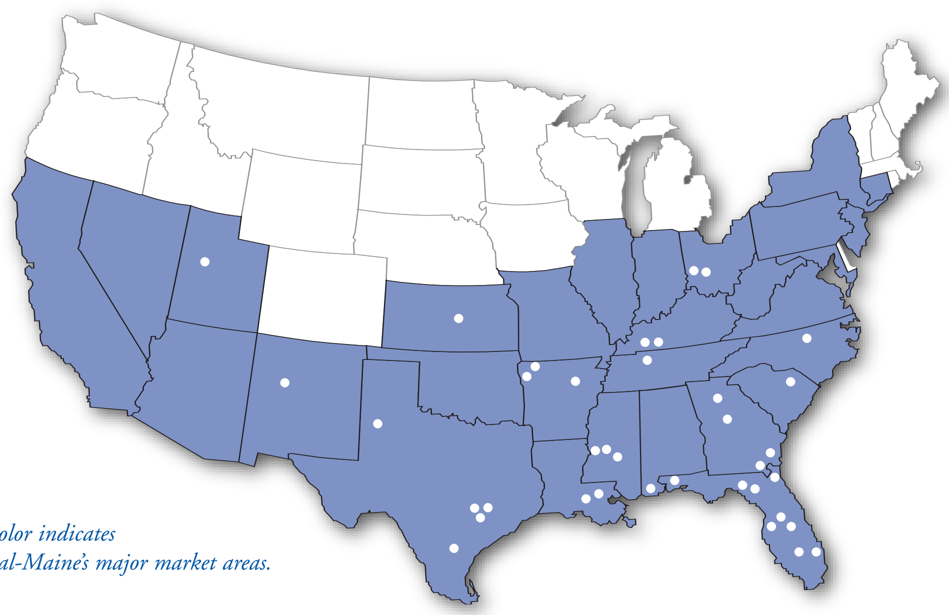
CAL-MAINE FOODS, INC. 2006 ANNUAL REPORT

CAL-MAINE FOODS, INC.

Cal-Maine Foods, Inc. is primarily engaged in the production, grading, packing and sale of fresh shell eggs. The Company, headquartered in Jackson, Mississippi, is the largest producer and distributor of fresh shell eggs in the United States with fiscal 2006 sales of approximately 683 million dozen shell eggs, representing approximately 15.9 percent of domestic shell egg consumption in the United States.

The common shares of Cal-Maine Foods, Inc. are traded on the Nasdaq National Market under the symbol CALM.

CAL-MAINE LOCATIONS



Color indicates
Cal-Maine's major market areas.

ALABAMA
Robertsdale

ARKANSAS
Green Forest
Lincoln
Searcy

FLORIDA
Brooksville
Bushnell
Callahan
Kenansville
Lake City
Lake Wales
Mascotte
Quincy
Wellborn

GEORGIA
Blackshear
Gainesville
Moniac
Shady Dale

KANSAS
Chase

KENTUCKY
Bremen
Guthrie

LOUISIANA
Hammond
Pine Grove

MISSISSIPPI
Edwards
Jackson
(Corporate Offices)
Mendenhall

NEW MEXICO
Albuquerque

NORTH CAROLINA
Louisburg

OHIO
Rossburg
Union City

SOUTH CAROLINA
Bethune

TENNESSEE
Clarksville

TEXAS
Flatonia
Harwood
Idalou
Klesel
Waelder

UTAH
Delta

TO OUR SHAREHOLDERS:

Fiscal 2006 was a good year for Cal-Maine in many ways. All of our operations ran smoothly; we expanded our customer base; we made substantial progress in integrating the Florida Hillandale acquisition; and we operated efficiently despite considerably higher fuel and energy costs.

For the year, Cal-Maine reported net sales of $477.6 million compared with $375.3 million for fiscal 2005. The Company reported a net loss of $1.0 million, or $0.04 per share, for fiscal 2006, compared with a net loss of $10.4 million, or $0.43 per share, in fiscal 2005.

The economics of the egg business were difficult in fiscal 2006. The egg industry was faced with an abundant supply of eggs, and, as a result, egg prices were under pressure most of the year. However, USDA statistics indicate that the egg industry is responding to the poor economics, and the egg supply should be more appropriately balanced with demand over the next year.

Feed costs have been generally favorable during the past year and current projections indicate a good corn and soybean crop this fall. However, the expected increased demand for corn for ethanol use in the next few years could cause corn prices to move higher.

As we move into a new fiscal year, we are optimistic that the economics of our industry will be better and that Cal-Maine will return to profitability. On behalf of the entire management team, we appreciate the continued support of our customers, shareholders, and employees.

Sincerely,

Fred Adams Jr.

Fred Adams, Jr.
Chief Executive Officer

(THIS PAGE INTENTIONALLY LEFT BLANK)

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR FISCAL YEAR ENDED June 3, 2006

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

Commission file number: 000-04892

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

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

3320 Woodrow Wilson Avenue, Jackson, Mississippi 39209
(Address of principal executive offices)(Zip Code)

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

Securities registered pursuant to Section 12 (b) of the Act: Common Stock, $0.01 par value

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

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

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 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. ( )

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer ______ Accelerated filer ___X____ Non-accelerated filer _______

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

The aggregate market value, as reported by the NASDAQ National Market, of the registrant's Common Stock, $0.01 par value, held by non-affiliates at November 26, 2005, which was the date of the last business day of the registrant's most recently completed second fiscal quarter, was $78,736,100.

As of August 7, 2006, 21,102,891 shares of the registrant's Common Stock, $0.01 par value, and 2,400,000 shares of the registrant's Class A Common Stock, $0.01 par value, were outstanding.

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

TABLE OF CONTENTS

Part I

Part II

Part III

Part IV

PART I

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 2006, we sold approximately 683 million dozen shell eggs, which represented about 15.9% of domestic shell egg consumption in the United States. Our total flock of approximately 23 million layers and 6 million pullets and breeders is the largest in the United States. Layers are mature female chickens, pullets are young female chickens usually under 20 weeks of age, and breeders are male or female chickens used to produce fertile eggs to be hatched for egg production flocks. Our primary business is the production, grading, packaging, marketing and distribution of shell eggs. We sell most of our shell eggs in 29 states, primarily in the southwestern, southeastern, mid-western and mid-Atlantic regions of the United States. We market our shell eggs through our extensive distribution network to a diverse group of customers, including national and regional grocery store chains, club stores, foodservice distributors and egg product manufacturers. The strength of our position is evidenced by the fact that we have the largest market share in the grocery segment for shell eggs, and we sell shell eggs to a majority of the largest food retailers in the United States.

We are also one of the largest producers and marketers of value-added specialty shell eggs in the United States. Specialty shell eggs include reduced cholesterol, cage free and organic eggs and are a rapidly growing segment of the market. In fiscal 2006, specialty shell eggs represented approximately 14% of our shell egg dollar sales. Retail prices for specialty eggs are higher than standard shell eggs due to consumer willingness to pay for the increased benefits from those products. We market our specialty shell eggs under two distinct brands: *Egg-Land's Best*(*TM*) and *Farmhouse*(*TM*). We own a 25.7% equity interest in Egg-Land's Best, Inc., which markets the leading brand in the specialty shell egg segment. We have exclusive license agreements to market and distribute *Egg-Land's Best(TM)* specialty shell eggs in major metropolitan areas, including New York City, and a number of states in the southeast and southwest. We market cage free eggs under our trademarked *Farmhouse* brand and distribute those shell eggs across the southeast and southwest regions of the United States. We also produce market and distribute private label specialty shell eggs to several customers. Sales of specialty shell eggs accounted for approximately 6.6% of our total shell egg dozen volume in fiscal 2006.

We are also a leader in industry consolidation. Since 1989, we have completed eleven 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. There currently are 65 producers who each own more than one million layers and the ten largest producers own approximately 41% of total industry layers. We believe industry consolidation will continue and we plan to capitalize on opportunities as they arise.

Hillandale Acquisition

We entered into an Agreement to Form a Limited Liability Company, Transfer Assets Thereto, and Purchase Units of Membership Therein, dated July 28, 2005, with Hillandale Farms, Inc. and Hillandale Farms of Florida, Inc. (together, "Hillandale"), and the Hillandale shareholders (the "Agreement"). Under the terms of the Agreement, we acquired 51% of the units of membership in Hillandale, LLC for cash of approximately $27 million on October 12, 2005. The remaining 49% of the units of membership in Hillandale, LLC will be acquired in essentially equal annual installments over a four-year period, with the purchase price of the units equal to their book value at the time of purchases as calculated in accordance with the terms of the Agreement. The total preliminary purchase price is estimated to be as follows (in thousands):

Cash consideration paid to seller for 51% of Hillandale, LLC's membership units	$	27,006
Obligation to acquire 49% of Hillandale, LLC's membership units		25,947
		52,953
Less discount of preliminary purchase price to the present value as of July 28, 2005		(3,556)
Total preliminary purchase price	$	49,397

The preliminary purchase price was allocated based upon the fair value of the assets acquired and liabilities assumed as follows (in thousands):

Assets acquired:	
Cash and cash equivalents	$ 3,918
Receivables	7,181
Inventories	11,330
Prepaid and other assets	2,798
Property, plant and equipment	49,531
Total assets acquired	74,758
Liabilities assumed:	
Accounts payable and accrued expenses	3,567
Notes payable and long-term debt	21,794
Total liabilities assumed	25,361
Net assets acquired	$ 49,397

In October 2005, we paid substantially all of Hillandale, LLC notes payable and long-term debt and obtained a new $28 million term loan from an insurance company. The loan is secured by substantially all of the property, plant and equipment of Hillandale, LLC, and requires monthly principal payments of $150,000 plus interest beginning in January 2007 through November 2020. The obligation to acquire 49% of Hillandale, LLC is recorded at its present value of $23.6 million as of June 3, 2006, of which $6.9 million is included in current liabilities and $16.7 million is included in other non-current liabilities in the accompanying consolidated balance sheet. We will purchase an additional 13% of Hillandale LLC based on the value of LLC membership units as of July 29, 2006.

We gained effective control of the Hillandale operations upon signing of the Agreement. Accordingly, the acquisition date for accounting purposes is July 28, 2005. The operations of Hillandale, LLC have been consolidated with our operations beginning July 29, 2005.

Prior to the acquisition, we had a 44% membership interest in American Egg Products, LLC ("AEP") and Hillandale, LLC had a 27.5% membership interest in AEP. Prior to the acquisition of Hillandale, LLC, our membership was accounted for by the equity method. Effective with our acquisition of Hillandale, LLC, we own a majority of the membership interest in AEP and, accordingly, the financial statements of AEP have been consolidated with our financial statements effective July 29, 2005. AEP, located in Georgia, processes shell eggs into liquid and frozen egg products that are sold primarily to food manufacturers and to the food service industry. AEP has contract shell egg production for approximately 50% of shell egg requirements and purchases the balance from regional egg markets.

Hillandale, LLC's production facilities are principally located in Florida. Hillandale, LLC is a fully integrated shell egg producer with its own feed mills, hatchery, production, processing and distribution facilities. The Hillandale acquisition increased our current egg production capacity by approximately 30%.

As of July 28, 2005, Hillandale, LLC owned a 50% ownership interest in Hillandale Farms, LLC that was accounted for by the equity method. On October 5, 2005, Hillandale, LLC acquired the other 50% interest in Hillandale Farms, LLC for $1.0 million. The purchase price was allocated to the assets acquired and liabilities assumed and resulted in approximately $900,000 of goodwill. Hillandale Farms, LLC is engaged in the production, processing and distribution of shell eggs.

Our Corporate Information

We were incorporated in Delaware in 1969. Our principal executive office is located at 3320 Woodrow Wilson Drive, 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 and 4, and all amendments to those reports are available, free of charge, through our web site as soon as reasonably practicable after they are filed with the SEC. Information concerning corporate governance matters is also available on the website.

Our Common Stock is listed on The NASDAQ Stock Market LLC ("NASDAQ") under the symbol "CALM". On June 2, 2006, the last sale price of our Common Stock on NASDAQ was $7.19 per share. Our fiscal year 2006 ended June 3, 2006 and the first three fiscal quarters of fiscal 2006 ended August 27, 2005, November 26, 2005 and February 25, 2006. All references herein to a fiscal year means our fiscal year and all references to a year mean a calendar year.

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

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

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

A copy is also available at our website www.calmainefoods.com. Information contained on our website is not a part of this report.

IMPORTANT FACTORS RELATING TO FORWARD-LOOKING STATEMENTS

This report contains numerous forward-looking statements relating to the Company's shell egg business, including estimated production data, expected operating schedules, expected capital costs and other operating data. Such forward-looking statements are identified by the use of words such as "believes," "intends," "expects," "hopes," "may," "should," "plan," "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 factors that could cause actual results to differ materially from those projected in the forward-looking statements include (i) the risk factors set forth below under the following Item 1A, (ii) the risks and hazards inherent in the shell egg business (including disease, pests, and weather conditions), (iii) changes in the market prices of shell eggs, and (iv) changes that could result from the Company's future acquisition of new flocks or businesses. Readers are cautioned not to put undue reliance on forward-looking statements. The Company disclaims any intent or obligation to update publicly these forward-looking statements, whether as a result of new information, future events or otherwise.

Industry Background

The United States Department of Agriculture reported that in 2003 the wholesale shell egg industry was a $4.5 billion market. Shell eggs are a staple food product and 94% of US homes buy shell eggs according to the 2003 Progressive Grocer Consumer Expenditure Study. Based on historical consumption trends, demand for shell eggs increases in line with overall population growth, averaging an increase of about 1% per year. According to U.S. Department of Agriculture reports, since 2000, annual per capita consumption in the United States has varied between 252 and 256 eggs. In 2005, per capita consumption in the United States was 254 eggs, or approximately five eggs per person per week.

Prices for Shell Eggs

Shell egg prices are a critical component of profitability in the industry. Over 90% of all shell eggs sold in the United States in the retail and foodservice channels are sold at prices related to the Urner Barry wholesale quotation for shell eggs. For fiscal 2006, wholesale shell egg prices averaged 75.1 cents per dozen compared to an average of 85.2 cents per dozen for fiscal years 2003 to 2005. The current price environment is weak due to seasonal factors and a slight oversupply of eggs.

Factors currently influencing demand:

- industry advertising campaigns successfully promoting the health benefits of eggs;

- positive announcements from the medical community highlighting eggs as a good source of protein;

- increased consumption resulting from the factors noted above as well as the reduced level of cholesterol in eggs; and

- increased demand from the foodservice channel.

Factors currently influencing supply:

- living space for newly hatched layers will increase 20% by 2008 according to guidelines put in place by the United Egg Producers, in conjunction with the Food Marketing Institute, both industry trade associations; and

- the process to bring new shell egg production capacity online has become more complex than in the past, increasing the time it takes to bring new capacity to market .

Feed Costs for Shell Egg Production

Feed is a primary cost component in the production of shell eggs and represents over one-half of industry production costs. Most shell egg processors are vertically integrated; manufacturing the majority of the feed they require themselves. Although feed ingredients, primarily corn and soybean meal, are available from a number of sources, prices for ingredients can fluctuate and can be affected by weather and by various supply and demand factors. Current feed prices are about the same as a year ago. Forecasts vary widely for prices for the next years, with some dry conditions reported in the Midwest and a stronger demand for corn from ethanol plants.

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 eleven acquisitions. In addition, we have built seven new “in-line” shell egg production and processing facilities and one pullet growing facility which added 8 million layers and 1.5 million growing pullets to our capacity. Each of the new shell egg production facilities generally provide for the processing of approximately 400 cases of shell eggs or 12,000 dozen eggs, per hour. These increases in capacity have been accompanied by the retirement of older and less efficient facilities and a reduction in eggs produced by contract producers. The “in-line” facilities result in the gathering, grading and packaging of shell eggs by less labor-intensive, more efficient, mechanical means.

