CAL-MAINE FOODS INC
Form 10-K
July 24, 2017

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For The Fiscal Year Ended JUNE 3, 2017

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

Commission file number: 000-04892

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

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

3320 W Woodrow Wilson Ave, Jackson, Mississippi 39209-3409
(Address of principal executive offices) (Zip Code)

(601) 948-6813
(Registrant's telephone number, including area code)

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨
	Emerging growth company ¨

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No x

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 26, 2016, which was the date of the last business day of the registrant's most recently completed second fiscal quarter, was $1,239,719,614.

As of July 21, 2017, 43,774,052 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 2017 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 production data, expected operating schedules, expected capital costs and other operating data, including anticipated results of operations and financial condition. Such forward-looking statements are identified by the use of words such as “believes,” “intends,” “expects,” “hopes,” “may,” “should,” “plans,” “projected,” “contemplates,” “anticipates” or similar words. Actual production, operating schedules, results of operations and other projections and estimates could differ materially from those projected in the forward-looking statements. The forward-looking statements are based on management’s current intent, belief, expectations, estimates and projections regarding our company and our industry. These statements are not guarantees of future performance and involve risks, uncertainties, assumptions and other factors that are difficult to predict and might be beyond our control. The factors that could cause actual results to differ materially from those projected in the forward-looking statements include, among others, (i) the risk factors set forth in Item 1A and elsewhere in this report as well as those included in other reports we file from time to time with the Securities and Exchange Commission (the “SEC”) (including our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K), (ii) the risks and hazards inherent in the shell egg business (including disease, such as avian influenza, pests, weather conditions and potential for recall), (iii) changes in the demand for and market prices of shell eggs and feed costs, (iv) our ability to predict and meet demand for cage-free and other specialty eggs, (v) risks, changes or obligations that could result from our future acquisition of new flocks or businesses, and (vi) adverse results in pending litigation matters. Readers are cautioned not to place undue reliance on forward-looking statements because, while we believe the assumptions on which the forward-looking statements are based are reasonable, there can be no assurance these forward-looking statements will prove to be accurate. Further, the forward looking statements included herein are only made as of the respective dates thereof, or if no date is stated, as of the date hereof. Except as otherwise required by law, we disclaim any intent or obligation to publicly update these forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 1. BUSINESS

Our Business

Cal-Maine Foods, Inc. (“we,” “us,” “our,” or the “Company”) is the largest producer and marketer of shell eggs in the United States. In fiscal 2017, we sold approximately 1,031.1 million dozen shell eggs, which we believe represented approximately 20% of domestic shell egg consumption. Our total flock of approximately 36.1 million layers and 9.5 million pullets and breeders is the largest in the U.S. 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.

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

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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, foodservice distributors and egg product consumers. Some of our sales are completed through co-pack agreements – a common practice in the industry whereby production and processing of certain products is outsourced to another producer. The strength of our position is evidenced by having the largest market share in the grocery segment for shell eggs. We sell shell eggs to a majority of large U.S. food retailers.

We are one of the largest producers and marketers of value-added specialty shell eggs in the U.S. They have been a significant and growing segment of the market in recent years. A significant number of our food service customers, large restaurant chains, and major retailers, including our largest customers, have committed to exclusive offerings of cage-free eggs by specified future dates. We are working with our customers to ensure a smooth transition in meeting their goals. Our focus for future expansion at our farms will be environments that are cage-free or with equipment that can easily be converted to cage-free, based on a timeline to meet our customer's needs.

In fiscal 2017, specialty shell eggs and co-pack specialty shell eggs represented 43.6% and 3.1% of our shell egg sales dollars, respectively, and accounted for approximately 22.9% and 1.6%, respectively, of our total shell egg volumes. In fiscal 2016, specialty shell eggs and co-pack specialty shell eggs represented 29.1% and 2.7% of our shell egg sales dollars, respectively, and accounted for approximately 22.9% and 2.0%, respectively, of our total shell egg volumes. Prices for specialty eggs are less volatile than non-specialty shell egg prices and are generally higher due to consumer willingness to pay for the perceived increased benefits from those products. We market our specialty shell eggs under the following brands: Egg-Land's Best®, Land O' Lakes®, Farmhouse®, and 4-Grain®. We are a member of the Egg-Land's Best, Inc. ("EB") cooperative and produce, market and distribute Egg-Land's Best® and Land O' Lakes® branded eggs, along with our associated joint ventures, under exclusive license agreements for a number of states in the southeast, south central, and southwest U.S. as well as the New York City area. We market cage-free eggs under our trademarked Farmhouse® brand and distribute them across the southeast and southwest regions of the U.S. We market organic, cage-free, vegetarian, and omega-3 eggs under our 4-Grain® brand. We also produce, market, and distribute private label specialty shell eggs to several customers.

We are a leader in industry consolidation. Since 1989, we have completed twenty acquisitions ranging in size from 600,000 layers to 7.5 million layers. Despite a market that has been characterized by increasing consolidation, the shell egg production industry remains highly fragmented. At December 31, 2016, 56 producers, owning at least one million layers, owned approximately 97% of total industry layers. The ten largest producers owned approximately 58% of total industry layers. We believe industry consolidation will continue and we plan to capitalize on opportunities as they arise.

Industry Background

Based on historical consumption trends, we believe general demand for shell eggs increases in line with overall population growth, averaging growth of about 1% per year. In 2013 and 2014, consumption of eggs grew approximately 2% per year. 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. According to U.S. Department of Agriculture ("USDA"), annual per capita U.S. consumption since 2000 varied between 249 and 275 eggs. In calendar year 2016, per capita U.S. consumption was estimated to be 275 eggs, or approximately five eggs per person per week. Per capita consumption is determined by dividing the total supply of eggs by the entire population in the U.S. (i.e. all eggs supplied domestically by the egg industry are consumed).

Slightly over 30% 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) with most of the balance sold to food service and retail consumers (e.g. through grocery and convenience stores) and a relatively small amount exported. Our sales are predominately to retail consumers; in fiscal 2017 and 2016, approximately 2% and 4% of our net sales was egg products, respectively.

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Prices for Shell Eggs

Shell egg prices are a critical component of profitability for the Company and the industry as a whole. While there are many pricing mechanisms, we believe the majority of shell eggs sold in the U.S. in the retail and foodservice channels are sold at prices related to the Urner Barry wholesale quotation for shell eggs. We sell the majority of our non-specialty shell eggs at prices related to Urner Barry Spot Egg Market Quotations or formulas related to our costs of production which include the cost of corn and soybean meal. For fiscal 2017, wholesale large shell egg prices in the southeast region, as quoted by Urner Barry, averaged $0.85 compared with $1.79 for fiscal 2016, evidencing their volatility. Egg prices during fiscal 2016 were impacted by the outbreak of avian influenza ("AI") primarily in the upper Midwestern U.S. from April to June 2015, which initially caused a significant reduction in egg supplies and an increase in egg prices. There were no positive tests for AI at any of our locations. Based on USDA reports, the subsequent repopulation of the national laying hen flock, eventually above pre-AI levels, with a younger, more productive hen population, along with reduced demand for egg products resulted in an oversupply of eggs, leading to decreased egg prices in fiscal 2017.

Feed Costs for Shell Egg Production

Feed is a primary cost component in the production of shell eggs and represents over half of industry farm level production costs. Most shell egg producers, including us, are vertically integrated, manufacturing the majority of the feed they require for their operations. Although feed ingredients, primarily corn and soybean meal, are available from a number of sources, prices for ingredients can fluctuate and are affected by weather, speculators, and various supply and demand factors. Our feed cost per dozen eggs produced for fiscal 2017 was 3.6% lower than fiscal 2016. Adequate stocks from increased U.S. acreage and large per acre yields for both corn and soybeans in 2016 combined with the 2017 crop should provide adequate domestic supplies for both of our primary feed ingredients during fiscal 2018.

