal lows. Prices for shell eggs fluctuate in response to seasonal factors and a natural increase in shell egg production during the spring and early summer. Shell egg prices tend to increase with the start of the school year and are highest prior to holiday periods, particularly Thanksgiving, Christmas, and Easter. Consequently, we generally experience lower sales and net income in our first and fourth fiscal quarters ending in August and May, respectively. Because of these seasonal and quarterly fluctuations, comparisons of our sales and operating results between different quarters within a single fiscal year are not necessarily meaningful comparisons.

For the quarter ended February 25, 2012, we produced approximately 72% of the total number of shell eggs sold by us, with approximately 8% of such total shell egg production being provided by contract producers. Contract producers utilize their facilities in the production of shell eggs by layers owned by us. We own the shell eggs produced under these arrangements. Approximately 28% of the total number of shell eggs sold by us was purchased from outside producers.

Our cost of production is materially affected by feed costs, which currently averages about 66% of our total farm egg production cost. Changes in market prices for corn and soybean meal, the primary ingredients in the feed we use, result in changes in our cost of goods sold. The cost of our feed ingredients, which are commodities, are subject to factors over which we have little or no control such as volatile price changes caused by weather, size of harvest, transportation and storage costs, demand and the agricultural and energy policies of the United States and foreign governments. The supply/demand balance for corn and soybeans is very tight and should remain so through at least the 2011/12 crop year. This has resulted in higher prices for these commodities. Market prices for corn remain higher in part because of increases in demand from ethanol producers. Market prices for soybean meal remain high because of competition for planted acres for other grain production. The prospective outlook is for feed costs to remain high and volatile in the year ahead. Projected increases in U.S. planted corn acreage for the 2012/13 crop year could help to ease supply concerns for that commodity if a significantly larger crop is realized.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated selected items from our Condensed Consolidated Statements of Income expressed as a percentage of net sales.

	13 Weeks Ended		39 Weeks Ended	
	February 25, 2012	February 26, 2011	February 25, 2012	February 26, 2011
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	78.5	76.1	80.9	79.5
Gross profit	21.5	23.9	19.1	20.5
Selling, general & administrative	9.9	9.7	10.0	10.5
Operating income	11.6	14.2	9.1	10.0
Other income	1.8	4.2	0.6	1.4
Income before income taxes	13.4	18.4	9.7	11.4
Income tax expense	4.7	6.2	3.4	4.0
Net income	8.7	12.2	6.3	7.4
Less: Net income (loss) attributable to noncontrolling interest	0.1	(0.0)	0.0	(0.2)
Net income attributable to Cal-Maine Foods, Inc.	8.6 %			