As a result of our strategy, our total flock, including pullets, layers and breeders, has increased from approximately 6.8 million at May 28, 1988 to an average of approximately 24.8 million for the past five fiscal years. Also, the number of dozens of shell eggs sold has increased from approximately 117 million in the fiscal year ended May 28, 1988 to an average of approximately 599.2 million over the past five fiscal years. Net sales amounted to $477.6 million in fiscal 2006 compared to net sales of $69.9 million in fiscal 1988.

We propose to continue to pursue opportunities for the acquisition of other 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 that have significant market share and long-standing customer relationships. We believe that enhancing our national presence will help us further strengthen our relationships with existing customers which have operations across the United States.

Through exclusive license agreements with Egg-Land's Best, Inc. in several key territories and our trademarked *Farmhouse* brand, 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 not related to the generic shell egg market, we believe that growing our specialty eggs business will enhance the stability of our margins. We expect that the price of specialty eggs will remain at a premium to regular shell eggs. We intend to pursue acquisitions that may expand our specialty shell egg production.

Federal anti-trust laws require regulatory approval of acquisitions that exceed certain threshold levels of significance. Also, we are subject to federal and state laws generally prohibiting anti-competitive conduct. Because the shell egg production and distribution industry is so fragmented, we believe that our sales of shell eggs during its last fiscal year represented only approximately 15.9% of domestic shell egg sales notwithstanding that we are the largest producer and distributor of shell eggs in the United States based on independently prepared industry statistics. We believe that regulatory approval of any future acquisitions either will not be required, or, if required, that such approvals will be obtained.

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

Shell Eggs

Production. Our operations are fully integrated. At our facilities, we hatch chicks, grow pullets, manufacture feed and produce and distribute shell eggs. Company-owned facilities accounted for approximately 89% of our total fiscal 2006 egg production, with the balance attributable to contract producers used by us. Under arrangements with our contract producers, we own the entire flock, furnish all feed and supplies, own the shell eggs produced and assume all market risks. The contract producers own their facilities and are paid a fee based on production with incentives for performance.

The commercial production of shell eggs requires a source of baby chicks for laying flock replacement. We produce approximately 96% of our chicks in our own hatcheries and obtain the balance from commercial sources. We own breeder facilities producing 15.5 million pullet chicks per year in a computer-controlled environment. These pullets are distributed to 28 state-of-the-art laying operations around the southwestern, southeastern, mid-western and mid-Atlantic regions of the United States. The facilities produce an average of 1.5 million dozen of shell eggs per day and process the shell eggs through grading and packaging without handling by human hands. We have spent a cumulative total of $63 million over the past five years upgrading our facilities with the most advanced equipment and technology available in our industry. We believe our focus on automation throughout the supply chain enables us to be a low cost supplier in all the markets in which we compete.

Feed for the laying flocks is produced by Company-owned and operated mills located in the southwestern, southeastern, mid-western and mid-Atlantic regions of the United States. All ingredients necessary for feed production are readily available in the open market and most are purchased centrally from Jackson, Mississippi. Approximately 98% of the feed for our flocks is manufactured at feed mills owned and operated by us. Poultry feed is formulated using a computer model to determine the least-cost ration to meet the nutritional needs of the flocks. Although most feed ingredients are purchased on an as-needed basis, from time-to-time, when deemed advantageous, we purchase ingredients in advance with a delayed delivery of several weeks or a few months.

Feed cost represents the largest element of our farm egg production cost, ranging from 52% to 57% of total cost in the last five years. Although feed ingredients are available from a number of sources, we have little, if any, control over the prices of the ingredients we purchase, which are affected by weather and by various supply and demand factors. Increases in feed costs not accompanied by increases in the selling price of eggs can have a material adverse effect on the results of our operations. However, higher feed costs may encourage producers to reduce production, possibly resulting in higher egg prices. Alternatively, low feed costs can encourage industry overproduction, possibly resulting in lower egg prices. Historically, we have tended to have higher profit margins when feed costs are higher. However, this may not be the case in the future.

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

Our egg production activities are subject to risks inherent in the agriculture industry, such as weather conditions and disease factors. These risks are not within our control and could have a material adverse effect on our operations. Also, the marketability of our shell eggs is subject to risks such as possible changes in food consumption opinions and practices reflecting perceived health concerns.

We operate in a cyclical industry with total demand that is generally level and a product that is 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 683 million dozen shell eggs sold by us in the fiscal year ended June 3, 2006, 537 million were produced by our flocks.

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 manufacturers. We utilize electronic ordering and invoicing systems that enable us to manage inventory for certain of our customers. Our top 10 customers accounted for an aggregate of 66.8% of net sales in the fiscal 2006 and 64.7% of net sales for fiscal 2005. One customer, H.E. Butt Grocery Co., accounted for 9.9% of net sales during fiscal 2006 and 12.1% of net sales for fiscal 2005, and two affiliated customers, Wal-Mart Stores and Sam's Clubs, on a combined basis, accounted for 36.6% of net sales during fiscal 2006 and 30.9% of net sales for fiscal 2005.

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

The shell eggs we sell are either delivered by us to our customers' warehouses and facilities with our own fleet of owned 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. Wholesale prices are subject to wide fluctuations. The prices of our shell eggs reflect fluctuations in the quoted market, and the results of our shell egg operations are materially affected by changes in market quotations. Egg prices reflect a number of economic conditions, such as the supply of eggs and the level of demand, which, in turn, are influenced by a number of factors that we cannot control. No representation can be made as to the future level of prices.

According to U.S. Department of Agriculture reports, since 2000, annual per capita consumption in the United States has varied between 252 and 256 eggs. While we believe that fast food restaurant consumption, high protein diet trends, reduced egg cholesterol levels and industry advertising campaigns may result in a continuance of the recent increases in current per capita egg consumption levels, no assurance can be given that per capita consumption will not decline in the future.

We sell the majority of our shell eggs in approximately 29 states across the southwestern, southeastern, mid-western and mid-Atlantic regions of the United States. We are a major factor in egg marketing in a majority of these states. Many states in our market area are egg deficit regions; that is, production of fresh shell eggs is less than total consumption. Competition from other producers in specific market areas is generally based on price, service, and quality of product. Strong competition exists in each of our markets.

Seasonality. Shell eggs are perishable. Consequently, we maintain very low shell egg inventories, usually consisting of approximately four days of production. Retail sales of shell eggs are greatest during the fall and winter months and lowest during the summer months. Prices for shell eggs fluctuate in response to seasonal demand factors and a natural increase in egg production during the spring and early summer. We generally experience lower sales and net income in our fourth and first fiscal quarters ending in May and August, respectively. During the past ten years, eight of our first quarters and six of our fourth quarters have resulted in net operating losses.

Specialty Eggs. We also produce specialty eggs such as *Egg-Land's Best™* and *Farmhouse* eggs. *Egg-Land's Best™* eggs are patented eggs that are believed by its developers, based on scientific studies, to cause no increase in serum cholesterol when eaten as part of a low fat diet. We produce and process *Egg-Land's Best™* eggs*,* under license from Egg-Land's Best, Inc. ("EB"), at our existing facilities, under EB guidelines. The product is marketed to our established base of customers at prices that reflect a premium over ordinary shell eggs. *Egg-Land's Best™* eggs accounted for approximately 11.4% of our shell egg dollar sales in fiscal 2006. *Farmhouse* brand eggs are produced at our facilities by hens that are not caged, and are provided with a diet of natural grains and drinking water that is free of hormones or other chemical additives. *Farmhouse* and other non EB specialty eggs accounted for 2.6% of our shell egg dollar sales in fiscal 2006. They are intended to meet the demands of consumers who are sensitive to environmental and animal welfare issues. The statistical data concerning specialty egg sales is about the same as last fiscal year and does not reflect the upward trend of specialty eggs. Specialty egg sales volume as a percent of shell egg sales for the Hillandale operations were not as high as our other operations.

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 quality of production. Although we are the largest combined producer, processor, and distributor of shell eggs in the United States, we do not occupy a controlling market position in any area where our eggs are sold.

While the shell egg industry remains highly fragmented, it has been characterized by a growing concentration of producers. In 2005, 65 producers with one million or more layers owned 85% of the 291 million total U.S. layers, compared with the 56 producers with one million or more layers owning 64% of the 232 million total U.S. layers in 1990, and 61 producers with one million or more layers owning 56% of the 248.0 million total U.S. layers in 1985. We believe that a continuation of that concentration trend may result in the 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 Tradenames. We own the trade names *Farmhouse, Rio Grande* and *Sunups*. We do not own any patents or proprietary technologies. We produce and market *Egg-Land's Best(TM)* eggs under license agreements with EB. We own a 25.7% equity interest in EB.

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

Environmental Regulation. Our operations and facilities are subject to various federal, state and local environmental laws and regulations governing, among other things, the generation, storage, handling, use, transportation, disposal and remediation of hazardous materials. Under these laws and regulations, we are also required to obtain permits from governmental authorities, including, but not limited to, 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 do not currently know 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. In addition, under certain circumstances, we may incur costs associated with our contract producers' failure to comply with laws and regulations, including environmental laws and regulations.

Employees. As of June 3, 2006, we had a total of approximately 1,650 employees of whom 1,450 worked in egg production, processing and marketing, 100 were engaged in feed mill operations and 100 were administrative employees, including officers, at our executive offices. Approximately 4% of our personnel are part-time. None of our employees are covered by a collective bargaining agreement. We consider our relations with employees to be good.

Item 1A. Risk Factors

We are subject to numerous risks and uncertainties, including the following:

Market prices of wholesale shell eggs are volatile and changes in these prices and costs 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 of our control. Small increases in production or small decreases in demand can have a large adverse effect on shell egg prices. Shell egg prices have experienced an upward trend since 2002 and rose to historical highs in late 2003 and early 2004. In the early fall of 2004, the demand trend related to the popular diets faded dramatically. During this time of increased demand, the egg industry had geared up to produce more eggs to meet the demand. During the past nine to twelve months, the industry has experienced an oversupply of eggs resulting in lower egg prices. In March 2005, the egg industry took action to reduce the size of the laying flocks. Current U.S. Department of Agriculture statistics indicate a reduced flock size that is now more in line with current demand. There can be no assurance that shell egg prices will remain at or near current levels and that the supply of shell eggs will remain level in the future.

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 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.

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

As discussed above, demand for shell eggs has increased in recent years as a result of a number of factors. We believe that increased fast food restaurant consumption, favorable reports from the medical community regarding the health benefits of shell eggs, reduced shell egg cholesterol levels, high protein diet trends and industry advertising campaigns have all contributed to the increase in 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 changes in these costs can adversely impact our results of operations.

Feed costs represent the largest element of our shell egg production cost, ranging from 52% to 57% of total annual cost in each of 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 that we purchase, which are affected by various demand and supply factors and have experienced significant fluctuations in the past. Prices for corn and soybeans, essential feed ingredients, are favorable this year compared to with last year. However, there are wide swings in corn and soybean prices because of dry conditions in the Midwest and widely varying forecast projections for the 2006 fall harvest season in September and October. Increases in feed costs which are not accompanied by increases in the selling price of shell eggs will have a material adverse effect on the results of our operations.

Due to the cyclical nature of our business, our financial results from year to year may fluctuate.

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

We purchase approximately 25% of the shell eggs we sell from outside producers and our ability to obtain such eggs at prices and in quantities acceptable to us could fluctuate.

We produce approximately 75% of the total number of shell eggs sold by us and purchase the remaining amount from outside producers. As the wholesale price for shell eggs increases, our cost to acquire shell eggs from outside producers also increases. There can be no assurance that we will be able to continue to acquire shell eggs from outside producers in quantities and prices that are satisfactory and our inability to do so may have a material adverse affect on our business and profitability.

Our acquisition growth strategy subjects us to various risks.

We plan to pursue a growth strategy which includes acquisitions of other companies engaged in the production and sale of shell eggs. Acquisitions can require capital resources and 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 not known to us at the time of acquisition. We may also incur significantly greater expenditures in integrating an acquired business than we had anticipated at the time of its purchase. We cannot assure you that we:

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

No assurance can be given that companies acquired by us in the future will contribute positively to our results of operations or financial condition. In addition, federal anti-trust 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 ended June 3, 2006, and May 28, 2005, one customer, H.E. Butt Grocery Co., accounted for 9.9% of our net sales and 12.1% of our net sales, respectively, and two affiliated customers, Wal-Mart Stores and Sam's Clubs, on a combined basis, accounted for 36.6% and 30.8% of our net sales, respectively. Our top 10 customers accounted for 66.8% and 64.7% of net sales during those periods. Although we have established long-term relationships with many of our customers, we do not have contractual relationships with any of our major customers for the sale of our shell eggs. If, for any reason, one or more of our larger customers were to purchase significantly less of our shell eggs in the future or were to 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.

We are subject to federal and state 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 United States Department of Agriculture, the USDA, and Food and Drug Administration, the FDA, regulation and various state and local health and agricultural agencies. Our shell egg processing facilities are subject to periodic USDA inspections. Our feed production facilities are subject to FDA regulation and inspections.

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

If we fail to comply with any applicable law or regulation or permit, or fail to obtain any 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 and adversely affected. In addition, because these laws and regulations are becoming increasingly more stringent, there can be no assurances that we will not be required to incur significant costs for compliance with such laws and regulations in the future.

Our business is highly competitive.

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

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

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

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

Our success depends largely upon the continued services of our senior management team, including Fred R. Adams, Jr., our Chairman and Chief Executive Officer. The loss or interruption of Mr. Adams' services or those of one or more of our other 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 key-man life insurance on any such persons.

Agricultural risks 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. 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.

We are controlled by a principal stockholder.

Fred R. Adams, Jr., our Chairman of the Board and Chief Executive Officer, and his spouse own 37.4% of the outstanding shares of our Common Stock, which has one vote per share, and Mr. Adams owns 90.2% and his son-in-law, Adolphus B. Baker, our president, chief operating officer and one of our directors, owns 9.8% of the outstanding shares of Class A Common Stock, which has ten votes per share. Mr. Baker and his spouse also own 1.7% of the outstanding shares of our Common Stock. As a result, currently Mr. Adams and his spouse possess 65.5%, and Messrs. Adams and Baker and their spouses possess 71.6% 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.

The Adams family intends to retain ownership of a sufficient amount of Common Stock and Class A Common Stock to assure its continued ownership of over 50% of the combined voting power of our outstanding shares of capital stock. Such ownership will make an unsolicited acquisition of us 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 that if shares of the Class A Common Stock, by operation of law or otherwise, are deemed not to be owned by Mr. Adams or a member of his immediate family, the voting power of any such shares shall be automatically reduced to one vote per share. The Adams family controlling ownership of our capital stock may adversely affect the market price of our Common Stock.

Based on Mr. Adams' beneficial ownership of our outstanding capital stock, we are a "controlled company," as defined in Rule 4350(c) (5) of the listing standards of the NASDAQ National Market on which our shares of Common Stock are quoted. 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.

ITEM 1 B. UNRESOLVED STAFF COMMENTS

Not applicable

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, New Mexico, North Carolina, Ohio, South Carolina, Tennessee, Texas and Utah. The facilities currently include two breeding facilities, two hatcheries, two wholesale distribution centers, 16 feed mills, 28 shell egg production facilities, 18 pullet growing facilities, and 27 processing and packing facilities Most of our operations are conducted from properties we own.

Presently, we own approximately 17,000 acres of land in various locations throughout our geographic market area. We have the ability to hatch 15.5 million pullet chicks annually, grow 13 million pullets annually, house 24 million laying hens and control the production of an aggregate total of 26 million layers. We also own or control mills that can produce 570 tons per hour of feed, and processing facilities capable of processing 8,800 cases of shell eggs per hour (with each case containing 30 dozen shell eggs). Our facilities are well-maintained and operate at a high level of efficiency. Typically, we insure our facilities for replacement value.

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 $63 million. The Company's facilities currently are maintained in good operable condition and are insured to an extent the Company deems adequate.

ITEM 3. LEGAL PROCEEDINGS

Except as noted below, there have been no new matters or changes to matters discussed in our Annual Report on Form 10-K for the year ended May 28, 2005.