Growth Strategy and Acquisitions

For many years, we have pursued a growth strategy focused on the acquisition of existing shell egg production and processing facilities, as well as the construction of new and more efficient facilities. Since the beginning of fiscal 1989, we have completed 20 acquisitions. In addition, we have built numerous “in-line” shell egg production and processing facilities as well as pullet growing facilities which added to our capacity. The capacity increases have been accompanied by the retirement of older and less efficient facilities. The “in-line” facilities provide gathering, grading and packaging of shell eggs by less labor-intensive, more efficient, mechanical means. We continue to upgrade and modify our facilities, and invest in new facilities, to meet changing demand as many food service customers, restaurant chains, and retailers have committed to exclusive offerings of cage-free eggs over the next several years.

Our total flock, including pullets, layers and breeders increased from approximately 32.8 million at the end of fiscal 2012 to approximately 45.6 million as of June 3, 2017. The dozens of shell eggs sold increased from approximately 884.3 million in fiscal 2012 to approximately 1,031.1 million for fiscal 2017.

During fiscal 2017, we acquired substantially all of the egg production, processing and distribution assets of Foodonics International, Inc. and of Happy Hen Egg Farms, Inc., which are discussed in detail later in this report.

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

Federal antitrust laws require regulatory approval of acquisitions that exceed certain threshold levels of significance, and we are subject to federal and state laws prohibiting anti-competitive conduct. We believe our sales of shell eggs during the last fiscal year represented approximately 20% of domestic shell egg sales, making us the largest producer and distributor of shell eggs in the U.S. However, because the shell egg production and distribution industry is so fragmented, we believe there are many acquisition opportunities available to us that would not be restricted pursuant to antitrust laws.

Through exclusive license agreements with EB in several key territories and our trademarked Farmhouse® and 4Grain® brands, we are one of the leading producers and marketers of value-added specialty shell eggs. We also produce, market, and distribute private label specialty shell eggs to several customers. Since selling prices of specialty shell eggs are generally less volatile than non-specialty shell egg prices, we believe growing our specialty eggs business will enhance the stability of our margins. We expect the price of specialty eggs to remain at a premium to regular shell eggs, and intend to grow our specialty shell egg business.

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

Shell Eggs

Production. Our operations are fully integrated. We hatch chicks, grow and maintain flocks of pullets, layers, and breeders, manufacture feed, and produce, process, package, and distribute shell eggs. We produce approximately 84% of our total shell eggs sold, with 92% of such production coming from company-owned facilities, and the other 8% coming from contract producers. Under a typical arrangement with a contract producer, we own the flock, furnish all feed and critical supplies, own the shell eggs produced and assume market risks. The contract producers own and operate their facilities and are paid a fee based on production with incentives for performance. We purchase approximately 16% of the total shell eggs we sell from outside producers.

The commercial production of shell eggs requires a source of baby chicks for laying flock replacement. We produce the majority of our chicks in our own hatcheries and obtain the balance from commercial sources. We own breeder and hatchery facilities capable of producing 21.2 million pullet chicks per year in a computer-controlled environment. These pullets are distributed to 43 state-of-the-art laying operations around the southwestern, southeastern, mid-western and mid-Atlantic regions of the U.S. The facilities produce an average of 2.4 million dozen shell eggs per day. The shell eggs are processed, graded and packaged predominantly without handling by human hands. We have spent a cumulative total of $310.5 million over the past five years to expand and upgrade our facilities with the most advanced equipment and technology available in our industry. We believe our constant attention to production efficiencies and focus on automation throughout the supply chain enables us to be a low cost supplier in all the markets in which we compete.

Feed cost represents the largest element of our farm egg production cost, ranging from 58% to 69% of total farm production cost in the last five fiscal years. Although feed ingredients are available from a number of sources, we have little, if any, control over the prices of the ingredients we purchase, which are affected by weather, speculators, and various supply and demand factors. For example, the severe drought in the summer of 2012 and resulting damage to the national corn and soybean crop resulted in high and volatile feed costs. Increases in feed costs unaccompanied by increases in the selling price of eggs can have a material adverse effect on our operations. High feed costs can encourage shell egg producers to reduce production, resulting in higher egg prices. Alternatively, low feed costs can encourage industry overproduction, possibly resulting in lower egg prices.

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

Since shell eggs are perishable, we maintain very low egg inventories, usually consisting of approximately four days of production.

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

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

Marketing. Of the 1,031.1 million dozen shell eggs sold by us in fiscal 2017, our flocks produced 870.3 million.

We sell our shell eggs to a diverse group of customers, including national and local grocery store chains, club stores, foodservice distributors, and egg product consumers. We utilize electronic ordering and invoicing systems that enable us to manage inventory for certain customers. Our top ten customers accounted for an aggregate of 69.5%, 70.6%, and 67.9% of net sales dollars for fiscal 2017, 2016, and 2015, respectively. Two customers, Wal-Mart Stores and Sam's Club, on a combined basis, accounted for 28.9%, 28.9%, and 25.7% of net sales dollars during fiscal 2017, 2016, and 2015, respectively.

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

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

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

According to USDA reports, for the past five years, U.S. annual per capita egg consumption grew from 255 in 2012 to 275 in 2016. Looking ahead, we believe fast food restaurant consumption, high protein diet trends, industry advertising campaigns, and improved nutritional reputation of eggs related to better scientific understanding of the role of cholesterol in diets may result in increased per capita egg consumption levels; however, no assurance can be given that per capita consumption will not decline in the future.

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

Seasonality. Retail sales of shell eggs are greatest during the fall and winter months and lowest during the summer months. Prices for shell eggs fluctuate in response to seasonal demand factors and a natural increase in egg production during the spring and early summer. We generally experience lower sales and net income in our fourth and first fiscal quarters ending in May and August, respectively. During the past ten fiscal years, two of our first quarters resulted in net operating losses, and during this same period, three of our fourth quarters resulted in net operating losses.

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Specialty Eggs. We produce specialty eggs such as Egg-Land's Best®, Land O' Lakes®, 4Grain®, and Farmhouse® branded eggs. Specialty eggs are intended to meet the demands of consumers who are sensitive to environmental, health and/or animal welfare issues. Specialty shell eggs are becoming a more significant segment of the shell egg market. During our fiscal 2016 an increasing number of large restaurant chains, food service companies and grocery chains, including our largest customers, announced goals to transition to a cage-free egg supply chain by specified future dates. For fiscal 2017, specialty eggs accounted for 43.6% of our shell egg dollar sales and 22.9% of our shell egg dozens sold, as compared to 29.1% of shell egg dollar sales and 22.9% of shell egg dozens sold in fiscal 2016. Additionally, specialty eggs sold through our co-pack arrangements accounted for an additional 3.1% of shell egg dollar sales and 1.6% of shell egg dozens sold in fiscal 2017, compared with 2.7% of shell egg dollar sales and 2.0% of shell egg dozens sold in fiscal 2016. We produce and process Egg-Land's Best® and Land O' Lakes® branded eggs under license from EB at our facilities under EB guidelines. The product is marketed to our established base of customers at premium prices compared to non-specialty shell eggs. Egg-Land's Best® branded eggs accounted for approximately 23.2% of our shell egg dollar sales in fiscal 2017, compared to 16.8% in fiscal 2016. Based on dozens sold, Egg-Land's Best® branded eggs accounted for 12.5% of dozens sold for fiscal 2017, compared to 13.6% in fiscal 2016. Land O' Lakes® branded eggs are produced by hens that are fed a whole grain diet, free of animal fat and animal by-products. Farmhouse® brand eggs are produced at our facilities by cage-free hens that are provided with a diet of all grain, vegetarian feed. We market organic, wholesome, cage-free, vegetarian, and omega-3 eggs under our 4-Grain® brand, which consists of both caged and cage-free eggs. Farmhouse®, Land O' Lakes®, 4Grain® and other non-Egg-Land's Best® specialty eggs accounted for 20.4% of our shell egg dollar sales in fiscal 2017, compared to 12.3% in fiscal 2016, and 10.4% of dozens sold for fiscal 2017, compared to 9.3% for fiscal 2016.

Egg Products. Egg products are shell eggs broken and sold in liquid, frozen, or dried form. In fiscal 2017 egg products represented approximately 2% of our net sales compared with approximately 4% in fiscal 2016. We sell egg products primarily into the institutional and food service sectors in the U.S. Our egg products are sold through our wholly owned subsidiary American Egg Products, LLC located in Blackshear, Georgia and our consolidated subsidiary Texas Egg Products, LLC located in Waelder, Texas. Prices for egg products are related to Urner Barry quoted price levels.

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

The U.S. shell egg industry remains highly fragmented but is characterized by a growing concentration of producers. In 2016, 56 producers with one million or more layers owned 97% of the 318.6 million total U.S. layers, compared to 2000, when 63 producers with one million or more layers owned 79% of the 273 million total layers, and 1990, when 56 producers with one million or more layers owned 64% of the 232 million total layers. We believe a continuation of the concentration trend will result in reduced cyclicality of shell egg prices, but no assurance can be given in that regard. A continuation of this trend could also create greater competition among fewer producers.

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

Government Regulation. Our facilities and operations are subject to regulation by various federal, state, and local agencies, including, but not limited to, the United States Food and Drug Administration ("FDA"), USDA, Environmental Protection Agency ("EPA"), Occupational Safety and Health Administration and corresponding state agencies, among others. 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 and EPA inspections. Our feed production facilities are subject to FDA regulation and inspections. In addition, we maintain our own inspection program to ensure compliance with our own standards and customer specifications. We are not aware of any major capital expenditures necessary to comply with current statutes and regulations; however, there can be no assurance that we

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will not be required to incur significant costs for compliance with such statutes and regulations in the future. In addition, rules are often proposed that, if adopted as proposed, could increase our costs. For example, in April 2016 the USDA Agricultural Marketing Service proposed rules that, if adopted, will change requirements, and increase our costs to produce organic eggs. As of July 2017, the proposed rules have not become effective.

Environmental Regulation. Our operations and facilities are subject to various federal, state, and local environmental, health and safety laws and regulations governing, among other things, the generation, storage, handling, use, transportation, disposal, and remediation of hazardous materials. Under these laws and regulations, we are required to obtain permits from governmental authorities, including, but not limited to, wastewater discharge permits. We have made, and will continue to make, capital and other expenditures relating to compliance with existing environmental, health and safety laws and regulations and permits. We are not currently aware of any major capital expenditures necessary to comply with such laws and regulations; however, because environmental, health and safety laws and regulations are becoming increasingly more stringent, including those relating to animal wastes and wastewater discharges, there can be no assurance that we will not be required to incur significant costs for compliance with such laws and regulations in the future.

Employees. As of June 3, 2017, we had 3,578 employees, of whom 2,976 worked in egg production, processing and marketing, 178 worked in feed mill operations and 424 were administrative employees, including our executive officers. Approximately 3.9% of our personnel are part-time. None of our employees are covered by a collective bargaining agreement. We consider our relations with employees to be good.

Our Corporate Information

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

Our Common Stock is listed on The NASDAQ Global Select Market ("NASDAQ") under the symbol "CALM." On June 2, 2017, the last sale price of our Common Stock on NASDAQ was $38.55 per share. Our fiscal year 2017 ended June 3, 2017, and the first three fiscal quarters of fiscal 2017 ended August 27, 2016, November 26, 2016, and February 25, 2017. All references herein to a fiscal year means our fiscal year and all references to a year mean a calendar year.

ITEM 1A. RISK FACTORS

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

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

Our operating results are significantly affected by wholesale shell egg market prices, which fluctuate widely and are outside our control. As a result, our prior performance should not be presumed to be an accurate indication of future

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performance. Small increases in production, or small decreases in demand, can have a large adverse effect on shell egg prices. Low shell egg prices adversely effect our revenues and profits.

Market prices for wholesale shell eggs have been volatile. Shell egg prices trended upward from calendar 2002 until late 2003 and early 2004 when they rose to then historical highs. In the early fall of calendar 2004, the demand trend related to the increased popularity of high protein diets faded dramatically and prices fell. During the time of increased demand, the egg industry geared up to produce more eggs, resulting in an oversupply of eggs. After calendar 2006, supplies were more closely balanced with demand and egg prices again reached record levels in 2007 and 2008. Egg prices had subsequently retreated from those record price levels due to increases in industry supply before reaching new highs in 2014. In 2015, egg prices rose again in large part due to a decrease in supply caused by the avian influenza outbreak in the upper Midwestern U.S. from April to June 2015. While the AI outbreak significantly impacted the supply and prices of eggs, there were no positive tests for AI at any of our locations. The average Urner-Barry Thursday prices for the large market (i.e. generic shell eggs) in the southeastern region for the months of June through November 2015 was $2.32 per dozen, with a peak of $2.97 during August. Subsequent to November 2015, shell egg prices declined. The Urner Barry price index hit a decade-low level in our fiscal 2016 fourth quarter. During our first quarter of fiscal 2017 it increased slightly, but remained at significantly lower levels than the corresponding period of last year. During our fiscal 2017 second quarter, it returned to and dropped below the low levels seen during the fiscal 2016 fourth quarter. Early in our fiscal 2017 third quarter we saw a significant increase but prices dropped again after Christmas. During our fiscal 2017 fourth quarter, it dropped yet again and approached the record low levels of the fiscal 2017 second quarter. According to Nielsen data, retail customer demand for shell eggs has remained strong. The USDA reports that egg export demand has improved since the beginning of fiscal 2017; however, it has still not fully recovered from levels prior to the AI outbreak. We have experienced reduced demand for egg products, as many of our commercial customers reformulated their products to use fewer eggs when prices spiked and have been slow to resume previous egg usage. Together, these factors have created an oversupply of eggs, with continued pressure on market prices. We expect the egg markets to remain under pressure and do not expect to see meaningful improvement until there is a better balance of supply and demand.

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

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

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

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

Feed cost represents the largest element of our shell egg (farm) production cost, ranging from 58% to 69% of total farm production cost in the last five fiscal years. Although feed ingredients are available from a number of sources, we have little, if any, control over the prices of the ingredients we purchase, which are affected by weather, speculators, various supply and demand factors, transportation and storage costs, and agricultural and energy policies in the U.S. and internationally. For example, the severe drought in the summer of 2012 and resulting damage to the national corn and soybean crops resulted in high and volatile feed costs. Increases in feed costs unaccompanied by increases in the selling price of eggs can have a material adverse effect on the results of our operations. Alternatively, low feed costs can encourage industry overproduction, possibly resulting in lower egg prices.

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

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

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

We produced approximately 84% and 78% of the total number of shell eggs we sold in fiscal 2017 and fiscal 2016, respectively, and purchased the remainder from outside producers. As the wholesale price for shell eggs increases, our cost to acquire shell eggs from outside producers increases. There can be no assurance that we will be able to continue to acquire shell eggs from outside producers in sufficient quantities and satisfactory prices, and our inability to do so may have a material adverse effect on our business and profitability.

Our acquisition growth strategy subjects us to various risks.

We plan to continue to pursue a growth strategy, which includes acquisitions of other companies engaged in the production and sale of shell eggs. In fiscal year 2017, we completed the purchase of the substantially all of the egg production assets of Foodonics International Inc. and of Happy Hen Egg Farm, Inc. Acquisitions require capital resources and can divert management's attention from our existing business. Acquisitions also entail an inherent risk that we could become subject to contingent or other liabilities, including liabilities arising from events or conduct prior to our acquisition of a business that were unknown to us at the time of acquisition. We could incur significantly greater expenditures in integrating an acquired business than we anticipated at the time of its purchase. We cannot assure you that we:

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

No assurance can be given that companies 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.