Chicken Litter Litigation

On May 2, 2005, Cal-Maine Farms, Inc. ("Cal-Maine Farms"), one of our subsidiaries, was added as a defendant in an ongoing action in a case styled Leslie Carroll et al vs. Alpharma, Inc in the Circuit Court of Washington County, Arkansas. There are approximately 80 plaintiffs in the action. The plaintiffs complain of a wide variety of medical problems which they attribute to the use of chicken manure and litter throughout Washington County, Arkansas. The theory of liability is the same as in the McWhorter suit previously reported in our filings with the Securities and Exchange Commission and summarized below. An Answer has been filed, and discovery has begun, but no trial date been set. At this stage it is impossible to evaluate the potential exposure, if any, of Cal-Maine Farms to damages in this suit.

On February 3, 2004, Cal-Maine Farms was served with process in a civil complaint filed in the Circuit Court of Washington County, Arkansas, on behalf of Keith McWhorter and Patsy McWhorter, individually and as next friends and guardians of Hunter McWhorter. Other defendants include Alpharma Inc., Alpharma Animal Health Co., Cargill, Incorporated, George's Farms, Inc., Peterson Farms, Inc., Simmons Foods, Inc., Simmons Poultry Farms, Inc., and Tyson Foods, Inc. Each of the other poultry defendants is engaged in the broiler business. The Alpharma defendants produce additives for broiler feed. One individual was originally named as a defendant, but has been dismissed.

Both the McWhorter and Carroll suits allege that the plaintiffs have suffered medical problems resulting from living near land upon which "litter" from the defendants' flocks was spread as fertilizer. The Carroll suit focuses on a feed ingredient that contains arsenic and is alleged to be in the litter that was spread. We do not use this particular feed ingredient in our shell egg production feed formulation. The McWhorter suit focuses on mold and fungi allegedly created by the application of litter. Both suits address conditions alleged to exist in Washington County. Both suits seek unspecified actual damages and request unspecified punitive damages. An answer has been filed on behalf of Cal-Maine Farms and some initial discovery has taken place. At this stage, it is impossible to evaluate the potential exposure, if any, of Cal-Maine Farms to damages in this suit.

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 a number of companies, including us and Cal-Maine Farms. We and Cal-Maine Farms filed our joint answer and motion to dismiss the suit on October 3, 2005. 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. The parties participated in a series of mediation meetings without success. We no longer have any operations in the watershed. Accordingly, we do not anticipate that we will be materially affected by the request for injunctive relief. Dispositive motions have been filed by the defendants, but no hearings on those motions have been set. We are not able at present to provide an opinion regarding the ultimate resolution of this action.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of our security holders, through the solicitation of proxies or otherwise, during the fourth quarter of the fiscal year.

PART II.

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

Our Common Stock is traded on the NASDAQ National Market under the symbol "CALM". The last reported sale price for our Common Stock on August 4, 2006 was $6.78 per share. The following table sets forth the high and low daily sale prices and dividends per share for four quarters of fiscal 2005 and fiscal 2006.

		Sales Price		Dividends
Fiscal Year Ended	Fiscal Quarter	High	Low	
May 28, 2005	First Quarter	$ 16.490	$ 9.800	$ 0.0125
	Second Quarter	14.450	9.910	$ 0.0125
	Third Quarter	14.930	9.110	$ 0.0125
	Fourth Quarter	10.550	5.720	$ 0.0125
June 3, 2006	First Quarter	$ 6.900	$ 5.550	$ 0.0125
	Second Quarter	7.010	5.750	$ 0.0125
	Third Quarter	7.440	6.080	$ 0.0125
	Fourth Quarter	7.900	6.030	$ 0.0125

There is no public trading market for the Class A Common Stock all the outstanding shares of which are owned by Fred R. Adams, Jr., Chairman of the Board of Directors and Chief Executive Officer of the Company (90.2%) and his son-in-law Adolphus Baker, President, Chief Operating Officer and Director of the Company (9.8%).

STOCKHOLDERS

At August 4, 2006, there were approximately 306 record holders of our Common Stock and approximately 4,225 beneficial owners whose shares were held by nominees or broker dealers.

DIVIDENDS

We have paid cash dividends on our Common Stock since 1998. The annual dividend rate of $0.05 per share of Common Stock, or $0.0125 per quarter, was paid in each of the full quarters shown in the table above. We expect to pay cash dividends on our Common Stock at the same annual rate of $0.05 per share. Since 1998, we have also paid cash dividends on our Class A Common Stock at a rate equal to 95% of the annual rate on our Common Stock. Our Board of Directors will continue to consider the declaration of cash dividends in the future in light of our results of operations, financial condition, capital requirements for possible acquisitions and new construction, and other relevant economic factors. In addition, under the terms of agreements with our principal lenders, we are subject to various financial covenants, including a limitation on our ability to pay cash dividends in an aggregate amount not to exceed $500,000 per quarter.

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, 2006.

EQUITY COMPENSATION PLAN INFORMATION

NEW STOCK OPTION PLAN AND STOCK APPRECIATION RIGHTS PLAN

On July 28, 2005, our Board of Directors approved the Cal-Maine Foods, Inc. 2005 Incentive Stock Option Plan (the "Plan") and reserved 500,000 shares of Common Stock for issuance upon exercise of options granted under the Plan. Options issued pursuant to the Plan may be granted to any of our employees. The options may have a term of up to ten years and generally will vest ratably over five years. On August 17, 2005, we issued 360,000 options with an exercise price of $5.93 per share. The options have ten-year terms and vest over five years beginning from the date of grant. The Plan was ratified by our shareholders at our annual meeting of shareholders held on October 13, 2005.

On July 28, 2005, our Board of Directors also approved the Cal-Maine Foods, Inc. Stock Appreciation Rights Plan (the "Rights Plan"). The Rights Plan covers 1,000,000 shares of Common Stock of the Company. Stock Appreciation Rights ("SAR") may be granted to any employee or non-employee member of the Board of Directors. Upon exercise of a SAR, the holder will receive shares of our Common Stock equal to the difference between the fair market value of a single share of common stock at the time of exercise and the strike price which is equal to the fair market value of a single share of Common Stock on the date of the grant. The SARs have a ten-year term and vest over five years. On August 17, 2005, we issued 592,500 SARs with a strike price of $5.93 and, on August 26, 2005, we issued 22,500 SARs with a strike price of $6.71. The Rights Plan was ratified by our shareholders at our annual meeting of shareholders on October 13, 2005.

The following table contains information, as of June 3, 2006, about our equity compensation plans, all of which were approved by our shareholders.

Plan Category	Number of Shares of Common Stock To Be Issued upon Exercise of Outstanding Options, Warrants and Rights (A)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (B)	Number of Shares of Common Stock Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Shares Reflected in Column (A)) (C)
1993 and 1999 Stock Option Plan	113,400	$1.93	8,000
2005 Stock Option Plan.	360,000	$5.93	140,000
2005 Stock Appreciation Rights Plan	*	$5.96	385,000

* See paragraph above concerning exercising SARs

See Note 9 "Stock Option Plan" in our Consolidated Financial Statements for the fiscal year ended June 3, 2006.

PURCHASES OF EQUITY SECURITIES

On August 3, 2004, our Board of Directors approved a repurchase program whereby we were authorized to purchase up to 2,000,000 shares of our Common Stock. However, there were no purchases under the program in fiscal 2006, which expired on July 31, 2005. We do not have any other stock repurchase programs.

ITEM 6. SELECTED FINANCIAL DATA

The per share data shown in the following table has been adjusted to reflect the 2-for-1 split of our Common Stock effective April 14, 2004, as if the split had occurred at the beginning of fiscal year 2002.

	Fiscal Years Ended				
	June 3, 2006 53 wks	May 28, 2005 52 wks	May 29, 2004 52 wks	May 31, 2003 52 wks	June 1, 2002 52 wks
	(Amounts in thousands, except per share data)				
Statement of Operations Data:					
Net sales	$ 477,555	$ 375,266	$ 572,331	$ 387,462	$ 326,171
Cost of sales	415,338	339,833	396,704	315,169	291,767
Gross profit	62,217	35,433	175,627	72,293	34,404
Selling, general and administrative	57,702	47,758	69,305	46,029	42,332
Operating income (loss)	4,515	(12,325)	106,322	26,264	(7,928)
Other income (expense):					
Interest expense (net of non cash)	(5,582)	(4,222)	(6,527)	(8,096)	(8,503)
Interest expense – non cash	(1,284)	-	-	-	-
Equity in income (loss) of affiliates	(757)	(88)	5,923	442	(480)
Minority Interest	165	-	-	-	-
Other (net)	1,465	1,227	524	527	547
	(5,993)	(3,083)	(80)	(7,127)	(8,436)
Income (loss) before income tax	(1,478)	(15,408)	106,242	19,137	(16,364)
Income tax expense (benefit)	(465)	(5,050)	39,800	6,925	(5,790)
Net income (loss)	$ (1,013)	$ (10,358)	$ 66,442	$ 12,212	$ (10,574)
Net income (loss) per common share:					
Basic	$ (.04)	$ (.43)	$ 2.78	$ .52	$ (.45)
Diluted	$ (.04)	$ (.43)	$ 2.73	$ .515	$ (.45)
Cash dividends declared per share *	$ 0.050	$ 0.050	$ 0.050	$ 0.050	$ 0.050
Weighted average shares outstanding:					
Basic	23,496	23,834	23,874	23,528	23,528
Diluted	23,496	23,834	24,342	23,724	23,528
Balance Sheet Data:					
Working capital	$ 60,800	$ 73,587	$ 92,949	$ 27,749	$ 17,310
Total assets	317,118	269,534	301,559	235,392	229,654
Total debt (including current maturities)	103,912	82,994	90,031	108,244	118,362
Total stockholders' equity	119,775	121,855	140,165	66,085	54,460
Operating Data:					
Total number of layers at period ended (thousands)	23,276	18,164	20,318	19,877	19,201
Total shell eggs sold (millions of dozens)	683.1	575.4	605.2	570.7	561.8

*Class A shares paid at 95% dividend rate

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 and financial condition and business, reference is made to the information set forth above in Item 1 under the caption "Important Factors Relating to Forward-Looking Statements."

OVERVIEW

We are primarily engaged in the production, grading, packing, and sale of fresh shell eggs. Our fiscal year end is the Saturday nearest to May 31 which was June 3, 2006 (53 weeks), May 28, 2005 (52 weeks) and May 29, 2004 (52 weeks) for the most recent three fiscal years.

Our operations are fully integrated. At our facilities we hatch chicks, grow pullets, manufacture feed, and produce, process, and distribute shell eggs. We currently are the largest producer and distributor of fresh shell eggs in the United States. Shell eggs accounted for approximately 94% of our net sales in fiscal 2006 and 96% in fiscal 2005. Egg products accounted for approximately 2% of our net sales in fiscal 2006 and none in fiscal 2005. We primarily market our shell eggs in the southwestern, southeastern, mid-western and mid-Atlantic regions of the United States. Shell eggs are sold directly by us primarily to national and regional supermarket chains.

We currently use contract producers for approximately 11% of our total egg production. Contract producers operate under agreements with us for the use of their facilities in the production of shell eggs by layers owned by us. We also own the eggs produced. Also, shell eggs are purchased, as needed, for resale by us from outside producers.

Our operating income or loss is significantly affected by wholesale shell egg market prices, which can fluctuate widely and are outside of our control. 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 factors and a natural increase in egg production during the spring and early summer.

Our cost of production is materially affected by feed costs, which average about 55% of our total farm egg production cost. Changes in feed costs result in changes in our cost of goods sold. The cost of feed ingredients is affected by a number of supply and demand factors such as crop production and weather, and other factors, such as the level of grain exports, over which we have little or no control.

The purchase of Hillandale, LLC, AEP and Hillandale Farms, LLC described above in Part1, Item1, are collectively referred to below as the "Acquisitions".

RESULTS OF OPERATIONS

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

	Percentage of Net Sales Fiscal Years Ended		
	June 3, 2006	May 28, 2005	May 29, 2004
Net sales	100.0%	100.0%	100.0%
Cost of sales	87.0	90.6	69.3
Gross profit	13.0	9.4	30.7
Selling, general & administrative expenses	12.1	12.7	12.1
Operating income (loss)	0 .9	(3.3)	18.6
Other income (expense)	(1.2)	(0.8)	(0.1)
Income (loss) before taxes	(0.3)	(4.1)	18.5
Income tax expense (benefit)	(0.1)	(1.3)	6.9
Net income (loss)	(0.2)%	(2.8)%	11.6%

Fiscal Year Ended June 3, 2006 Compared to Fiscal Year Ended May 28, 2005

Net Sales. In fiscal 2006, approximately 94% of our net sales consist of shell egg sales and approximately 4% was for incidental feed sales to outside egg producers, with the 2% balance consisting of sales of egg products. Net sales for the fiscal year ended June 3, 2006 were $477.6 million, an increase of $102.3 million, or 27.2%, from net sales of $375.3 million for fiscal 2005. The Acquisitions accounted for $82.0 million of the increase. Excluding the Acquisitions, on a comparable basis, net sales increased $20.3 million, or 5.4%. Total dozens of eggs sold and egg selling prices increased as compared to fiscal 2005. In fiscal 2006, total dozens of shell eggs sold were 683.1 million, including 118.6 million dozen sold by the Acquisitions, an increase of 107.7 million dozen, or 18.7%, compared to 575.4 million dozen sold in fiscal 2005. On a comparable basis, excluding the Acquisitions, dozens sold decreased 10.9 million dozen. Our average selling price of shell eggs increased from $.625 per dozen for fiscal 2005 to $.672 per dozen for fiscal 2006, an increase of $.047 per dozen, or 7.5%. 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. During fiscal 2004, consumer demand increased, partially due to the popularity of high protein diets. Egg producers increased egg supply to meet consumer demand. During our second fiscal 2005 quarter, consumer demand decreased to normal levels. At the same time, egg supply continued at the higher levels and resulted in a drop in egg selling prices for the remainder of fiscal 2005. During fiscal 2006, consumer demand improved slightly, but egg supply continued at higher levels.

Cost of Sales. Cost of sales consists of costs directly related to production and processing of shell eggs, including feed costs, and purchases of shell eggs from outside egg producers. Cost of sales for the fiscal year ended June 3, 2006 was $415.3 million, an increase of $75.5 million, or 22.2%, as compared to cost of sales of $339.8 million for fiscal 2005. The Acquisitions' cost of sales accounted for $76.6 million of the increase. Excluding the Acquisitions, on a comparable basis, cost of sales decreased $1.1 million. On a comparable basis, dozens produced, dozens purchased from outside shell egg producers and cost of feed ingredients decreased in fiscal 2006. The cost of the shell eggs purchased from outside producers increased slightly due to improved egg market selling prices. Feed cost for fiscal 2006 was $.206 per dozen, compared to $.225 per dozen for the prior fiscal year, a decrease of 8.4%. An increase in egg selling prices, a decrease in feed ingredient costs, offset by a higher cost of purchases from outside egg producers, resulted in an increase in gross profit from 9.4% of net sales for fiscal 2005 to 13.0% of net sales for fiscal 2006.

Selling, General and Administrative Expenses. Selling, general and administrative expenses include costs of marketing, distribution, accounting and corporate overhead. Selling, general and administrative expense was $57.7 million in fiscal 2006, an increase of $9.9 million as compared to $47.8 million for fiscal 2005. The Acquisitions' selling, general and administrative expense accounted for $9.5 million of the increase. Excluding the Acquisitions, selling, general and administrative expense increased $400,000. Total insurance costs decreased $2.7 million and bad debt expense resulted in a net recovery of $500,000. These cost reductions were offset by an increase of $2.2 million in franchise fees for specialty egg sales and an increase in our equity compensation plan expense. In fiscal 2005, we recorded a benefit of $1.3 million, applicable to stock options and Tandem Stock Appreciation Rights accounted for under the variable plan accounting requirements of APB Opinion No.25, "Accounting for Stock Issued to Employees". The market price of our outstanding common stock ranged from $13.80 at May 29, 2004 to $6.76 at May 28, 2005 and $7.19 at June 3, 2006. Delivery costs, including fuel costs, have also increased. Selling, general and administrative expense was $0.084 per dozen sold for fiscal 2006 as compared to $0.083 for fiscal 2005. As a percent of net sales, selling, general and administrative expense decreased from 12.7% for fiscal 2005 to 12.1% for fiscal 2006.