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

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

For the fiscal years 2017, 2016, and 2015, two customers, Wal-Mart Stores and Sam's Clubs, on a combined basis, accounted for 28.9%, 28.9%, and 25.7% of our net sales dollars, respectively. For fiscal years 2017, 2016, and 2015, our top ten customers accounted for 69.5%, 70.6%, and 67.9% of net sales dollars, respectively. Although we have established long-term relationships with most of our customers, who continue to purchase from us based on our ability to service their needs, they are free to acquire shell eggs from other sources. If, for any reason, one or more of our large customers were to purchase significantly less of our shell eggs in the future or terminate their purchases from us, and we are not able to sell our shell eggs to new customers at comparable levels, it would have a material adverse effect on our business, financial condition, and results of operations.

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

We are subject to federal, state and local regulations relating to grading, quality control, labeling, sanitary control, and waste disposal. As a fully-integrated shell egg producer, our shell egg facilities are subject to regulation and inspection by the USDA, EPA, and FDA, as well as regulation by various state and local health and agricultural agencies, 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. For example, in April 2016 the USDA Agricultural Marketing Service proposed rules that, if adopted, would change requirements, and increase our costs to produce organic eggs. As of July 2017, the proposed rules have not become effective.

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

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

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

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

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

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

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. In addition, increased competition could result in price reductions, greater cyclicality, reduced margins and loss of market share, which would negatively affect our business, results of operations, and financial condition.

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

We and many of our customers face pressure from animal rights groups, such as People for the Ethical Treatment of Animals ("PETA"), and the Humane Society of the United States ("HSUS"), to require all companies that supply food products operate their business in a manner that treats animals in conformity with certain standards developed or approved by these animal rights groups. The standards typically require minimum cage space for hens, among other requirements, but some of these groups have made legislative efforts to ban any form of caged housing in various states. California's Proposition 2 and Assembly Bill 1437 was effective January 1, 2015, and did increase the cost of production in that State and for producers who sell there. During our fiscal 2016, many large restaurant chains, food service companies and grocery chains, including our largest customers, announced goals to transition to a cage-free egg supply chain by specified future dates. Changing our procedures and infrastructure to conform to these types of laws or anticipated customer demand for these types of guidelines has resulted and will continue to result in additional costs to our internal production of shell eggs, including capital and operating cost increases from housing and husbandry practices and modification of existing or construction of new facilities, and the increased cost for us to purchase shell eggs from our outside suppliers. While some of the increased costs have been passed on to our customers, we cannot provide assurance that we can continue to pass on these costs, or additional costs we will incur, in the future.

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

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

We are controlled by the family of our founder, Fred R. Adams, Jr.

Fred R. Adams, Jr., our Founder and Chairman Emeritus, and his spouse own 27.8% of the outstanding shares of our Common Stock, which has one vote per share. In addition, Mr. Adams and his spouse own 74.7% and his son-in-law, Adolphus B. Baker, our President, Chief Executive Officer and Chairman of the Board, and his spouse own 25.3% of the outstanding shares of our Class A Common Stock, which has ten votes per share. Mr. Baker and his spouse also own 1.4% of the outstanding shares of our Common Stock. A conservatorship has been established to manage Mr. Adams' affairs, with his spouse and Mr. Baker as co-conservators, as a result of the impairment of Mr. Adams' health related to his previously disclosed stroke. Mr. Adams continues to consult actively and regularly with the Company

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and it is expected that he will continue to do so for as long as he is able. As a result of the conservatorship, as of July 1, 2017, Mr. Adams, his spouse, and Mr. Baker possessed 52.3%, and Messrs. Adams and Baker and their spouses collectively possessed 66.2%, of the total voting power represented by the outstanding shares of our Common Stock and Class A Common Stock. These stockholdings include shares of our Common Stock accumulated under our employee stock ownership plan for the respective accounts of Messrs. Adams and Baker and Mr. Baker's spouse.

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

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

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

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

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

Goodwill represents the excess of the cost of business acquisitions over the fair value of the identifiable net assets acquired. Goodwill is reviewed at least annually for impairment by assessing qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. As of June 3, 2017, we had $35.5 million of goodwill. While we believe the current carrying value of this goodwill is not impaired, any future goodwill impairment charges could materially adversely affect our results of operations in any particular period or our net worth.

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

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

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

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

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

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

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

We currently participate in several joint ventures and may participate in other joint ventures in the future. We could be adversely affected if any of our joint venture partners are unable or unwilling to fulfill their obligations or if we have disagreements with any of our joint venture partners that are not satisfactorily resolved.

We currently have investments in and commitments to several joint ventures and we may participate in other joint ventures in the future. Under existing joint venture agreements, we and our joint venture partners could be required to, among other things, provide guarantees of obligations or contribute additional capital and we may have little or no control over the amount or timing of these obligations. If our joint venture partners are unable or unwilling to fulfill their obligations or if we have any unresolved disagreements with our joint venture partners, we may be required to fulfill those obligations alone, expend additional resources to continue development of projects, or we may be required to write down our investments at amounts that could be significant.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We operate farms, processing plants, hatcheries, feed mills, warehouses, offices and other properties located in Alabama, Arkansas, Florida, Georgia, Kansas, Kentucky, Louisiana, Mississippi, North Carolina, Ohio, Oklahoma, South Carolina, Tennessee, Texas and Utah. As of June 3, 2017, the facilities included three breeding facilities, two hatcheries, six wholesale distribution centers, 22 feed mills, 44 shell egg production facilities, 26 pullet growing facilities, 42 processing and packing facilities, and one egg products facility. We also own a significant interest in a company that owns an egg products facility, which is consolidated in our financial statements. Most of our operations are conducted from properties we own.

As of June 3, 2017, we owned approximately 27,001 acres of land in various locations throughout our geographic market area. We have the ability to hatch 21.2 million pullet chicks annually, grow 25.2 million pullets annually, house 43.2 million laying hens, and control the production of 39.2 million layers, with the remainder controlled by contract growers. We own mills that can produce 746 tons of feed per hour, and processing facilities capable of processing 16,260 cases of shell eggs per hour (with each case containing 30 dozen shell eggs).

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Over the past five fiscal years, our capital expenditures, excluding acquisitions of shell egg production and processing facilities from others, have totaled an aggregate amount of approximately $310.5 million.

ITEM 3. LEGAL PROCEEDINGS

Egg Antitrust Litigation

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

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

The Direct Purchaser Putative Class Action. The direct purchaser putative class cases were consolidated into In re: Processed Egg Products Antitrust Litigation, No. 2:08-md-02002-GP, in the United States District Court for the Eastern District of Pennsylvania. As previously reported, in November 2014, the Court approved the Company's settlement with the direct purchaser plaintiff class and entered final judgment dismissing with prejudice the class members' claims against the Company.

The Indirect Purchaser Putative Class Action. The indirect purchaser putative class cases were consolidated into In re: Processed Egg Products Antitrust Litigation, No. 2:08-md-02002-GP, in the United States District Court for the Eastern District of Pennsylvania. On April 20-21, 2015, the Court held an evidentiary hearing on the indirect purchaser plaintiffs' motion for class certification. On September 18, 2015, the Court denied the indirect purchaser plaintiffs' motion for class certification of 21 separate classes seeking damages under the laws of 21 states, holding that the plaintiffs were not able to prove that their purported method for ascertaining class membership was reliable or administratively feasible, that common questions would predominate, or that their proposed class approach would be manageable in a single trial. In addition to barring any right to pursue a class monetary remedy under state law, the Court also denied indirect purchaser plaintiffs' request for certification of an injunctive-relief class under federal law. However, the court allowed the indirect purchaser plaintiffs to renew their motion for class certification seeking a federal injunction. The plaintiffs filed their renewed motion to certify an injunctive-relief class on October 23, 2015. The Company joined the other defendants in opposing that motion on November 20. The plaintiffs filed their reply memorandum on December 11, 2015, and on March 7, 2017, the Court heard arguments on the renewed motion for injunctive class certification. On June 27, 2017, the Court denied plaintiffs' renewed motion for injunctive class certification. The plaintiffs also filed a petition with the United States Court of Appeals for the Third Circuit, asking the court to hear an immediate appeal of the trial court's denial of the motion to certify 21 state-law damages classes. On December 3, 2015, the Third Circuit entered an order staying its consideration of the plaintiffs' request for an immediate appeal of the damages-class ruling pending the trial court's resolution of the plaintiffs' renewed motion to certify an injunctive-relief class. On July 11, 2017 the plaintiffs filed a petition with the Third Circuit asking the court to hear an appeal of the June 27 order denying plaintiffs’ renewed motion for injunctive class certification. On July 21, 2017, the Company joined other defendants in a response filed with the Third Circuit opposing the plaintiffs' petition.

The Non-Class Cases. Six of the cases in which plaintiffs do not seek to certify a class have been consolidated with the putative class actions into In re: Processed Egg Products Antitrust Litigation, No. 2:08-md-02002-GP, in the United States District Court for the Eastern District of Pennsylvania. The court granted with prejudice the defendants’ renewed motion to dismiss the non-class plaintiffs' claims for damages arising before September 24, 2004. On July 2, 2015, the Company filed and joined several motions for summary judgment that sought either dismissal of all of the claims in all of these cases or, in the alternative, dismissal of portions of these cases. On July 2, 2015, the non-class plaintiffs filed a motion for summary judgment seeking dismissal of certain affirmative defenses based on statutory immunities from federal antitrust law. The Court heard oral argument on the motions for summary judgment on February 22 and 23, 2016. On September 6, 2016, the Court granted the defendants' motion for summary judgment against the plaintiffs' claims arising from their purchases of egg products, dismissing those claims with prejudice. On September 9, 2016, the Court granted in part the Company's motion for summary judgment on liability, dismissing as a matter of law the plaintiffs' allegations of a side agreement to cease construction of new facilities and ruling that the plaintiffs' allegations against United Egg Producers (UEP) animal-welfare guidelines must be evaluated at trial under the rule of reason. On September 12, 2016, the Court granted in part the Company's motion for summary judgment on damages, ruling that plaintiffs cannot recover damages on purchases of eggs from non-defendants and cannot recover any relief on eggs and egg products produced or sold in Arizona after October 1, 2009, the date that Arizona mandated that all eggs sold or produced in that state must be produced in compliance with the 2008 version of the UEP animal-welfare guidelines. On September 13, 2016, the Court granted in part the plaintiffs' motion for summary judgment as to the applicability of the Capper-Volstead defense, ruling that United States Egg Marketers (an industry cooperative of which the Company is a member) may invoke the defense at trial but that UEP (another industry cooperative of which the Company is a member) cannot. The Capper-Volstead defense is a defense pursuant to the Capper-Volstead Act (the Co-operative Marketing Associations Act), enacted by Congress in 1922, which gives certain associations of farmers certain exemptions from antitrust laws. On October 4, 2016, certain direct action plaintiffs (Kraft Food Global, Inc., General Mills, Inc., Nestle USA, Inc., and The Kellogg Company) filed an appeal to the United States Court of Appeals for the Third Circuit from the District Court's Order dated September 6, 2016, granting defendants' motion for summary judgment and dismissing with prejudice all claims based on the purchase of egg products. These plaintiffs filed their opening brief on March 7, 2017. The defendants filed their response brief on April 20. These plaintiffs filed their reply brief on May 18. The court of appeals heard oral argument on July 11, 2017, but has not issued a ruling. On November 22, 2016, the non-class plaintiffs filed a motion asking the Court to hold a status conference and asking the court to set the non-class cases for trial in June of 2017. The parties in all of the remaining class and non-class cases submitted several different proposed trial schedules to the court, and a status conference was held on February 9, 2017. A trial date has not yet been set.

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

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

Five of the original six non-class cases remain pending against the Company. The principal plaintiffs in these cases are: The Kroger Co.; Publix Super Markets, Inc.; SUPERVALU, Inc.; Safeway, Inc.; Albertsons LLC; H.E. Butt Grocery Co.; The Great Atlantic & Pacific Tea Company, Inc.; Walgreen Co.; Hy-Vee, Inc.; and Giant Eagle, Inc. In four of these remaining non-class cases, the plaintiffs seek treble damages and injunctive relief under the Sherman Act. In one of those four cases, the plaintiffs purchased only egg products, and as noted above, the Court dismissed with prejudice all claims arising from the purchase of egg products. On October 4, 2016, the four plaintiffs in that case

(Kraft Food Global, Inc., General Mills, Inc., Nestle USA, Inc., and The Kellogg Company) appealed that decision to the United States Court of Appeals for the Third Circuit. In the fifth remaining non-class case, the plaintiff seeks treble damages and injunctive relief under the Sherman Act and the Ohio antitrust act (known as the Valentine Act).

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The Pennsylvania court has entered a series of orders related to case management, discovery, class certification, summary judgment, and scheduling. The Court has also denied all four motions that the plaintiffs filed to exclude testimony from certain expert witnesses retained by the defendants. The Pennsylvania court has not set a trial date for any of the Company's remaining consolidated cases (non-class and indirect purchaser cases). As noted above, the court held a hearing on the parties' proposed trial schedules but has not yet set a trial date.

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

State of Oklahoma Watershed Pollution Litigation

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

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

Florida Civil Investigative Demand

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

Other Matters

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

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II.

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

Our Common Stock is traded on the NASDAQ Global Select Market under the symbol "CALM". The closing price for our Common Stock on July 17, 2017 was $35.55 per share. The following table sets forth the high and low daily sales prices and dividends per share for each of the four quarters of fiscal 2016 and fiscal 2017.

		Sales Price		
Fiscal Year Ended	Fiscal Quarter	High	Low	Dividends (1)
May 28, 2016	First Quarter	$57.94	$44.13	$ 0.983
	Second Quarter	63.25	50.27	0.751
	Third Quarter	56.50	44.94	0.441
	Fourth Quarter	55.43	44.65	—
June 3, 2017	First Quarter	$45.75	$40.11	$ —
	Second Quarter	46.15	36.50	—
	Third Quarter	45.45	37.95	—
	Fourth Quarter	41.25	36.35	—

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

There is no public trading market for the Class A Common Stock. All outstanding Class A shares are owned by Fred R. Adams, Jr., our Founder and Chairman Emeritus, his son-in-law Adolphus Baker, and their spouses. For additional information about our capital stock, see Note 14 to the Notes to Consolidated Financial Statements in this report.

Issuer Purchases of Equity Securities

There were no purchases of our Common Stock made by or on behalf of our company or any affiliated purchaser during our fiscal 2017 fourth quarter.

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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 June 3, 2017. As the only publicly held company in the shell egg business, the Company uses the NASDAQ 100 Total Return index in lieu of a published industry index or peer group. The graph assumes $100 was invested on June 2, 2012 in the stock or index. Each date plotted indicates the last day of a fiscal quarter.

Stockholders

At July 17, 2017, there were approximately 333 record holders of our Common Stock and approximately 47,927 beneficial owners whose shares were held by nominees or broker dealers.

Dividends

Cal-Maine has a dividend policy adopted by its Board of Directors. Pursuant to the policy, Cal-Maine pays a dividend to shareholders of its Common Stock and Class A Common Stock on a quarterly basis for each quarter for which the Company reports net income attributable to Cal-Maine Foods, Inc. computed in accordance with generally accepted accounting principles in an amount equal to one-third (1/3) of such quarterly income. Dividends are paid to shareholders of record as of the 60th day following the last day of such quarter, except for the fourth fiscal quarter. For the fourth quarter, the Company will pay dividends to shareholders of record on the 65th day after the quarter end. Dividends are payable on the 15th day following the record date. Following a quarter for which the Company does not report net income attributable to Cal-Maine Foods, Inc., the Company will not pay a dividend for a subsequent profitable quarter until the Company is profitable on a cumulative basis computed from the date of the last quarter for which a dividend was paid. At June 3, 2017, cumulative losses that must be recovered prior to paying a dividend were $74.7 million. The Company’s loan agreements provide that unless otherwise approved by its lenders, the Company must limit

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dividends paid in any quarter to not exceed an amount equal to one-third of the previous quarter's consolidated net income, which dividends are allowed to be paid if there are no events of default.