Operating Income(Loss) . As a result of the above, our operating income was $4.5 million for fiscal 2006, as compared to operating loss of $12.3 million for fiscal 2005. As a percent of net sales, the operating income for fiscal 2006 was 0.9%, as compared to operating loss of 3.3% for fiscal 2005.

Other Income (Expense). Other income or expense consists of costs or income not directly charged to, or related to, operations such as equity in income of affiliates and interest expense. Other expense for fiscal 2006 was $6.0 million as compared to other expense of $3.1 million 2005, an increase of $2.9 million. For fiscal 2006, net interest expense increased $2.6 million, the net result of a $1.6 million increase in interest expense, a $1.3 million increase in non-cash interest expense and a $600,000 decrease in interest income. Interest expense increased due to higher long-term debt balances and less interest income was received due to lower cash equivalent investments. The non-cash expense is imputed on our non-interest bearing obligation to acquire 49% of Hillandale, LLC's membership units over a four year period. Other income for fiscal 2006 decreased due to net losses of affiliates. As a percent of net sales, other expense was 1.2% for fiscal 2006, as compared to 0.8% for fiscal 2005.

Income Taxes. For the fiscal year ended June 3, 2006, our pre-tax loss was $1.5 million, as compared to pre-tax loss of $15.4 million for fiscal 2005. For fiscal 2006, an income tax benefit of $465,000 was recorded with an effective tax rate of 31.5%, as compared to an income tax benefit of $5.0 million with an effective tax rate of 32.8% for fiscal 2005. Our effective tax rate differs from the federal statutory income tax rate of 35% due to state income taxes and certain items included in income for financial reporting purposes that are not included in taxable income or loss for income tax purposes, including tax exempt interest income, certain employee stock option expense and 49% of Hillandale, LLC's profits and losses held by its minority owners.

Net Income. As a result of the above, net loss for fiscal 2006 was $1.0 million, or $0.04 per basic and diluted share, compared to net loss of $10.4 million, or $0.43 per basic and diluted share, for fiscal 2005.

Fiscal Year Ended May 28, 2005 Compared to Fiscal Year Ended May 29, 2004

Net Sales. For fiscal 2005, approximately 96% of our net sales consisted of shell egg sales and approximately 3% consisted of incidental feed sales to outside egg producers, with the 1% balance consisting of net sales from other farming activities. Net sales for the fiscal year ended May 28, 2005 were $375.3 million, a decrease of $197.0 million, or 34.4%, from net sales of $572.3 million for fiscal 2004. Total dozens of eggs sold and egg selling prices decreased as compared to fiscal 2004. In fiscal 2005, total dozens of shell eggs sold were 575.4 million, a decrease of 29.8 million dozen, or 4.9%, compared to 605.2 million dozen sold in fiscal 2004. Our average selling price of shell eggs decreased from $.914 per dozen for fiscal 2004 to $.625 per dozen for fiscal 2005, a decrease of $.289 per dozen, or 32.0%. 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. During fiscal 2004 and the first quarter of fiscal 2005, consumer demand increased. This increase in demand was partially due to the popularity of high protein diets. At the start of fiscal 2004, egg supply was level and, during fiscal 2004, egg producers increased egg supply to meet consumer demand. During our second fiscal 2005 quarter, consumer demand decreased to normal levels. At this same time, egg supply continued at the higher levels and resulted in a drop in egg selling prices for the remainder of fiscal 2005.

Cost of Sales. Cost of sales consists of costs directly related to production and processing of shell eggs, including feed costs, and purchases of shell eggs from outside egg producers. Cost of sales for the fiscal year ended May 28, 2005 was $339.8 million, a decrease of $56.9 million, or 14.3%, as compared to cost of sales of $396.7 million for fiscal 2004. Dozens sold, cost of purchases from outside shell egg producers and cost of feed ingredients decreased in fiscal 2005. Dozens produced in our facilities decreased 5.0% and dozens purchased from outside shell egg producers decreased 4.5%. The decrease in the cost of the shell eggs purchased from outside producers was due to lower egg market selling prices. Feed cost for fiscal 2005 was $.225 per dozen, compared to $.234 per dozen for the prior fiscal year, a decrease of 3.8%. A 32.0% decrease in egg selling prices, offset by a small decrease in feed ingredient costs and lower cost of purchases from outside egg producers, resulted in a decrease in gross profit from 30.7% of net sales for fiscal 2004 to 9.4% of net sales for fiscal 2005.

Selling, General and Administrative Expenses. Selling, general and administrative expenses include costs of marketing, distribution, accounting and corporate overhead. Selling, general and administrative expense was $47.8 million in fiscal 2005, a decrease of $21.5 million as compared to $69.3 million for fiscal 2004. In fiscal 2004, we recorded $22.1 million for stock compensation expense as compared to a benefit of $1.3 million for fiscal 2005, applicable to stock options and Tandem Stock Appreciation Rights accounted for under the variable plan accounting requirements of APB Opinion No.25, "Accounting for Stock Issued to Employees". The market price of our outstanding common stock ranged from $2.62 at May 31, 2003 to $13.80 at May 29, 2004 to $6.76 at May 28, 2005. Excluding the stock compensation expense, fiscal 2005 selling, general and administrative expense was $49.1 million compared to $47.2 million for fiscal 2004, an increase of $1.9 million, or 4.0%. The increase is due to increases in general insurance, franchise fees, employee health benefits, fuel costs, and costs to comply with the internal control reporting requirements of the Sarbanes-Oxley Act. On a cost per dozen sold basis, excluding the stock compensation expense, selling, general and administrative expense was $0.083 for fiscal 2005 as compared to $0.080 for fiscal 2004. As discussed above, total dozens sold in fiscal 2005 decreased 4.9%. As a percent of net sales, selling, general and administrative expense increased from 12.1% for fiscal 2004 to 12.7% for fiscal 2005.

Operating Income(Loss) . As a result of the above, our operating loss was $12.3 million for fiscal 2005, as compared to operating income of $106.3 million for fiscal 2004. As a percent of net sales, the operating loss for fiscal 2005 was 3.3%, as compared to operating income of 18.6% for fiscal 2004.

Other Income (Expense). Other income or expense consists of costs or income not directly charged to, or related to, operations such as interest expense and equity in income of affiliates. Other expense for fiscal 2005 was $3.1 million as compared to other expense of $80,000 for fiscal 2004. For fiscal 2005, net interest expense decreased $2.3 million, the net result of a $1.7 million decrease in interest expense and a $600,000 increase in interest income. Interest expense decreased due to reduced long-term debt balances and additional interest income was received from cash equivalent investments. Other income for fiscal 2005 decreased from equity in lower income of affiliates. As a percent of net sales, other expense was 0.8% for fiscal 2005, as compared to 0.1% for fiscal 2004.

Income Taxes. For the fiscal year ended May 28, 2005, our pre-tax loss was $15.4 million, as compared to pre-tax income of $106.2 million for fiscal 2004. For fiscal 2005, an income tax benefit of $5.0 million was recorded with an effective tax rate of 32.8%, as compared to an income tax expense of $39.8 million with an effective tax rate of 37.5% for fiscal 2004.

Net Income. As a result of the above, net loss for fiscal 2005 was $10.4 million, or $0.43 per basic and diluted share, compared to net income of $66.4 million, or $2.78 per basic share, or $2.73 per diluted share, for fiscal 2004.

Capital Resources and Liquidity. Our working capital at June 3, 2006 was $60.8 million compared to $73.6 million at May 28, 2005. Our current ratio was 1.94 at June 3, 2006 as compared with 2.41 at May 28, 2005. Our need for working capital generally is highest in the first and second fiscal quarters ending in August and November. During the first quarter shell egg prices are normally at seasonal lows. In the second quarter, we usually build inventory balances in anticipation of the holiday season. Seasonal borrowing needs frequently are higher during these periods than during other fiscal periods. We have a $40 million line of credit with three banks, $2.7 million of which was utilized as a standby letter of credit at June 3, 2006. Our long-term debt at that date, including current maturities, totaled $103.9 million, as compared to $83.0 million at May 28, 2005.

For the fiscal year ended June 3, 2006, $20.9 million in net cash was provided by operating activities. This compares to $9.6 million of net cash provided for fiscal year ended May 28, 2005. In fiscal 2006, $23.7 million was used for acquisitions of businesses, $12.3 million was used for purchases of property, plant and equipment, and $2.6 million was received from sales of property, plant and equipment. Net cash of $10.4 million was provided by investments and $200,000 received on notes receivable. As part of our stock option plan, approximately $100,000 was received for sales of common stock from the treasury, and $1.2 million was used for payments of dividends on our common stock. Proceeds from long-term borrowings of $28.0 million were received in additional long-term debt and payments of $31.9 million were made on long-term debt. The net result was a decrease in cash and cash equivalents of approximately $6.9 million.

For the fiscal year ended May 28, 2005, $9.6 million in net cash was provided by operating activities. This compares to $85.1 million of net cash for fiscal year ended May 29, 2004. In fiscal 2005, $12.0 million was used for purchases of property, plant and equipment, and $879,000 was received from sales of property, plant and equipment. Net cash of $13.9 million was used in investments and payments of $1.3 million were received on notes receivable. Approximately $9.0 million was used for net purchases of common stock for the treasury, and $1.2 million was used for payments of dividends on our common stock. Proceeds from long-term borrowings of $2.5 million were received in additional long-term debt and payments of $9.5 million were made on long-term debt. The net result was a decrease in cash and cash equivalents of approximately $31.3 million.

Substantially all trade receivables and inventories collateralize our line of credit and property, plant and equipment collateralize our long-term debt under our loan agreements with our lenders. Unless otherwise approved by our lenders, we are required by provisions of these loan agreements to (1) maintain minimum levels of working capital (ratio of not less than 1.25 to 1) and net worth (minimum of $90.0 million tangible net worth, and 45% of cumulative net income); (2) limit dividends to an aggregate amount not to exceed $500,000 per quarter (allowed if no default), capital expenditures (not to exceed depreciation for the same four fiscal quarters), lease obligations and additional long-term borrowings (total funded debt to total capitalization not to exceed 55%); and (3) maintain various current and cash-flow coverage ratios (1.25 to 1), among other restrictions. At June 3, 2006, we were in compliance with the provisions of all loan agreements. Under certain of the loan agreements, the lenders have the option to require the prepayment of any outstanding borrowings in the event we undergo a change in control.

Under the terms of our Agreement with Hillandale and the Hillandale shareholders, the egg production and marketing operations acquired and liabilities assumed by us were transferred to a new Florida limited liability company named Hillandale, LLC. The two Hillandale companies were the initial members of Hillandale, LLC, for formation purposes. Upon the completion of an evaluation of the assets and liabilities acquired and assumed by us, as agreed to by the parties to the Agreement, we purchased 51% of the Units of Membership in Hillandale, LLC. The remaining 49% of the Units of Membership in Hillandale, LLC, are to be acquired in essentially equal annual installments over a four-year period, with the purchase price of the units equal to their book value as calculated in accordance with the terms of the Agreement. The acquisition was made for cash and borrowings to the extent necessary. Funding of the remaining Units of Membership of Hillandale is expected to be provided by our cash balances, cash provided by operations and our revolving credit agreement.

We project capital expenditures, excluding any future acquisitions, of an aggregate of approximately $10.0 million during fiscal 2007.

We currently have a $1.9 million deferred tax liability due to a subsidiary's change from a cash basis to an accrual basis taxpayer on May 29, 1988. The Taxpayer Relief Act of 1997 provides that this liability is payable ratably over the 20 years beginning in fiscal 1999. However, such taxes will be due in their entirety in the first fiscal year in which there is a change in ownership control so that we no longer qualify as a family farming corporation. We are currently making annual payments of approximately $150,000 related to this liability. However, while these current payments reduce cash balances, payment of the $1.9 million deferred tax liability would not impact our consolidated statement of operations or stockholders' equity, as these taxes have been accrued and are reflected on our consolidated balance sheet. See Note 10 of Notes to Consolidated Financial Statements.

We believe that our existing cash and investments, as well as our unused lines of credit, if needed, will satisfy our foreseeable working capital requirements for at least the next twelve months.

Off-Balance Sheet Arrangements

We have no existing off-balance sheet arrangements as defined under Securities and Exchange Commission regulations.

Contractual Obligations

The following table summarizes future estimated cash payments, in thousands, to be made under existing contractual obligations. Further information on debt obligations is contained in Note 7, and on lease obligations in Note 6, of Notes to Consolidated Financial Statements. The table does not reflect the obligations incurred by us for the Hillandale acquisition, the exact amounts of which are to be determined under the terms of the Agreement. At the closing of the Hillandale transaction on October 12, 2005, we purchased 51% of the Units of Membership in Hillandale, LLC. We will incur costs, which cannot now be estimated, for our purchase of the remaining 49% of the Units of Membership over the four-year period following the closing.

	Total	2007	2008	2009	2010	2011	Over 5 years
Long-term debt	$ 103,912	$11,902	$12,787	$10,945	$11,180	$8,997	$48,101
Operating leases	$ 16,138	$ 7,305	$ 3,964	$ 1,826	$ 1,424	$ 750	$ 869
Total	$ 120,050	$19,207	$16,751	$12,771	$12,604	$9,747	$48,970

Impact of Recently Issued Accounting Standards.

In December 2004, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards ("SFAS") No. 123 (Revised 2004), "Share-Based Payment" ("SFAS No. 123(R)"), which replaces SFAS No. 123, "Accounting for Stock-Based Compensation," and supersedes APB No. 25, "Accounting for Stock Issued to Employees." SFAS 123(R) required companies to measure compensation costs for share-based payments to employees, including stock options, at fair value and expense such compensation over the service period beginning with the first annual period after December 15, 2005. The pro forma disclosures previously permitted under SFAS No. 123 will no longer be an alternative to financial statement recognition. We adopted SFAS No. 123(R) in the first quarter of fiscal 2007 using the modified prospective method. Under the modified prospective method, companies are required to record compensation cost for new and modified awards over the related vesting period of such awards prospectively and record compensation cost prospectively for the unvested portion, at the date of adoption, of previously issued and outstanding awards over the remaining vesting period of such awards. Companies are required to recognize a cumulative effect of a change in accounting principal, net of any tax effect, to reflect the difference between the intrinsic value and fair value of liability awards on the date of adoption. Statement 123(R) also requires a portion of the benefits of tax deductions resulting from the exercise of stock options to be reported as a financing cash flow, rather than as an operating cash flow. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. Total cash flow will remain unchanged from what would have been reported under prior accounting rules. No change to prior periods presented is permitted under the modified prospective method. Management expects the cumulative effect adjustment will be insignificant in the period of adoption.

On July 13, 2006, the FASB issued Interpretation No. 48, Accounting for "Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109". Interpretation 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with Statement 109 and prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Additionally, Interpretation 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Interpretation 48 is effective for fiscal years beginning after December 15, 2006, with early adoption permitted. We are currently evaluating whether the adoption of Interpretation 48 will have a material effect on our consolidated financial position, results of operations or cash flows.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs". SFAS No. 151 amends Accounting Research Bulletin ("ARB") No. 43, Chapter 4, to clarify that abnormal amounts of idle facility expense, freight, handling costs and spoilage should be recognized as current-period charges. In addition, SFAS No. 151 requires that allocation of fixed production overhead to inventory be based on the normal capacity of the production facilities. SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company does not expect SFAS No. 151 to have a significant impact on its results of operations, financial position or cash flows.

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

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

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

Inventories. Inventories of eggs, feed, supplies and livestock are valued principally at the lower of cost (first-in, first-out method) or market. If market prices for eggs and feed grains move substantially lower, we would record adjustments to write-down the carrying values of eggs and feed inventories to fair market value. The cost associated with flock inventories, consisting principally of chick purchases, feed, labor, contractor payments and overhead costs, are accumulated during the growing period of approximately 18 weeks. Capitalized flock costs are then amortized over the productive lives of the flocks, generally one to two years. Flock mortality is charged to cost of sales as incurred. High mortality from disease or extreme temperatures would result in abnormal adjustments to write-down flock inventories. Management continually monitors each flock and attempts to take appropriate actions to minimize the risk of mortality loss.

Long-Lived Assets. Depreciable long-lived assets are primarily comprised of buildings and improvements and machinery and equipment. Depreciation is provided by the straight-line method over the estimated useful lives, which are 15 to 25 years for buildings and improvements and 3 to 12 years for machinery and equipment. An increase or decrease in the estimated useful lives would result in changes to depreciation expense. We continually reevaluate the carrying value of our long-lived assets, for events or changes in circumstances, which indicate that the carrying value may not be recoverable. As part of this reevaluation, we estimate the future cash flows expected to result from the use of the asset and its eventual disposal. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized to reduce the carrying value of the long-lived asset to the estimated fair value of the asset.

Investment in Affiliates. We have invested in other companies engaged in the production, processing and distribution of shell eggs and egg products. Our ownership percentages in these companies range from less than 20% to 50%. Therefore, these investments are recorded using the cost or the equity method, and accordingly, not consolidated in our financial statements. Changes in the ownership percentages of these investments might alter the accounting methods currently used. Our investment in these companies amounted to $7.0 million at June 3, 2006. The combined total assets and total liabilities of these companies were approximately $38 million and $23 million, respectively, at June 3, 2006. We are a guarantor of approximately $5.4 million of long-term debt of one of the affiliates.

Goodwill. At June 3, 2006, our goodwill balance represented 1.3% of total assets and 3.4% of stockholders' equity. Goodwill relates to the fiscal 1999 acquisition of Hudson Brothers, Inc., and the fiscal 2006 acquisition of Hillandale Farms, LLC. We adopted, as of June 3, 2001, Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). Under SFAS 142, goodwill and indefinite lived intangible assets are no longer amortized but are reviewed annually or more frequently if impairment indicators arise, for impairment. An impairment loss would be recorded if the recorded goodwill exceeds its implied fair value. We have only one operating segment, which is our sole reporting unit. Accordingly, goodwill is tested for impairment at the entity level. Significant adverse industry or economic changes, or other factors not anticipated could result in an impairment charge to reduce recorded goodwill.

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

Forward-Looking Statements. The foregoing statements contain forward-looking statements which involve risks and uncertainties and our actual experience may differ materially from that discussed above. Factors that may cause such a difference include, but are not limited to, those discussed in "Factors Affecting Future Performance" below, as well as future events that have the effect of reducing our available cash balances, such as unanticipated operating losses or capital expenditures related to possible future acquisitions. Readers are cautioned not to place undue reliance on forward-looking statements, which reflect management's analysis only as the date hereof. We assume no obligation to update forward-looking statements.

Factors Affecting Future Performance. Our future operating results may be affected by various trends and factors which are beyond our control. These include adverse changes in shell egg prices and in the grain markets. Accordingly, past trends should not be used to anticipate future results and trends. Further, our prior performance should not be presumed to be an accurate indication of future performance.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Our interest expense is sensitive to changes in the general level of U.S. interest rates. We maintain certain of our debt as fixed rate in nature to mitigate the impact of fluctuations in interest rates. Under our current policies, we do not use interest rate derivative instruments to manage our exposure to interest rate changes. A 1% adverse move (decrease) in interest rates would adversely affect the net fair value of our debt by $4.3 million at June 3, 2006. We are a party to no other market risk sensitive instruments requiring disclosure.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Management's Report on Internal Control Over Financial Reporting

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

1. Our management is responsible for establishing and maintaining adequate internal control over financial reporting. "Internal control over financial reporting" is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, together with other financial officers, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

2. Our management, in accordance with Rule 13a-15(c) under the Securities Exchange Act of 1934 and with the participation of our Chief Executive Officer and Chief Financial Officer, together with other financial officers, evaluated the effectiveness of our internal control over financial reporting as of June 3, 2006. The framework on which management's evaluation of our internal control over financial reporting is based is the "Internal Control – Integrated Framework" published in 1992 by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission.

3. We maintain documentation providing reasonable support for management's assessment of the effectiveness of our internal control over financial reporting. Management's documentation includes:

- The design of controls over all relevant assertions related to all significant accounts and disclosures in the financial statements;
- Information about how significant transactions are initiated, authorized, recorded, processed and reported;
- Sufficient information about the flow of transactions to identify the points at which material misstatements due to error or fraud could occur;
- Controls designed to prevent or detect fraud, including who performs the controls and the related segregation of duties;
- Controls over the period-end financial reporting process;
- Controls over safeguarding of assets; and
- The results of management's testing and evaluation.

4. Management has determined that our internal control over financial reporting as of June 3, 2006 is effective and that there is no material weakness in our internal control over financial reporting as of that date. In that connection, a "material weakness," is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. A "significant deficiency" is a control deficiency or a combination of control deficiencies, that adversely affects our ability to initiate, authorize, record, process, or report external financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of our financial statements that is more than inconsequential will not be prevented or detected. A "control deficiency" exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. It is noted that internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives, but rather reasonable assurance of achieving such objectives.

5. The attestation report of Ernst & Young LLP on management's assessment of our internal control over financial reporting, which includes that firm's opinion on management's assessment of the effectiveness of internal control over financial reporting and opinion on the effectiveness of internal control over financial reporting, is set forth below.

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

The Board of Directors and Stockholders
Cal-Maine Foods, Inc.

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that Cal-Maine Foods, Inc. and subsidiaries maintained effective internal control over financial reporting as of June 3, 2006 based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Cal-Maine Foods, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, management's assessment that Cal-Maine Foods, Inc. and subsidiaries maintained effective internal control over financial reporting as of June 3, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Cal-Maine Foods, Inc. maintained, in all material respects, effective internal control over financial reporting as of June 3, 2006, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Cal-Maine Foods, Inc. and subsidiaries as of June 3, 2006 and May 28, 2005, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years ended June 3, 2006, May 28, 2005, and May 29, 2004, and our report dated August 11, 2006 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
New Orleans, Louisiana
August 11, 2006

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Cal-Maine Foods, Inc.

We have audited the accompanying consolidated balance sheets of Cal-Maine Foods, Inc. and subsidiaries as of June 3, 2006 and May 28, 2005, and the related consolidated statements of operations, stockholders' equity, and cash flows for the three years ended June 3, 2006, May 28, 2005, and May 29, 2004. Our audits also included the financial statement schedule listed in the Index at Item 15(c). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cal-Maine Foods, Inc. and subsidiaries at June 3, 2006 and May 28, 2005, and the consolidated results of their operations and their cash flows for each of the years ended June 3, 2006, May 28, 2005, and May 29, 2004, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Cal-Maine Foods Inc.'s internal control over financial reporting as of June 3, 2006, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 11, 2006 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
New Orleans, Louisiana
August 11, 2006

Cal-Maine Foods, Inc. and Subsidiaries
Consolidated Balance Sheets
(in thousands)

	June 3 2006	May 28 2005
Assets		
Current assets:		
Cash and cash equivalents	$ 13,295	$ 20,221
Investments	25,000	35,384
Receivables:		
Trade receivables, less allowance for doubtful accounts of $346 in 2006 and $92 in 2005	23,804	16,044
Other	1,151	695
	24,955	16,739
Recoverable federal and state income taxes	1,177	6,676
Inventories	57,843	45,628
Prepaid expenses and other current assets	3,408	1,308
Total current assets	125,678	125,956
Other assets:		
Notes receivable and investments	8,316	11,681
Goodwill	4,016	3,147
Other	2,833	1,362
	15,165	16,190
Property, plant and equipment, less accumulated depreciation	176,275	127,388
Total assets	$ 317,118	$ 269,534
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	$ 24,190	$ 20,034
Accrued wages and benefits	6,262	5,740
Accrued expenses and other liabilities	4,190	7,346
Current maturities of purchase obligation	6,884	-
Current maturities of long-term debt	11,902	10,149
Deferred income taxes	11,450	9,100
Total current liabilities	64,878	52,369
Long-term debt, less current maturities	92,010	72,845
Minority interest	919	-
Purchase obligation, less current maturities	16,751	-
Other noncurrent liabilities	3,860	2,175
Deferred income taxes	18,925	20,290
Total liabilities	197,343	147,679
Stockholders' equity:		
Common stock, $.01 par value Authorized shares – 60,000 in 2006 and 2005 issued and outstanding shares – 35,130 in 2006 and 2005	351	351
Class A common stock, $.01 par value Authorized shares – 2,400 in 2006 and 2005 issued and outstanding shares – 2,400 in 2006 and 2005	24	24
Paid-in capital	28,700	28,621
Retained earnings	112,183	114,366
Common stock in treasury (14,039 shares in 2006 and 14,043 shares in 2005)	(21,483)	(21,507)
Total stockholders' equity	119,775	121,855
Total liabilities and stockholders' equity	$ 317,118	$ 269,534

See accompanying notes.

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

	Fiscal year ended		
	June 3 2006	May 28 2005	May 29 2004
Net sales	$ 477,555	$ 375,266	$ 572,331
Cost of sales	415,338	339,833	396,704
Gross profit	62,217	35,433	175,627
Selling, general and administrative	57,702	47,758	69,305
Operating income (loss)	4,515	(12,325)	106,322
Other income (expense):			
Interest expense	(7,949)	(5,906)	(7,618)
Interest income	1,083	1,684	1,091
Equity in income (loss) of affiliates	(757)	(88)	5,923
Minority interest	165	-	-
Other, net	1,465	1,227	524
	(5,993)	(3,083)	(80)
Income (loss) before income taxes	(1,478)	(15,408)	106,242
Income tax expense (benefit)	(465)	(5,050)	39,800
Net income (loss)	$ (1,013)	$ (10,358)	$ 66,442
Net income (loss) per share:			
Basic	$ (.04)	$ (.43)	$ 2.78
Diluted	$ (.04)	$ (.43)	$ 2.73
Weighted average shares outstanding:			
Basic	23,496	23,834	23,874
Diluted	23,496	23,834	24,342

See accompanying notes.

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

	Common Stock Shares	Common Stock Amount	Common Stock Class A Shares	Common Stock Class A Amount	Common Stock Treasury Shares	Common Stock Treasury Amount	Paid-in Capital	Retained Earnings	Total
Balance at May 31, 2003	17,565	$ 176	1,200	$ 12	7,001	$ (13,099)	$ 18,784	$ 60,212	$ 66,085
Two-for-one stock split effected in the form of a stock dividend	17,565	175	1,200	12	7,001	-	(187)	-	-
Cash dividends paid ($.05 per common share) *	-	-	-	-	-	-	-	(746)	(746)
Issuance of common stock from treasury	-	-	-	-	(695)	673	7,711	-	8,384
Net income for fiscal 2004	-	-	-	-	-	-	-	66,442	66,442
Balance at May 29, 2004	35,130	351	2,400	24	13,307	(12,426)	26,308	125,908	140,165
Purchase of treasury stock	-	-	-	-	943	(9,344)	-	-	(9,344)
Cash dividends paid ($.05 per common share) *	-	-	-	-	-	-	-	(1,184)	(1,184)
Issuance of common stock from treasury	-	-	-	-	(207)	263	2,313	-	2,576
Net loss for fiscal 2005	-	-	-	-	-	-	-	(10,358)	(10,358)
Balance at May 28, 2005	35,130	351	2,400	24	14,043	(21,507)	28,621	114,366	121,855
Cash dividends paid ($.05 per common share) *	-	-	-	-	-	-	-	(1,170)	(1,170)
Issuance of common stock from treasury	-	-	-	-	(4)	24	79	-	103
Net loss for fiscal 2006	-	-	-	-	-	-	-	(1,013)	(1,013)
Balance at June 3, 2006	35,130	$ 351	2,400	$ 24	14,039	$ (21,483)	$ 28,700	$112,183	$ 119,775

*Class A shares paid at 95% dividend rate

See accompanying notes.

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

	Fiscal year ended		
	June 3 2006	May 28 2005	May 29 2004
Cash flows from operating activities			
Net income (loss)	$ (1,013)	$ (10,358)	$ 66,442
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	20,569	16,441	16,842
Deferred income taxes	985	(710)	3,550
Equity in (income) loss of affiliates	757	88	(5,924)
Gain on disposal of property, plant and equipment	(1,108)	(599)	(307)
Interest on purchase obligation	1,284	-	-
Minority interest	(165)	-	-
Change in operating assets and liabilities, net of effects from acquisition			
Receivables and other assets	3,244	4,835	(1,459)
Inventories	2,136	3,624	(756)
Accounts payable, accrued expenses and other liabilities	(5,758)	(3,707)	6,750
Net cash provided by operating activities	20,931	9,614	85,138
Cash flows from investing activities			
Purchases of investments	(60,823)	(89,499)	(32,491)
Sales of investments	71,207	75,581	11,025
Acquisition of businesses, net of cash acquired	(23,756)	-	-
Payments received on notes receivable and from investments	2,288	2,170	2,405
Purchases of property, plant and equipment	(12,372)	(11,977)	(10,673)
Increase in notes receivable and investments	(2,048)	(811)	-
Net proceeds from disposal of property, plant and equipment	2,638	879	594
Net cash used in investing activities	(22,866)	(23,657)	(29,140)
Cash flows from financing activities			
Long-term borrowings	28,000	2,500	25,000
Principal payments on long-term debt	(31,924)	(9,537)	(43,213)
Proceeds from issuance of common stock from treasury	103	314	8,384
Purchases of common stock for treasury	-	(9,344)	-
Payments of dividends	(1,170)	(1,184)	(746)
Net cash used in financing activities	(4,991)	(17,251)	(10,575)
Increase (Decrease) in cash and cash equivalents	(6,926)	(31,294)	45,423
Cash and cash equivalents at beginning of year	20,221	51,515	6,092
Cash and cash equivalents at end of year	$ 13,295	$ 20,221	$ 51,515
Non-cash investing activity - note receivable for sale of livestock	$ -	$ 644	$ 1,865

See accompanying notes.

Notes to Consolidated Financial Statements

(in thousands, except share and per share amounts)

June 3, 2006

1. Significant Accounting Policies

Principles of Consolidation
The consolidated financial statements include the accounts of Cal-Maine Foods, Inc. and its subsidiaries (the "Company"). All significant intercompany transactions and accounts have been eliminated in consolidation.

Business
The Company is engaged in the production, processing and distribution of shell eggs. The Company's operations are significantly affected by the market price fluctuation of its principal products sold, shell eggs, and the costs of its principal feed ingredients, corn and other grains.

Primarily all of the Company's sales are to wholesale egg buyers in the southeastern, southwestern, mid-western and mid-Atlantic regions of the United States. Credit is extended based upon an evaluation of each customer's financial condition and credit history and generally collateral is not required. Credit losses have consistently been within management's expectations. One customer accounted for 36.6%, 30.9% and 26.8% of the Company's net sales in fiscal 2006, 2005 and 2004, respectively. Another customer accounted for 9.9%, 12.1% and 11.9% of the Company's net sales in fiscal 2006, 2005 and 2004, respectively.

Use of Estimates
The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amount reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash Equivalents
The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments
Investments include primarily pre-funded municipal bonds and certificates of deposit with maturities of three to six months when purchased. We have designated these investments as available-for-sale securities and have accounted for them in accordance with the standards of Statement of Financial Accounting Standards SFAS No.115, "Accounting For Certain Investments: Debt and Equity Securities." Due to the nature of the investments, the cost at June 3, 2006 and May 28, 2005 approximates fair value; therefore, accumulated other comprehensive income (loss) has not been recognized as a separate component of stockholders' equity.

Trade Receivables
Trade receivables are comprised primarily of amounts owed to the Company from customers, which amounted to \$23,804 at June 3, 2006 and \$16,044 at May 28, 2005. Trade receivables are presented net of allowance for doubtful accounts of \$346 at June 3, 2006 and \$92 at May 28, 2005.

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

Inventories
Inventories of eggs, feed, supplies and livestock are valued principally at the lower of cost (first-in, first-out method) or market.

The cost associated with flocks, consisting principally of chick purchases, feed, labor, contractor payments and overhead costs, are accumulated during a growing period of approximately 18 weeks. Flock costs are amortized over the productive lives of the flocks, generally one to two years.