Recent Sales of Unregistered Securities

No sales of securities without registration under the Securities Act of 1933 occurred during our fiscal year ended June 3, 2017.

Securities Authorized for Issuance under Equity Compensation Plans
Equity Compensation Plan Information

	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)
Equity compensation plans approved by shareholders	—	$ —	503,242
Equity compensation plans not approved by shareholders	—	—	—
Total	—	$ —	503,242

(a) There were no outstanding options, warrants or rights as of June 3, 2017. There were 247,735 shares of restricted stock outstanding under our 2012 Omnibus Long-Term Incentive Plan as of June 3, 2017.
(b) There were no outstanding options, warrants or rights as of June 3, 2017.
(c) Shares available for future issuance as of June 3, 2017 under our 2012 Omnibus Long-Term Incentive Plan.

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

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ITEM 6. SELECTED FINANCIAL DATA

Statement of Operations Data (in thousands, except per share data)	Fiscal Years Ended June 3, 2017 ^ 53 wks	May 28, 2016 52 wks	May 30, 2015 52 wks	May 31, 2014 * 52 wks	June 1, 2013 † 52 wks
Net sales	$1,074,513	$1,908,650	$1,576,128	$1,440,907	$1,288,104
Cost of sales	1,028,963	1,260,576	1,180,407	1,138,143	1,073,555
Gross profit	45,550	648,074	395,721	302,764	214,549
Selling, general and administrative	173,980	177,760	160,386	156,712	126,956
Loss (gain) on disposal of fixed assets	3,664	(1,563)	568	651	1,496
Legal settlement expense	—	—	—	—	28,000
Operating income (loss)	(132,094)	471,877	234,767	145,401	58,097
Other income (expense):					
Interest income (expense), net	2,785	3,158	(515)	(2,656)	(3,906)
Equity in income of affiliates	1,390	5,016	2,657	3,512	3,480
Patronage dividends	7,665	6,930	6,893	6,139	14,300
Other, net	5,960	268	2,747	9,446	3,597
Total other income	17,800	15,372	11,782	16,441	17,471
Income (loss) before income tax and noncontrolling interest	(114,294)	487,249	246,549	161,842	75,568
Income tax expense (benefit)	(39,867)	169,202	84,268	52,035	24,807
Net income (loss) including noncontrolling interest	(74,427)	318,047	162,281	109,807	50,761
Less: Net income (loss) attributable to noncontrolling interest	(149)	2,006	1,027	600	338
Net income (loss) attributable to Cal-Maine Foods, Inc.	$(74,278)	$316,041	$161,254	$109,207	$50,423
Net income (loss) per common share:					
Basic	$(1.54)	$6.56	$3.35	$2.27	$1.05
Diluted	$(1.54)	$6.53	$3.33	$2.26	$1.05
Cash dividends per common share	$—	$2.18	$1.11	$0.73	$0.38
Weighted average shares outstanding:					
Basic	48,362	48,195	48,136	48,095	47,967
Diluted	48,362	48,365	48,437	48,297	48,088
Balance Sheet Data (in thousands)					
Working capital	$371,527	$542,832	$407,418	$354,743	$304,681
Total assets	1,033,094	1,111,765	928,653	811,661	745,627
Total debt (including current maturities)	10,939	25,570	50,860	61,093	65,020
Total stockholders' equity	844,493	917,361	704,562	594,745	518,044
Operating Data:					
Total number of layers at period-end (thousands)	36,086	33,922	33,696	32,372	30,967
Total shell eggs sold (millions of dozens)	1,031.1	1,053.6	1,063.1	1,013.7	948.5

^ Results for fiscal 2017 include the results of operations (subsequent to acquisition) of the commerical egg assets acquired from Foodonics International, Inc., which were consolidated with our operations as of October 16, 2016, and the commercial egg assets of Happy Hen Egg Farms, Inc., which were consolidated with our operations as of February 19, 2017.

*

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

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

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

RISK FACTORS; FORWARD-LOOKING STATEMENTS

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

OVERVIEW

Cal-Maine Foods, Inc. ("we," "us," "our," or the "Company") is primarily engaged in the production, grading, packaging, marketing and distribution of fresh shell eggs. Our fiscal year end is the Saturday nearest to May 31 which was June 3, 2017 (53 weeks), May 28, 2016 (52 weeks), and May 30, 2015 (52 weeks) for the most recent three fiscal years.

Our operations are fully integrated. We hatch chicks, grow and maintain flocks of pullets (female chickens, under 18 weeks of age), layers (mature female chickens) and breeders (male and female birds used to produce fertile eggs to be hatched for egg production flocks), manufacture feed, and produce, process and distribute shell eggs. We are the largest producer and marketer of shell eggs in the U.S. We market the majority of our shell eggs in the southwestern, southeastern, mid-western, and mid-Atlantic regions of the U.S. We market shell eggs through our extensive distribution network to a diverse group of customers, including national and regional grocery store chains, club stores, foodservice distributors, and egg product consumers.

Our operating results are directly tied to egg prices, which are highly volatile and subject to wide fluctuations, and are outside of our control. For example, the annual average Urner-Barry Southeastern Regional Large Egg Market Price per dozen eggs, for our fiscal 2005-2017 ranged from a low of $0.72 during fiscal 2005 to a high of $2.97 during fiscal 2016. The shell egg industry has traditionally been subject to periods of high profitability followed by periods of significant loss. In the past, during periods of high profitability, shell egg producers tended to increase the number of layers in production with a resulting increase in the supply of shell eggs, which generally caused a drop in shell egg prices until supply and demand returned to balance. As a result, our financial results from year to year may vary significantly. Shorter term, retail sales of shell eggs historically have been greatest during the fall and winter months and lowest during the summer months. Our need for working capital generally is highest in the last and first fiscal quarters ending in May and August, respectively, when egg prices are normally at seasonal lows. Prices for shell eggs fluctuate in response to seasonal factors and a natural increase in shell egg production in the spring and early summer. Shell egg prices tend to increase with the start of the school year and are highest prior to holiday periods, particularly Thanksgiving, Christmas, and Easter. Consequently, we generally experience lower sales and net income in our first and fourth fiscal quarters ending in August and May, respectively. Because of the seasonal and quarterly fluctuations, comparisons of our sales and operating results between different quarters within a single fiscal year are not necessarily meaningful comparisons.

From April through June 2015, our industry experienced a significant avian influenza ("AI") outbreak, primarily in the upper Midwestern U.S. There were no positive tests for AI at any of our locations. Based on several published industry estimates, we believe approximately 12% of the national flock of laying hens was affected. During April through June 2015, the affected laying hens were either destroyed by the disease or euthanized. The USDA data showed the supply of laying hens decreased substantially. Since that time, it began to recover and eventually exceed pre-AI levels by late 2016. In February 2017, the USDA issued revised data that showed the size of the laying hen flock for calendar years 2015 and 2016 was meaningfully higher in both years than previously reported.

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Egg prices increased significantly during the summer and fall of 2015. The average Urner-Barry Thursday prices for the large market (i.e. generic shell eggs) in the southeastern region for the months of June through November 2015 was $2.32 per dozen, with a peak of $2.97 in August. Subsequent to November 2015, shell egg prices declined. The Urner Barry price index ("UB index") hit a decade-low level in our fiscal 2016 fourth quarter. During our first quarter of fiscal 2017 it increased slightly, but remained at significantly lower levels than the corresponding period of last year. During our fiscal 2017 second quarter, the UB index returned to and dropped below the low levels seen during the fiscal 2016 fourth quarter. Early in our fiscal 2017 third quarter we saw a significant increase, but prices dropped after Christmas. During our fiscal 2017 fourth quarter, the UB index dropped again and approached the record low levels of the fiscal 2017 second quarter.