Property, Plant and Equipment
Property, plant and equipment are stated at cost. Depreciation is provided by the straight-line method over the estimated useful lives, which are 15 to 25 years for buildings and improvements and 3 to 12 years for machinery and equipment. We expense repair and maintenance costs as incurred.

Impairment of Long-Lived Assets
The Company continually reevaluates the carrying value of its long-lived assets for events or changes in circumstances which indicate that the carrying value may not be recoverable. When triggering events or circumstances indicate a fixed asset may be impaired, we perform an impairment analysis in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

Intangible Assets
Included in other assets are loan acquisition costs which are amortized over the life of the related loan and franchise fees which are amortized over ten years.

Goodwill
Goodwill represents the excess of cost of business acquisitions over the fair value of the net identifiable assets acquired. Goodwill is reviewed for impairment annually or more frequently if impairment indicators arise.

Revenue Recognition and Delivery Costs
Revenue is recognized when product is delivered and title has passed to customers.

Costs to deliver product to customers are included in selling, general and administrative expenses in the accompanying consolidated statements of operations and totaled $24,560, $18,311, and $18,172 in fiscal 2006, 2005 and 2004, respectively.

Advertising Costs
The Company expenses advertising costs as incurred. Total advertising costs were $875 in fiscal 2006, $821 in fiscal 2005, and $564 in fiscal 2004.

Income Taxes
Income taxes have been provided using the liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Stock Based Compensation

The Company accounts for stock option grants in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees." The following table illustrates the effect on net income (loss) and earnings (loss) per share if the Company had applied the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," which require compensation cost for all stock-based employee compensation plans to be recognized based on the use of a fair value method.

	Fiscal year ended		
	June 3 2006	May 28 2005	May 29 2004
Net income (loss)	$ (1,013)	$ (10,358)	$ 66,442
Add: Stock-based employee compensation expense income included in reported net income (loss)	256	(798)	14,316
Deduct: Total stock-based employee compensation (expense) income determined under fair value based method for all awards	(201)	400	(6,905)
Pro forma net income (loss)	$ (958)	$ (10,756)	$ 73,853
Net income (loss) per share:			
Basic — as reported	$ (.04)	$ (.43)	$ 2.78
Basic — pro forma	$ (.04)	$ (.45)	$ 3.09
Diluted — as reported	$ (.04)	$ (.43)	$ 2.73
Diluted — pro forma	$ (.04)	$ (.45)	$ 3.03

Net Income (Loss) per Common Share

Basic net income (loss) per share is based on the weighted average common shares outstanding. Diluted net income (loss) per share includes any dilutive effects of options and warrants outstanding. Stock options representing approximately 85,000 and 185,000 common shares were excluded from the calculation of dilutive net loss per share for the years ended June 3, 2006 and May 28, 2005, respectively, because the effect was anti-dilutive.

Stock Split

On April 14, 2004, the Shareholders of the Company approved amendments to the Certificate of Incorporation to facilitate a two-for-one stock split approved by the Board of Directors on January 26, 2004. The split was affected in the form of a stock dividend paid on April 23, 2004 to stockholders of record on April 14, 2004. All share and per share data in this report has been adjusted to reflect this stock split.

Impact of Recently Issued Accounting Standards

In December 2004, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 123 (Revised 2004), "Share-Based Payment" ("SFAS No. 123(R)"), which replaces SFAS No. 123, "Accounting for Stock-Based Compensation," and supercedes APB No. 25, "Accounting for Stock Issued to Employees." SFAS 123(R) required companies to measure compensation costs for share-based payments to employees, including stock options, at fair value and expense such compensation over the service period beginning with the first annual period after December 15, 2005. The pro forma disclosures previously permitted under SFAS No. 123 will no longer be an alternative to financial statement recognition. The Company adopted SFAS No. 123(R) in the first quarter of fiscal 2007 using the modified prospective method. Under the modified prospective method, companies are required to record compensation cost for new and modified awards over the related vesting period of such awards prospectively and record compensation cost prospectively for the unvested portion, at the date of adoption, of previously issued and outstanding awards over the remaining vesting period of such awards. Companies are required to recognize a cumulative effect of a change in accounting principal, net of any tax effect, to reflect the difference between the intrinsic and fair value of liability awards on the date of adoption. Statement 123(R) also requires a portion of the benefits of tax deductions resulting from the exercise of stock options to be reported as a financing cash flow, rather than as an operating cash flow. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. Total cash flow will remain unchanged from what would have been reported under prior accounting rules. No change to prior periods presented is permitted under the modified prospective method. Management expects the cumulative effect adjustment will be insignificant in the period of adoption.

On July 13, 2006, the FASB issued Interpretation No. 48, Accounting for "Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109". Interpretation 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with Statement No.109 and prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Additionally, Interpretation No.48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Interpretation 48 is effective for fiscal years beginning after December 15, 2006, with early adoption permitted. We are currently evaluating whether the adoption of Interpretation 48 will have a material effect on our consolidated financial position, results of operations or cash flows.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs". SFAS No. 151 amends Accounting Research Bulletin ("ARB") No. 43, Chapter 4, to clarify that abnormal amounts of idle facility expense, freight, handling costs and spoilage should be recognized as current-period charges. In addition, SFAS No. 151 requires that allocation of fixed production overhead to inventory be based on the normal capacity of the production facilities. SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company does not expect SFAS No. 151 to have a significant impact on its results of operations, financial position or cash flows.

Fiscal Year

The Company's fiscal year-end is on the Saturday nearest May 31, which was June 3, 2006 (53 weeks), May 28, 2005 (52 weeks) and May 29, 2004 (52 weeks), for the most recent three fiscal years.

2. Acquisitions

The Company entered into an Agreement to Form a Limited Liability Company, Transfer Assets Thereto, and Purchase Units of Membership Therein, dated July 28, 2005, with Hillandale Farms, Inc. and Hillandale Farms of Florida, Inc. (together, "Hillandale"), and the Hillandale shareholders (the "Agreement"). Under the terms of the Agreement, we acquired 51% of the units of membership in Hillandale, LLC for cash of approximately $27,000 October 12, 2005. The remaining 49% of the units of membership in Hillandale, LLC will be acquired in essentially equal annual installments over a four-year period, with the purchase price of the units equal to their book value at the time of purchases as calculated in accordance with the terms of the Agreement. The total preliminary purchase price is estimated to be as follows :

Cash consideration paid to seller for 51% of Hillandale, LLC's membership units	$	27,006
Obligation to acquire 49% of Hillandale, LLC's membership units		25,947
		52,953
Less discount of preliminary purchase price to the present value as of July 28, 2005		(3,556)
Total preliminary purchase price	$	49,397

The preliminary purchase price was allocated based upon the fair value of the assets acquired and liabilities assumed as follows:

Assets acquired:		
Cash and cash equivalents	$	3,918
Receivables		7,181
Inventories		11,330
Prepaid and other assets		2,798
Property, plant and equipment		49,531
Total assets acquired		74,758
Liabilities assumed:		
Accounts payable and accrued expenses		3,567
Notes payable and long-term debt		21,794
Total liabilities assumed		25,361
Net assets acquired	$	49,397

In October 2005, the Company paid substantially all of Hillandale, LLC's notes payable and long-term debt and obtained a new $28,000 term loan from an insurance company secured by substantially all of the property, plant and equipment of Hillandale, LLC, and requires monthly principal payments of $150 plus interest beginning in January 2007 through November 2020. The obligation to acquire 49% of Hillandale, LLC is recorded at its present value of $23,600 million as of June 3, 2006, of which $6,900 million is included in current liabilities and $16,700 million is included in non-current liabilities in the accompanying consolidated balance sheet. The Company will purchase an additional 13% of Hillandale, LLC based on the value of LLC membership as of July 29, 2006.

The Company gained effective control of the Hillandale operations upon signing of the Agreement. Accordingly, the acquisition date for accounting purposes is July 28, 2005. The operations of Hillandale, LLC were consolidated with our operations as of July 29, 2005.

Prior to the acquisition, the Company had a 44% membership interest in American Egg Products, LLC ("AEP") and Hillandale, LLC had a 27.5% membership interest in AEP. Prior to the acquisition of Hillandale, LLC, the Company's membership in AEP was accounted for by the equity method. Effective with our acquisition of Hillandale, LLC, we own a majority of the membership interest in AEP. Accordingly, the financial statements of AEP have been consolidated with our financial statements beginning July 29, 2005. AEP, located in Georgia, processes shell eggs into liquid and frozen egg products that are sold primarily to food manufacturers and to the food service industry. AEP has contract shell egg production for approximately 50% of its shell egg requirements and purchases the balance from regional egg markets.

Hillandale, LLC's production facilities are principally located in Florida. Hillandale, LLC is a fully integrated shell egg producer with its own feed mills, hatchery, production, processing and distribution facilities. The Hillandale acquisition increased our current egg production capacity by approximately 30%.

As of July 28, 2005, Hillandale, LLC owned a 50% ownership interest in Hillandale Farms, LLC that was accounted for by the equity method. On October 5, 2005, Hillandale, LLC acquired the other 50% interest in Hillandale Farms, LLC for $1,000. The purchase price was allocated to the assets acquired and liabilities assumed and resulted in approximately $900 of goodwill. Hillandale Farms, LLC is engaged in the production, processing and distribution of shell eggs.

The unaudited financial information in the table below summarizes the combined results of our operations and Hillandale, LLC, on a pro forma basis, as though we had been combined as of the beginning of the earliest period presented. The pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of the earliest period presented.

	Fiscal Year Ended			
		June 3, 2006		May 28, 2005
Net sales	$	490,529	$	456,018
Net loss	$	(5,169)	$	(29,326)
Basic net loss per share	$	(0.22)	$	(1.25)
Diluted net loss per share	$	(0.22)	$	(1.25)

3. Investment in Affiliates

The Company owns 50% each of Cumberland Milling JV, Specialty Eggs LLC, Delta Egg Farm, LLC ("Delta Egg") and Green Forest Foods, LLC at June 3, 2006. Investment in affiliates, recorded using the equity method of accounting, totaled $6,763 and $8,502 at June 3, 2006 and at May 28, 2005, respectively. Equity in income or (loss) of ($757), ($88), and $5,923 from these entities have been included in the consolidated statements of operations for fiscal 2006, 2005 and 2004, respectively.

The Company is a guarantor of 50% of Delta Egg's long-term debt, which totaled approximately $10,768 million at June 3, 2006. Delta Egg's long-term debt is secured by substantially all fixed assets of Delta Egg and is due in monthly installments through fiscal 2009. Delta Egg is engaged in the production, processing and distribution of shell eggs. The other 50% owner also guarantees 50% of the debt. The guarantee arose when Delta Egg borrowed funds to construct its production and processing facility in 1999. The guarantee would be required if Delta Egg is not able to pay the debt. Management of the Company believes this possibility is unlikely because Delta Egg is now well capitalized.

4. Inventories

Inventories consisted of the following:

	June 3, 2006	May 28, 2005
Flocks	$ 39,092	$ 31,088
Eggs	3,820	2,477
Feed and supplies	14,931	12,063
	$ 57,843	$ 45,628

5. Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	June 3, 2006	May 28, 2005
Land and improvements	$ 40,741	$ 35,416
Buildings and improvements	133,884	105,519
Machinery and equipment	158,791	137,401
Construction-in-progress	6,415	2,990
	339,831	281,326
Less accumulated depreciation	163,556	153,938
	$ 176,275	$ 127,388

Depreciation expense was $20,417 and $16,367 and $16,520 in fiscal 2006, 2005 and 2004, respectively.

6. Leases

Future minimum payments under noncancelable operating leases that have initial or remaining noncancelable terms in excess of one year at June 3, 2006 are as follows:

2007	$ 7,305
2008	3,964
2009	1,826
2010	1,424
2011	750
Thereafter	869
Total minimum lease payments	$ 16,138

Substantially all of the leases provide that the Company pays taxes, maintenance, insurance and certain other operating expenses applicable to the leased assets. The Company has guaranteed under certain operating leases the residual value of transportation equipment at the expiration of the leases. Rent expense was $9,918, $8,109 and $9,193 in fiscal 2006, 2005 and 2004, respectively, primarily for the lease of certain operating facilities, equipment and transportation equipment. Included in rent expense are vehicle rents totaling $1,049, $1,318 and $1,766 in fiscal 2006, 2005 and 2004, respectively.

7. Credit Facilities and Long-Term Debt

Long-term debt consisted of the following:

	June 3 2006	May 28 2005
Note payable at 6.7%; due in monthly installments of $100, plus interest, maturing in 2009	$ 9,600	$ 10,900
Note payable at 8.26%; due in monthly installments of $155, including interest, maturing in 2015	14,500	15,138
Series A Senior Secured Notes at 6.87%; due in annual principal installments of $1,917 beginning in December 2002 through 2008 with interest due semi-annually	3,833	5,750
Series B Senior Secured Notes at 7.18%; due in annual principal installments of $2,143 beginning in December 2003 through 2009 with interest due semi-annually	8,571	10,714
Industrial revenue bonds at 6.10%; due in monthly installments of $146, including interest, maturing in 2011	7,301	8,561
Note payable at 7.5%; due in monthly installments of $36, including interest, maturing in 2011	1,822	2,106
Note payable at 7.06%; due in monthly installments of $53, including interest, maturing in 2015	5,211	5,467
Note payable at 6.87%; due in monthly installments of $45, including interest, maturing in 2015	4,441	4,663
Note payable at 6.80%; due in monthly installments of $165, plus interest, maturing in 2013	15,050	17,195
Note payable at 5.8%; due in annual principal installments of $250 beginning in April 2006 through 2015 with interest due quarterly	2,250	2,500
Note payable at 5.99%; due in monthly installments of $150, plus interest, beginning in January 2007 through 2020	28,000	-
Note payable at 6.75%;due in monthly principal installments of $25, plus interest, maturing in 2009	2,825	-
Other	508	-
	103,912	82,994
Less current maturities	11,902	10,149
	$ 92,010	$ 72,845

The aggregate annual fiscal year maturities of long-term debt at June 3, 2006 are as follows:

2007	$ 11,902
2008	12,787
2009	10,945
2010	11,180
2011	8,997
Thereafter	48,101
	$ 103,912

The Company has a $40,000 line of credit with three banks. The line of credit, which expires on December 31, 2007, is limited in availability based upon accounts receivable and inventories. The Company had $37,300 available to borrow under the line of credit at June 3, 2006. Borrowings under the line of credit bear interest at 3% above the federal funds rate. Facilities fees of 0.5% per annum are payable quarterly on the unused portion of the line.

Substantially all trade receivables and inventories collateralize our line of credit and property, plant and equipment collateralize our long-term debt under our loan agreements with our lenders. Unless otherwise approved by our lenders, we are required by provisions of these loan agreements to (1) maintain minimum levels of working capital (ratio of not less than 1.25 to 1) and net worth (minimum of $90.0 million tangible net worth, and 45% of cumulative net income); (2) limit dividends to an aggregate amount not to exceed $500,000 per quarter (allowed if no default), capital expenditures (not to exceed depreciation for the same four fiscal quarters), lease obligations and additional long-term borrowings (total funded debt to total capitalization not to exceed 55%); and (3) maintain various current and cash-flow coverage ratios (1.25 to 1), among other restrictions. At June 3, 2006, we were in compliance with the provisions of all loan agreements. Under certain of the loan agreements, the lenders have the option to require the prepayment of any outstanding borrowings in the event we undergo a change in control, the Chief Executive Officer of the Company, or his family, must maintain ownership of not less than 50% of the outstanding voting stock of the Company.

Interest of $7,198, $5,860 and $7,386 was paid during fiscal 2006, 2005 and 2004, respectively. Interest of $222 and $72 was capitalized for construction of certain facilities during fiscal 2006 and 2005, respectively. No interest was capitalized during fiscal 2004.