According to Nielsen data, retail customer demand for shell eggs has remained strong. The USDA reports that egg export demand has improved since the beginning of fiscal 2017; however, it has still not fully recovered from levels prior to the AI outbreak. Additionally, the industry experienced reduced demand for egg products, as many commercial customers reformulated their products to use fewer eggs when prices spiked and have been slow to resume previous egg usage. Together with the increased supply of laying hens, these factors have created an oversupply of eggs, with continued pressure on market prices. Accordingly, our net average selling price per dozen shell eggs for fiscal 2017 was $1.007 compared to $1.735 for fiscal 2016. Recent USDA reports show the chick hatch has been trending down, suggesting there may be a moderation in the size of the laying hen flock as the year progresses. We expect the egg markets to remain under pressure and we do not expect meaningful price improvement until there is a better balance of supply and demand.

We are one of the largest producers and marketers of value-added specialty shell eggs in the U.S. For accounting purposes, we classify nutritionally enhanced, cage-free, organic and brown eggs as specialty shell eggs. They have been a significant and growing segment of the market in recent years. During our fiscal 2016 an increasing number of large restaurant chains, food service companies and grocery chains, including our largest customers, announced goals to transition to a cage-free egg supply chain by specified future dates. We are working with our customers to achieve smooth progress in meeting their goals. Our focus for future expansion at our farms will be environments that are cage-free or with equipment that can easily be converted to cage-free, based on a timeline to meet our customer’s needs.

For fiscal 2017, we produced approximately 84% of the total number of shell eggs sold by us, with approximately 8% of such shell egg production provided by contract producers. Contract producers utilize their facilities to produce shell eggs from layers owned by us. We own the shell eggs produced under these arrangements. For fiscal 2017, approximately 16% of the total number of shell eggs sold by us were purchased from outside producers for resale.

Our cost of production is materially affected by feed costs, which are highly volatile and subject to wide fluctuation. For fiscal 2017, feed costs averaged about 58% of our total farm egg production cost. Changes in market prices for corn and soybean meal, the primary ingredients in the feed we use, result in changes in our cost of goods sold. For our last five fiscal years, average feed cost per dozen sold ranged from a low of $0.40 in fiscal 2017 to a high of $0.54 in fiscal 2013. The cost of our primary feed ingredients, which are commodities, are subject to factors over which we have little or no control such as volatile price changes caused by weather, size of harvest, transportation and storage costs, demand and the agricultural and energy policies of the U.S. and foreign governments. Subsequent to our fiscal year end, grain prices have increased and we expect this volatility to continue in fiscal 2018. In spite of this volatility, we expect to have an adequate supply of our primary feed ingredients in fiscal 2018.

During the second quarter of fiscal 2017, the Company acquired substantially all of the egg production assets and assumed certain liabilities of Foodonics International, Inc. and its related entities doing business as Dixie Egg Company (collectively, "Foodonics") for $68.6 million of cash and $3.0 million of deferred purchase price. The acquired assets include commercial egg production and processing facilities with capacity for 1.6 million laying hens, contract grower arrangements for an additional 1.5 million laying hens, and related feed production, and distribution facilities in Georgia, Alabama, and Florida. The Company acquired Foodonics' interest in American Egg Products, LLC ("AEP") and the Eggland's Best franchise with licensing rights for certain markets in Alabama, Florida, and Georgia as well as Puerto Rico, Bahamas and Cuba. The Company now owns 100% of AEP. The acquired operations of Foodonics are included in the accompanying financial statements as of October 16, 2016.

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During the third quarter of fiscal 2017, the Company acquired substantially all of the egg production, processing and distribution assets of Happy Hen Egg Farms, Inc. and its affiliates (collectively, "Happy Hen") for $17.2 million. The assets include commercial egg production and processing facilities with current capacity for 350,000 laying hens and related distribution facilities located near Harwood and Wharton, Texas. The site is designed for capacity of up to 1.2 million laying hens. The operations of Happy Hen are included in the accompanying financial statements as of February 19, 2017. The Company closed this acquisition on March 3, 2017.

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

RESULTS OF OPERATIONS

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

	June 3, 2017	May 28, 2016	May 30, 2015
Net sales	100.0 %	100.0 %	100.0 %
Cost of sales	95.8 %	66.0 %	74.9 %
Gross profit	4.2 %	34.0 %	25.1 %
Selling, general and administrative	16.2 %	9.3 %	10.2 %
Loss (gain) on disposal of fixed assets	0.3 %	(0.1)%	— %
Operating income (loss)	(12.3)%	24.8 %	14.9 %
Other income	1.7 %	0.8 %	0.7 %
Income (loss) before income taxes and noncontrolling interest	(10.6)%	25.6 %	15.6 %
Income tax expense (benefit)	(3.7)%	8.9 %	5.3 %
Net income (loss) including noncontrolling interest	(6.9)%	16.7 %	10.3 %
Less: Net income (loss) attributable to noncontrolling interest	— %	0.1 %	0.1 %
Net income (loss) attributable to Cal-Maine Foods, Inc.	(6.9)%	16.6 %	10.2 %

Executive Overview of Results – June 3, 2017, May 28, 2016, and May 30, 2015

Our operating results are significantly affected by wholesale shell egg market prices and feed costs, which can fluctuate widely and are outside of our control. The majority of our shell eggs are sold at prices related to the Urner Barry Spot Egg Market Quotations for the southeastern and southcentral regions of the country, or formulas related to our costs of production which include the cost of corn and soybean meal. The following table shows our net income (loss), net average shell egg selling price, feed cost per dozen produced, and the average Urner Barry wholesale large shell egg prices in the southeast region, for each of our three most recent fiscal years.

Fiscal Year ended	June 3, 2017	May 28, 2016	May 30, 2015
Net income (loss) attributable to Cal-Maine Foods, Inc. - (in thousands)	$(74,278)	$316,041	$161,254
Gross profit (in thousands)	45,550	648,074	395,721
Net average shell egg selling price (rounded)	1.01	1.74	1.43
Average Urner Barry Spot Egg Market Quotations1	0.85	1.79	1.53
Feed cost per dozen produced	0.399	0.414	0.439

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

The shell egg industry has traditionally been subject to periods of high profitability followed by periods of significant loss. The periods of high profitability have often reflected increased consumer demand relative to supply while the periods of significant loss have often reflected excess supply for the then prevailing consumer demand. Historically,

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demand for shell eggs increases in line with overall population growth. As reflected above, our operating results fluctuate with changes in the spot egg market quote and feed costs. The net average shell egg selling price is the blended price for all sizes and grades of shell eggs, including non-graded shell egg sales, breaking stock and undergrades. In fiscal 2015 and 2016, our net average net selling price increased, reflecting strong demand for shell eggs across our markets as well as supply constraints resulting from the outbreak of avian influenza ("AI"), and feed costs decreased over the previous year. In fiscal 2017, our net average selling price and dozens sold decreased over the previous year primarily due to oversupply of eggs resulting from the repopulation of the national flock of laying hens to levels exceeding the pre-AI flock and a reduced demand for egg products. In fiscal 2017, feed costs continued to decrease over prior years. Gross profit and net income for fiscal 2017 decreased significantly compared to the prior year, primarily due to decreased selling prices.

Fiscal Year Ended June 3, 2017 Compared to Fiscal Year Ended May 28, 2016

NET SALES

In fiscal 2017, approximately 98% of our net sales consisted of shell eggs and approximately 2% was egg products. Net sales for the fiscal year ended June 3, 2017 were $1,074.5 million, a decrease of $834.2 million, or 43.7%, from net sales of $1,908.7 million for fiscal 2016. In fiscal 2017 total dozens of eggs sold decreased and egg selling prices decreased as compared to fiscal 2016. In fiscal 2017 total dozens of shell eggs sold were 1,031.1 million, a decrease of 22.5 million dozen, or 2.1%, compared to 1,053.6 million sold in fiscal 2016 resulting in a decrease in net sales of $22.6 million for fiscal 2017 compared with the prior year. We believe the decrease was primarily due to an oversupply of eggs in fiscal 2017 contrasted with fiscal 2016 in which we experienced supply constraints resulting from the AI outbreak. Our average selling price of shell eggs decreased from $1.735 per dozen for fiscal 2016 to $1.007 per dozen for fiscal 2017, a decrease of $0.728 per dozen, or 42.0%, primarily reflecting pressure on market prices induced by the oversupply of eggs compared with the prior year in which we experienced higher egg prices resulting from the AI outbreak. The decrease in sales price in fiscal 2017 from fiscal 2016 resulted in a corresponding decrease in net sales of approximately $750.7 million. The remainder of our decrease in net sales was the result of decreased sales of egg products which is discussed later in this section. Our operating results are significantly affected by wholesale shell egg market prices, which are outside of our control. Small changes in production or demand levels can have a large effect on shell egg prices.

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

	Fiscal Years Ended				Quarters Ended			
	(53 weeks)		(52 weeks)		(14 weeks)		(13 Weeks)	
	June 3, 2017		May 28, 2016		June 3, 2017		May 28, 2016	
	(Amounts in thousands)				(Amounts in thousands)			
Total net sales	$1,074,513		$1,908,650		$274,584		$303,020	
Non-specialty shell egg sales	548,858	52.3 %	1,243,377	67.7 %	145,454	54.3 %	163,882	55.6 %
Specialty shell egg sales	457,617	43.6 %	534,754	29.1 %	112,744	42.0 %	118,356	40.2 %
Co-pack specialty shell egg sales	32,689	3.1 %	49,282	2.7 %	7,198	2.7 %	9,021	3.1 %
Other sales	10,423	1.0 %	10,533	0.5 %	2,594	1.0 %	3,245	1.1 %
Net shell egg sales	$1,049,587	100.0 %	$1,837,946	100.0 %	$267,990	100.0 %	$294,504	100.0 %
Net shell egg sales as a percent of total net sales		98 %		96 %		98 %		97 %
Dozens sold:								
Non-specialty shell egg	778,538	75.5 %	791,058	75.1 %	207,428	76.0 %	189,850	75.0 %
Specialty shell egg	236,067	22.9 %	241,603	22.9 %	61,862	22.7 %	58,856	23.3 %
Co-pack specialty shell egg	16,525	1.6 %	20,936	2.0 %	3,725	1.3 %	4,371	1.7 %
Total dozens sold	1,031,130	100.0 %	1,053,597	100.0 %	273,015	100.0 %	253,077	100.0 %
Net average selling price per dozen:								
All shell eggs	$1.007		$1.735		$0.973		$1.152	
Non-specialty shell eggs	$0.705		$1.572		$0.701		$0.863	
Specialty shell eggs	$1.939		$2.213		$1.823		$2.011	

Non-specialty shell eggs include all shell egg sales not specifically identified as specialty or co-pack specialty shell egg sales. This market is characterized generally by an inelasticity of demand, and small increases in production or decreases in demand can have a large adverse effect on prices and vice-versa. In fiscal 2017, non-specialty shell eggs represented approximately 52.3% of our shell egg revenue, compared to 67.7% for fiscal 2016, reflecting the large decrease in net average selling price for non-specialty eggs from $1.572 per dozen in fiscal 2016 to $0.705 per dozen in fiscal 2017. Sales of non-specialty shell eggs accounted for approximately 75.5% and 75.1% of total shell egg volumes in fiscal 2017 and 2016, respectively.

For the fourteen-week period ended June 3, 2017, non-specialty shell eggs represented approximately 54.3% of our shell egg revenue, compared to 55.6% for the thirteen-week period ended May 28, 2016, reflecting the large decrease in net average selling price for non-specialty eggs during the current period compared to the same period of last year ($0.701 per dozen in the 2017 period compared to $0.863 per dozen in the 2016 period) partially offset by an increase in non-specialty dozens sold. For the fourteen-week period ended June 3, 2017, non-specialty shell eggs accounted for approximately 76.0% of the total shell egg volume, compared to 75.0% for the thirteen-week period ended May

28, 2016. The volume increase for both non-specialty and specialty shell eggs for the fiscal 2017 fourth quarter reflected the extra week of production in the period.

Specialty eggs, which include nutritionally enhanced, cage-free, organic and brown eggs, continued to make up a significant portion of our total shell egg revenue and dozens sold in fiscal 2017. For fiscal 2017, specialty eggs accounted for 43.6% of shell egg revenue, compared to 29.1% in fiscal 2016. Specialty eggs accounted for 22.9% of shell egg volume in both fiscal 2017 and fiscal 2016. Additionally, for fiscal 2017, specialty eggs sold through co-pack arrangements accounted for 3.1% of shell egg revenue, compared to 2.7% in fiscal 2016, and 1.6% of shell egg volume in fiscal 2017 compared to 2.0% in fiscal 2016. Our net average selling price for specialty eggs was $1.939 per dozen for fiscal 2017 compared to $2.213 per dozen for fiscal 2016. Specialty egg retail prices are less cyclical than non-specialty shell egg prices and are generally higher due to consumer willingness to pay for the perceived increased benefits from these products. This effect was particularly evident in recent quarters as non-specialty egg prices declined more than specialty egg prices. However, as non-specialty egg prices declined, we experienced some margin and volume pressures on specialty egg sales.

For the fourteen-week period ended June 3, 2017, specialty shell eggs and specialty shell eggs sold through co-pack arrangements represented approximately 42.0% and 2.7%, of our shell egg revenue, compared to 40.2% and 3.1%, respectively, for the thirteen-week period ended May 28, 2016. As previously discussed, selling prices for non-specialty eggs were lower during the current fiscal 2017 fourth quarter resulting in a larger percentage of our shell egg sales being attributable to the less cyclical specialty shell eggs. For the fourteen-week period ended June 3, 2017, specialty shell eggs and specialty shell eggs sold through co-pack arrangements accounted for approximately 22.7% and 1.3% of the total shell egg volume, compared to 23.3% and 1.7%, respectively, for the thirteen-week period ended May 28, 2016. Our net average selling price for specialty eggs was $1.823 per dozen for the fiscal 2017 fourth quarter compared to $2.011 per dozen for the fiscal 2016 fourth quarter.

As previously disclosed, the loss of a portion of a major customer's co-pack business in the fourth quarter of fiscal 2016 also had a negative impact on our fiscal 2017 dozens sold and revenue.

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

Egg products are shell eggs that are broken and sold in liquid, frozen, or dried form. Our egg products are sold through our wholly-owned subsidiary American Egg Products, LLC (“AEP”) and our consolidated subsidiary Texas Egg Products, LLC (“TEP”). For fiscal 2017 egg product sales were $24.9 million, a decrease of $45.8 million, or 64.7%, compared to $70.7 million for fiscal 2016. Egg products volume for fiscal 2017 was 65.3 million pounds, an increase of 6.8 million pounds, or 11.6%, compared to 58.5 million pounds for fiscal 2016. In fiscal 2017, the selling price per pound was $0.382 compared to $1.213 for fiscal 2016, a decrease of 68.5%. The decrease in market prices for egg products in the current fiscal year is due to reduced demand for egg products and extraordinarily high prices for the prior fiscal year which reflected the shortage of supply caused by AI.

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COST OF SALES

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

	Fiscal Year Ended			Quarter Ended		
	(53 weeks)	(52 weeks)		(14 weeks)	(13 weeks)	
(Amounts in thousands)	June 3, 2017	May 28, 2016	Percent Change	June 3, 2017	May 28, 2016	Percent Change
Cost of sales:						
Farm production	$598,412	$562,521	6.4 %	$159,482	$135,187	18.0 %
Processing and packaging	202,225	184,586	9.6 %	54,896	45,089	21.8 %
Outside egg purchases and other	207,495	464,008	(55.3)%	41,663	75,311	(44.7)%
Total shell eggs	1,008,132	1,211,115	(16.8)%	256,041	255,587	0.2 %
Egg products	19,766	48,584	(59.3)%	6,075	6,473	(6.1)%
Other	1,065	877	21.4 %	462	280	65.0 %
Total	$1,028,963	$1,260,576	(18.4)%	$262,578	$262,340	0.1 %

Farm production cost (per dozen produced)