8. Employee Benefit Plans

The Company maintains a medical plan that is qualified under Section 401(a) of the Internal Revenue Code and not subject to tax under present income tax laws. Under its plan, the Company self-insures, in part, coverage for substantially all full-time employees with coverage by insurance carriers for certain stop-loss provisions for losses greater than $150 for each occurrence. The Company's expenses including accruals for incurred but not reported claims, were approximately $5,128, $7,065 and $5,911 in fiscal 2006, 2005 and 2004, respectively.

The Company has a 401(k) plan which covers substantially all employees. Participants in the Plan may contribute up to the maximum allowed by Internal Revenue Service regulations. The Company does not make contributions to the 401(k) plan.

The Company has an employee stock ownership plan (ESOP) that covers substantially all employees. The Company makes contributions to the ESOP of 3% of participants' compensation, plus an additional amount determined at the discretion of the Board of Directors. Contributions may be made in cash or the Company's common stock. Company contributions to the ESOP vest immediately. The Company's contributions to the plan were $1,069, $1,643 and $1,755 in fiscal 2006, 2005 and 2004, respectively.

The Company has deferred compensation agreements with certain officers for payments to be made over specified periods beginning when the officers reach age 65 or over as specified in the agreements. Amounts accrued for these agreements are based upon deferred compensation earned over the estimated remaining service period of each officer. Deferred compensation expense totaled approximately $59 in fiscal 2006, $72 in fiscal 2005 and $80 in fiscal 2004.

9. Stock Compensation Plans

The Company has elected to follow APB No. 25 and related Interpretations in accounting for its employee stock options. Pro forma information regarding net income (loss) and net income (loss) per share is required by SFAS No. 123, and has been determined as if the Company had accounted for its employee stock options under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for fiscal 2006: risk-free interest rate of 3%; dividend yield of 1%; volatility factor of the expected market price of the Company's common stock of 39.2%, and a weighted-average expected life of the options of 5 years. No options were granted by the Company during fiscal 2005 and 2004. The weighted-average fair value of options granted during fiscal 2006 was $2.68.

On July 28, 2005, our Board of Directors approved the Cal-Maine Foods, Inc. 2005 Incentive Stock Option Plan (the "Plan") and reserved 500,000 shares for issuance upon exercise of options granted under the Plan. Options issued pursuant to the Plan may be granted to any of our employees. The options may have a term of up to ten years and generally will vest ratably over five years. On August 17, 2005, we issued 360,000 options with an exercise price of $5.93. The options have ten-year terms and vest over five years beginning from the date of grant. The Plan was ratified by our shareholders at our annual meeting of shareholders on October 13, 2005.

A summary of the Company's stock option activity and related information is as follows:

	Shares	Weighted-Average Exercise Price
Outstanding at June 1, 2003	1,087,200	$1.63
Exercised	(748,400)	1.56
Forfeited	(8,000)	1.80
Outstanding at May 29, 2004	330,800	1.70
Exercised	(202,000)	1.54
Outstanding at May 28, 2005	128,800	1.91
Granted	360,000	5.93
Exercised	(15,400)	1.82
Outstanding at June 3, 2006	473,400	4.97

Stock option information presented by the range of exercise prices was as follows at June 3, 2006:

Range of Exercise Price	Number of Options Outstanding		Weighted Average Exercise Price		Weighted Average
	Total	Exercisable	Total	Exercisable	Remaining Life
$ 1.5 to $ 2.13	113,400	77,640	$ 1.93	$ 1.87	5.9 years
$ 5.93	360,000	-	$ 5.93	$ -	9.1 years

The Company has reserved 1,600,000 shares under its 1993 Stock Option Plan. The options have ten-year terms and vest annually over five years beginning one year from the grant date. At June 3, 2006, no shares were available for grant under the 1993 plan.

The Company has reserved 1,000,000 shares under its 1999 Stock Option Plan, all of which were granted to officers and key employees in fiscal 2000. Each stock option granted under the 1999 Stock Option Plan was accompanied by the grant of a Tandem Stock Appreciation Right ("TSAR").

The options and TSARs have ten-year terms and vest annually over five years beginning one year from the grant date. Upon exercise of a stock option, the related TSAR is also considered to be exercised, and the holder will receive a cash payment from the Company equal to the excess of the fair market value of the Company's common stock and the option exercise price. At June 3, 2006, 8,000 shares were available for grant under the 1999 plan.

On July 28, 2005, our Board of Directors also approved the Cal-Maine Foods, Inc. Stock Appreciation Rights Plan (the "Rights Plan"). The Rights Plan covers 1,000,000 shares of common stock of the Company. Stock Appreciation Rights ("SAR") may be granted to any employee or non-employee member of the Board of Directors. Upon exercise of a SAR, the holder will receive shares of our common stock equal to the difference between the fair market value of a single share of common stock at the time of exercise and the strike price which is equal to the fair market value of a single share of common stock on the date of the grant. The SARs have a ten-year term and vest over five years. On August 17, 2005, we issued 592,500 SARs with a strike price of $5.93 and, on August 26, 2005, we issued 22,500 SARs with a strike price of $6.71. The Rights Plan was ratified by our shareholders at our annual meeting of shareholders on October 13, 2005.

The weighted average remaining contractual life of the options outstanding was 8 years at June 3, 2006, 5 years at May 28, 2005, and 6 years at May 29, 2004. Of the total options outstanding, 77,600, 39,600 and 25,000 were exercisable at June 3, 2006, May 28, 2005, and May 29, 2004, respectively.

10. Income Taxes

Income tax expense (benefit) consisted of the following:

	Fiscal year ended		
	June 3, 2006	May 28, 2005	May 29, 2004
Current:			
Federal	$ (1,450)	$ (3,899)	$ 33,500
State	-	(387)	2,750
	(1,450)	(4,286)	36,250
Deferred:			
Federal	1,245	(672)	2,950
State	(260)	(92)	600
	985	(764)	3,550
	$ (465)	$ (5,050)	$ 39,800

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

	June 3 2006	May 28 2005
Deferred tax liabilities:		
Property, plant and equipment	$ 16,217	$ 16,329
Cash basis temporary differences	1,911	2,070
Inventories	12,636	11,830
Investment in affiliates	1,686	2,126
Other	1,553	984
Total deferred tax liabilities	34,003	33,339
Deferred tax assets:		
Accrued expenses	2,384	3,523
Discount on acquisition purchase price	372	-
Amortization of non-compete contracts	209	-
Job tax credit carryforward	250	-
Other	413	426
Total deferred tax assets	3,628	3,949
Net deferred tax liabilities	$ 30,375	$ 29,390

Effective May 29, 1988, the Company could no longer use cash basis accounting for its farming subsidiary because of tax law changes. The *Taxpayer Relief Act of 1997* provides that taxes on the cash basis temporary differences as of that date are generally payable over 20 years beginning in fiscal 1999 or in full in the first fiscal year in which there is a change in ownership control. The Company uses the farm-price method for valuing inventories for income tax purposes.

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

	Fiscal year end		
	June 3 2006	May 28 2005	May 29 2004
Statutory federal income tax (benefit)	$ (518)	$ (5,393)	$ 37,185
State income taxes (benefit), net	(169)	(311)	2,178
Non-deductible Hillandale, LLC losses	750	-	-
Tax exempt interest income	(634)	-	-
Other, net	106	654	437
	$ (465)	$ (5,050)	$ 39,800

Federal and state income taxes of $128, $391, and $41,868 were paid in fiscal 2006, 2005 and 2004, respectively. Federal and state income taxes of $7,077, $3,062 and $6,875 were refunded in fiscal 2006, 2005 and 2004, respectively.

11. Other Matters

The carrying amounts in the consolidated balance sheet for cash and cash equivalents, accounts receivable, notes receivable and investments and accounts payable approximate their fair values. The fair value of the Company's long-term debt is estimated to be $102,500. The fair values for notes receivable and long-term debt are estimated using discounted cash flow analysis, based on the Company's current incremental borrowing rates for similar arrangements.

The Company's interest expense is sensitive to changes in the general level of U.S. interest rates. The Company maintains certain of its debt as fixed rate in nature to mitigate the impact of fluctuations in interest rates. Under its current policies, the Company does not use interest rate derivative instruments to manage its exposure to interest rate changes. A one percent (1%) adverse move (decrease) in interest rates would adversely affect the net fair value of the Company's debt by $4,347 at June 3, 2006. The Company is a party to no other market risk sensitive instruments requiring disclosure.

The Company is the defendant in certain legal actions. It is the opinion of management, based on advice of legal counsel, that the outcome of these actions will not have a material adverse effect on the Company's consolidated financial position or operations.

12. Quarterly Financial Data: (unaudited, amount in thousands, except per share data):

	Fiscal Year 2006			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$ 79,756	$ 138,288	$ 130,107	$ 129,404
Gross profit	960	17,809	25,973	17,475
Net income (loss)	(8,108)	(685)	7,990	(210)
Net income (loss) per share:				
Basic	$ (.35)	$ (.03)	$ .34	$ (.01)
Diluted	$ (.35)	$ (.03)	$ .34	$ (.01)

	Fiscal Year 2005			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$ 102,017	$ 90,730	$ 101,042	$ 81,477
Gross profit	10,681	4,986	17,115	2,651
Net income (loss)	(887)	(5,342)	2,421	(6,550)
Net income (loss) per share:				
Basic	$ (.04)	$ (.23)	$ .10	$ (.28)
Diluted	$ (.04)	$ (.23)	$ .10	$ (.28)

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
Years ended June 3, 2006, May 28, 2005, and May 29, 2004
(*in thousands*)

Description	Balance at Beginning of Period	Charged to Cost and Expense	Write-off of Accounts	Balance at End of Period
Year ended June 3, 2006:				
Allowance for doubtful accounts	$ 92	$ 892	$ 638	$ 346
Year ended May 28, 2005:				
Allowance for doubtful accounts	$ 90	$ 253	$ 251	$ 92
Year ended May 29, 2004:				
Allowance for doubtful accounts	$ 1,158	$ 279	$ 1,347	$ 90

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by it in its periodic reports filed with the Securities and Exchange Commission is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Based on an evaluation of our disclosure controls and procedures conducted by our Chief Executive Officer and Chief Financial Officer, together with other financial officers, such officers concluded that our disclosure controls and procedures were effective as of June 3, 2006.

Internal Control Over Financial Reporting

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

In accordance with Section 404(a) of the Sarbanes-Oxley Act of 2002 and Item 308(a) of the Commission's Regulation S-K, the report of management on our internal control over financial reporting is set forth in this Annual Report on Form 10-K under Item 8. Financial Statements and Supplementary Data.

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

The attestation report of Ernst & Young LLP on management's assessment of our internal control over financial reporting is set forth in this Annual Report on Form 10-K under Item 8. Financial Statements and Supplementary Data.

(c) ***Changes in Internal Control Over Financial Reporting***

In accordance with Rule 13a-15(c) under the Securities Exchange Act of 1934, management, with the participation of our Chief Executive Officer and Chief Financial Officer, together with other financial officers, evaluated the effectiveness, as of June 3, 2006, of our internal control over financial reporting. Management determined that there was no change in our internal control over financial reporting that occurred during the fourth quarter ended June 3, 2006, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information concerning directors and executive officers is incorporated by reference from our definitive proxy statement which is to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934 in connection with our 2006 Annual Meeting of Shareholders.

ITEM 11. EXECUTIVE COMPENSATION

The information concerning executive compensation is incorporated by reference from our definitive proxy statement which is to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934 in connection with our 2006 Annual Meeting of Shareholders.

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

The information concerning security ownership of certain beneficial owners and management and related stockholder matters is incorporated by reference from our definitive proxy statement which is to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934 in connection with our 2006 Annual Meeting of Shareholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information concerning certain relationships and related transactions is incorporated by reference from our definitive proxy statement which is to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934 in connection with our 2006 Annual Meeting of Shareholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information concerning principal accounting fees and services is incorporated by reference from our definitive proxy statement which is to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934 in connection with our 2006 Annual Meeting of Shareholders.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

The following financial statements are filed herewith:

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

Report of Independent Registered Public Accounting Firm.

Consolidated Balance Sheets – June 3, 2006 and May 28, 2005.

Consolidated Statements of Operations - Years Ended June 3, 2006, May 28, 2005 and May 29, 2004.

Consolidated Statements of Changes in Shareholders' Equity for the Years Ended June 3, 2006, May 28, 2005 and May 29, 2004.

Consolidated Statements of Cash Flows for the Years Ended June 3, 2006, May 28, 2005 and May 29, 2004.

Notes to Consolidated Financial Statements.

(a)(2) Financial Statement Schedule

Schedule II – Valuation and Qualifying Accounts

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

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

See Part (b) of this Item 15.

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

The following exhibits are filed herewith or incorporated by reference:

Exhibit Number	Exhibit
2.1	Agreement to Form a Limited Liability Company, Transfer Assets Thereto, and Purchase Units of Membership Therein, dated July 28, 2005, by and among Hillandale Farms of Florida, Inc., Hillandale Farms, Inc., Cal-Maine Foods, Inc. and Jack E. Hazen, Jack E. Hazen, Jr., Homer E. Honeycutt, Jr., Orland R. Bethel and Dorman W. Mizell. (9)
3.1	Amended and Restated Certificate of Incorporation of the Registrant. (1)
3.1(a)	Amendment to Article 4 of the Certificate of Incorporation of the Registrant. (7)
3.2	By-Laws of the Registrant, as amended. (1)
4.1	See Exhibits 3.1 and 3.2 as to the rights of holders of the Registrant's common stock.
10.1	Amended and Restated Term Loan Agreement, dated as of May 29, 1990, between Cal-Maine Foods, Inc. and Cooperative Centrale Raiffeisen - Boerenleenbank B.A., "Rabobank Nederland," New York Branch, and Amended and Restated Revolving Credit Agreement among Cal-Maine Foods, Inc., and Barclays Banks PLD (New York) and Cooperatieve Centrale Raiffeisen-Borenleenbank B.A., dated as of 29 May 1990, and amendments thereto (without exhibits). (1)

10.1(a) Amendment to Term Loan Agreement (see Exhibit 10.1) dated as of June 3, 1997 (without exhibits). (2)

10.1(b) Amendment to Term Loan Agreement (see Exhibit 10.1) dated as of March 31, 2004 (without exhibits). (7)

10.1(c) Amendment to Term Loan Agreement (see Exhibit 10.1) dated as of April 14, 2004 (without exhibits). (7)

10.1(d) Amendment to Term Loan Agreement (see Exhibit 10.1) dated as of August 6**,** 2004 (without exhibits). (8)

10.1(e) Amendment to Term Loan Agreement (see Exhibit 10.1) dated as of March 15**,** 2005 (without exhibits). (8)

10.1(f) Amendment to Term Loan Agreement (see Exhibit 10.1) dated as of October 13, 2006 (without exhibits).

10.2 Note Purchase Agreement, dated as of November 10, 1993, between John Hancock Mutual Life Insurance Company and Cal-Maine Foods, Inc., and amendments thereto (without exhibits). (1)

10.3 Loan Agreement, dated as of May 1, 1991, between Metropolitan Life Insurance Corporation and Cal-Maine Foods, Inc., and amendments thereto (without exhibits). (1)

10.4 Employee Stock Ownership Plan, as Amended and Restated. (1) +

10.5 1993 Stock Option Plan, as Amended. (1) +

10.6 Wage Continuation Plan, dated as of July 1, 1986, between Jack Self and the Registrant, as amended on September 2, 1994. (1) +

10.7 Wage Continuation Plan, dated as of April 15, 1988, between Joe Wyatt and the Registrant. (1) +

10.8 Redemption Agreement, dated March 7, 1994, between the Registrant and Fred R. Adams, Jr. (1)

10.9 Note Purchase Agreement, dated December 18, 1997, among the Registrant, Cal-Maine Farms, Inc., Cal-Maine Egg Products, Inc., Cal-Maine Partnership, LTD, CMF of Kansas LLC and First South Production Credit Association and Metropolitan Life Insurance Company (without exhibits, except names of guarantors and forms of notes) (3)

10.10 Wage Continuation Plan, dated as of January 14, 1999, among Stephen Storm, Charles F. Collins, Bob Scott and the Registrant (4)+

10.11 Secured note purchase agreement dated September 28, 1999 among the Registrant, Cal-Maine Partnership, LTD, and John Hancock Mutual Life Insurance Company, and John Hancock Variable Life Insurance Company (without exhibits, annexes and disclosure schedules) (5)

10.12 Stock Option Plan (6)+

10.13 2005 Stock Option Plan (10)+

10.14 2005 Stock Appreciation Rights Plan (11)+

21 Subsidiaries of the Registrant

23 Consent of Independent Auditors

31.1 Certification of Chief Executive Officer

31.2 Certification of Chief Financial Officer

32 Written Statement of the Chief Executive Officer and the Chief Financial Officer

---

\+ Management contract or compensatory plan.

(1) Incorporated by reference to the same exhibit in Registrant's Form S-1 Registration Statement No. 333-14809.

(2) Incorporated by reference to the same exhibit in Registrant's Form 10-K for fiscal year ended May 31, 1997.

(3) Incorporated by reference to the same exhibit in Registrant's Form 10-Q for the quarter ended November 29, 1997.

(4) Incorporated by reference to the same exhibit in Registrant's Form 10-K for fiscal year ended May 29, 1999.

(5) Incorporated by reference to the same exhibit in Registrant's Form 10-Q for the quarter ended November 27, 1999.

(6) Incorporated by reference to Registrant's Form S-8 Registration Statement No. 333-39940, dated June 23, 2000.

(7) Incorporated by reference to the same exhibit in Registrant's Form 10-K for fiscal year ended May 29, 2004.

(8) Incorporated by reference to the same exhibit in Registrant's Form 10-K for fiscal year ended May 28, 2005.

(9) Incorporated by reference to the same exhibit in Registrant's Form 8-K, dated July 28, 2005.

(10) Incorporated by reference to Appendix B to Registrant's Proxy Statement for Annual Meeting held October 13, 2005.

(11) Incorporated by reference to Appendix C to Registrant's Proxy Statement for Annual Meeting held October 13, 2005.

The Company agrees to file with the Securities and Exchange Commission, upon request, copies of any instrument defining the rights of the holders of its consolidated long-term debt.

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

The financial statement schedule required by Regulation S-X is filed at page 49. All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in Jackson, Mississippi, on this 16th day of August, 2006.

CAL-MAINE FOODS, INC.

/s/ Fred R. Adams, Jr.
Fred R. Adams, Jr.
Chairman of the Board and
Chief Executive Officer

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

Signature	Title	Date
/s/ Fred R. Adams, Jr. Fred R. Adams, Jr.	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	August 16, 2006
/s/ Richard K. Looper Richard K. Looper	Vice Chairman of the Board and Director	August 16, 2006
/s/ Adolphus B. Baker Adolphus B. Baker	President and Director	August 16, 2006
/s/ Timothy A. Dawson Timothy A. Dawson	Vice President, Chief Financial Officer and Director (Principal Financial Officer)	August 16, 2006
/s/ Charles F. Collins Charles F. Collins	Vice President, Controller (Principal Accounting Officer)	August 16, 2006
/s/ Letitia C. Hughes Letitia C. Hughes	Director	August 16, 2006
/s/ R. Faser Triplett R. Faser Triplett	Director	August 16 , 2006
/s/ James E. Poole James E. Poole	Director	August 16 , 2006

CAL-MAINE FOODS, INC.
Form 10-K for the fiscal year
Ended June 3, 2006
EXHIBIT INDEX

Exhibit Number	Exhibit
10.1(f)	Amendment to Term Loan Agreement dated as of October 13, 2005 (without exhibits).
21	Subsidiaries of Cal-Maine Foods, Inc
23	Consent of Independent Auditors
31.1	Certification of The Chief Executive Officer
31.2	Certification of The Chief Financial Officer
32	Written Statement of The Chief Executive Officer and Chief Financial Officer

Exhibit 10.1(f)

NINTH AMENDMENT TO SECOND AMENDED
AND RESTATED REVOLVING CREDIT AGREEMENT

THIS NINTH AMENDMENT TO SECOND AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT (this "Amendment"), dated as of October 13, 2005, is among CAL-MAINE FOODS, INC. ("Borrower"), FIRST SOUTH FARM CREDIT, ACA ("First South"), COÖPERATIEVE CENTRALE RAIFFEISEN–BOERENLEENBANK B.A., "RABOBANK NEDERLAND," NEW YORK BRANCH (who is sometimes referred to as Rabobank International), individually and as Administrative Agent for itself and the other Banks (in such capacity, the "Administrative Agent" and individually, herein "Rabobank"), and HARRIS N.A., successor in interest by merger to HARRIS TRUST AND SAVINGS BANK ("Harris" and collectively with Rabobank and First South, herein the "Banks").

RECITALS:

A. Borrower, the Administrative Agent, and the Banks have entered into that certain Second Amended and Restated Revolving Credit Agreement dated as of February 6, 2002 (such Second Amended and Restated Revolving Credit Agreement, as the same has been amended, and as the same may be further amended or otherwise modified, herein referred to as the "Revolving Credit Agreement").

B. Borrower has entered into that certain Agreement to Form a Limited Liability Company, Transfer Assets Thereto, and Purchase Units of Membership Therein dated July 28, 2005 (the "Hillandale Agreement") with Hillandale Farms of Florida, Inc. and Hillandale Farms, Inc. (together the "Hillandale Companies") and Jack E. Hazen, Jack E. Hazen, Jr., Homer E. Hunnicut, Jr., Orland R. Bethel and Dorman W. Mizell. Pursuant to the Hillandale Agreement:

1. A new Florida limited liability company has been formed by the Hillandale Companies named "Hillandale, LLC" (herein "New Co");

2. Each of the Hillandale Companies have contributed certain assets and liabilities identified in the Hillandale Agreement to New Co in return for the issuance of membership interests in New Co (the "Contribution");

3. The Borrower has acquired from the Hillandale Companies fifty one percent of the membership interest issued by New Co for cash (the "Initial Equity Acquisition") and has agreed pursuant to the Hillandale Agreement to acquire the remaining forty nine percent of the membership interest issued by New Co over a period of four years; and

4. Prior to the Initial Equity Acquisition, the Borrower owned approximately forty four percent of American Egg Products LLC and the Hillandale Companies owned approximately twenty seven percent of American Egg Products LLC. As a result of the Initial Equity Acquisition, American Egg Products LLC has become a "Subsidiary" of the Borrower (the transaction described in clauses 1., 2., 3 and 4., herein the "Hillandale Transactions").

C. As of the date of this Amendment, the Borrower has repaid in full the amounts outstanding under the Harris Term Agreement.

D. As a result of the Hillandale Transactions, the Borrower and the Guarantors have requested that the Revolving Credit Agreement be amended and the Administrative Agent and the Banks have agreed to amend the Revolving Credit Agreement on the terms and conditions herein set forth.

NOW, THEREFORE, in consideration of the premises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows effective as of the date hereof:

Definitions

Definitions. Capitalized terms used in this Amendment, to the extent not otherwise defined herein, shall have the same meanings as in the Revolving Credit Agreement.

Amendments

Amendment to Paragraphs (h), (k), (l) and (m) of Section 4.01 - Representations and Warranties of the Borrower. Paragraphs (h), (l) and (m) of Section 4.01 of the Revolving Credit Agreement are amended in their respective entireties to read as follows:

(h) The Guarantors are the only Subsidiaries of, and are wholly–owned by, the Borrower except: (i) CM Partnership whose 99% limited partnership interest is owned by Cal–Maine Farms, Inc. and whose 1% general partnership is owned by Borrower; (ii) CMF of Kansas whose is owned 99% by Borrower and 1% by Cal-Maine Farms, Inc.; (iii) as of October 13, 2005, Borrower owns 51% of Hillandale, LLC and Hillandale, LLC is not a Guarantor and (iv) as of October 13, 2005, Borrower owns approximately 71% of American Egg Products LLC and American Egg Products LLC is not a Guarantor.

(k) As of October 13, 2005, neither Borrower nor any Pledgor maintains any commodity futures margin accounts.

(l) The present fair salable value of the Assets of the Borrower and each Pledgor is greater than the amount that will be required to pay its probable liability for its existing Debts as they become absolute and matured. For the purposes of this clause (l), "Assets" means any property of the party in question not exempt from liability for its Debts, and "Debts" means any legal liability, including the liability under the Loan Documents, whether matured or unmatured, liquidated or unliquidated, absolute, fixed or contingent. Neither the Borrower nor any Pledgor intends to, or believes that it will, incur Debts beyond its ability to pay as they mature.

(m) Neither the Borrower nor any Pledgor is "insolvent" (as defined in 11 U.S.C. 101(32)). Neither the Borrower nor any Pledgor is engaged, nor does it intend to engage, in any business or transaction for which its property, excluding an amount equal to the Obligations, is an unreasonably small capital. Neither the Borrower nor any Pledgor intends through the transactions contemplated by the Loan Documents to hinder, delay, or defraud either present or future creditors.

Amendment to Paragraph (k) of Section 5.01 - Affirmative Covenants. *Paragraph (k) of Section 5.01 of the Revolving Credit Agreement is amended to add the following to the definition of the term "Operating Cash Flow":*

For purposes of this definition of Operating Cash Flow and the definition of the term "EBITDA" (which is set out in the definition of the term "Debt to EBITDA Ratio"), net income of Borrower and the Subsidiaries shall be calculated to exclude minority interests in Subsidiary earnings and the income of any Subsidiary to the extent the payment of such income in the form of a distribution or repayment of any Debt to the Borrower or a Subsidiary is not permitted, whether on account of any charter or by-law restriction, any agreement, instrument, deed or lease or any law, statute, judgment, decree or governmental order, rule or regulation applicable to such Subsidiary.

Amendment to Paragraphs (a), (b) and (c) of Section 5.02 - Negative Covenants. *Paragraphs (a), (b) and (c) of Section 5.02 of the Revolving Credit Agreement are amended in their respective entireties to read as follows:*

Guaranteed Indebtedness. Create, incur, assume or suffer to exist, or permit any Subsidiary to create, incur, assume or suffer to exist, any Contingent Liabilities in respect of any Debt of any other Person except: (i) pursuant to the Amended Guaranty Agreement; (ii) by reason of endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business; (iii) for a guaranty executed by Borrower guaranteeing the Debt of Delta Egg Farm LLC, provided the liability under such guaranty does not exceed $10,800,000 in the aggregate at any time, (iv) for a guaranty executed by the Borrower guaranteeing the obligations for borrowed money of Hillandale, LLC, provided the liability under such guaranty does not exceed at any time the aggregate principal amount of $2,000,000 and (v) for the obligations of the Borrower as a guarantor or a co-borrower in respect of the Hillandale Term Loan.

Dividends, *etc*. Declare or pay any dividends, purchase, or otherwise acquire for value any of its capital stock now or hereafter outstanding, or make any distribution of assets to its stockholders as such, or permit any of its Subsidiaries to purchase or otherwise acquire for value any stock of the Borrower; provided that the Borrower may:

as long as no Event of Default nor any event that with the giving of notice or lapse of time or both would be an Event of Default exists or would result, declare and pay quarterly dividends on its common stock in an aggregate amount not to exceed $500,000 per calendar quarter; and

repurchase shares of its common stock as long as: (A) no Event of Default nor any event that with the giving of notice or lapse of time or both would be an Event of Default exists or would result and (B) the aggregate amount paid in any Fiscal Year to repurchase such shares shall not exceed $500,000.

Capital Expenditures. Make, nor will it permit any Subsidiary to make, any expenditures for fixed or capital assets (but excluding, to the extent included, the expenditures for rolling stock and expenditures made to acquire the membership interest in Hillandale, LLC) which would cause the aggregate of all such expenditures made by the Borrower and its Subsidiaries in any period of four (4) consecutive Fiscal Quarters to exceed the consolidated depreciation of the Borrower and the Subsidiaries for such period.

Amendment to Paragraph (e) of Section 5.02 - Mergers, ect. Clauses (i) and (ii) of Paragraph (e) of Section 5.02 of the Revolving Credit Agreement are amended in their respective entireties to read as follows:

(i) any Subsidiary may merge or consolidate with any Guarantor and any Subsidiary may transfer assets to any Guarantor; (ii) the Borrower or any Guarantor may acquire all or substantially all of the assets of or the securities or other ownership interests issued by any party engaged in the production and distribution of eggs; provided that upon or within thirty days of the acquisition of all the securities or other ownership interests issued by such a party or, if the Borrower establishes a Subsidiary to acquire all or substantially all the assets of such a party, within thirty days of such asset acquisition, the Borrower shall cause such party (in the case of the acquisition of ownership interests) or, if applicable, such new Subsidiary to execute and deliver a Subsidiary Joinder Agreement and such other documentation as the Administrative Agent may request to cause such Subsidiary to evidence, perfect, or otherwise implement the guaranty and pledge of collateral contemplated by the Amended Guaranty Agreement and Consolidated Security Agreement (except that neither Hillandale, LLC nor American Egg Products LLC shall be required to execute and deliver a Subsidiary Joinder Agreement or otherwise implement the guaranty and pledge of collateral contemplated by the Amended Guaranty Agreement and Consolidated Security Agreement under the terms of this proviso) ; and

Additions to Section 5.02 - Negative Covenants. The following Paragraphs are added to Section 5.02 of the Revolving Credit Agreement to read as follows:

(i) Investments in Non-Guarantor Subsidiaries. Make or permit to remain outstanding any advance, loan, extension of credit, or capital contribution to or investment in Hillandale, LLC or American Egg Products LLC or any affiliate thereof, or purchase or own any equity interests, notes, debentures, or other securities issued by Hillandale, LLC or American Egg Products LLC (each of the foregoing, an "Investment"), except:

(i) the Borrower may acquire 100% of the membership interests in Hillandale, LLC pursuant to the terms of that certain Agreement to Form a Limited Liability Company, Transfer Assets Thereto, and Purchase Units of Membership Therein dated July 28, 2005 (the "Hillandale Agreement") among Borrower, Hillandale Farms of Florida, Inc. and Hillandale Farms, Inc. and Jack E. Hazen, Jack E. Hazen, Jr., Homer E. Hunnicut, Jr., Orland R. Bethel and Dorman W. Mizellas (as the same exists as of October 13, 2005 without giving effect to any amendment or other modification thereof after October 13, 2005 unless modified with the consent of the Banks);

(ii) advances, loans and extensions of credit to Hillandale, LLC as long as: (A) no Event of Default exists or would result therefrom; (B) the aggregate outstanding principal amount of all such advances, loans and extensions of credit shall never exceed $10,000,000 at any time; and (C) Hillandale, LLC's obligations to repay such advances, loans and extensions of credit shall be evidenced by a promissory note in form and substance acceptable to the Administrative Agent which shall be delivered to the Agent, endorsed payable to the order of the Agent and pledged to the Agent (for the benefit of the Banks) to secure the Obligations; and

(iii) the Borrower may acquire and own the membership interests in American Egg Products LLC that it owns on October 13, 2005 after giving effect to the acquisition of 51% of the membership interests in Hillandale, LLC; and

(iv) advances, loans and extensions of credit to American Egg Products LLC as long as: (A) no Event of Default exists or would result therefrom; and (B) the aggregate outstanding principal amount of all such advances, loans and extensions of credit shall never exceed $2,000,000 at any time.

(j) Indebtedness of Hillandale, LLC. Permit Hillandale, LLC to create, incur, assume or suffer to exist, any Debt except: (i) Debt for borrowed money owed to the Borrower and incurred under the permissions of clause (ii) of paragraph (i) of Section 5.02; (ii) the obligations of Hillandale, LLC as a guarantor or co-borrower in respect of the Hillandale Term Loan; (iii) Debt for borrowed money or incurred under capital leases as long as the aggregate outstanding principal amount of the Debt incurred under the permissions of this clause (iii) shall never exceed $2,000,000; and (iv) the following Debt outstanding as of October 13, 2005:

Payee	Principal Amount
Farm Credit	$3,000,524
Columbia Grain	$2,000,000
Mercantile	$688,802
Jack Methvin	$100,000
Jo Ward	$309,367

(k) Indebtedness of American Egg Products LLC. Permit American Egg Products LLC to create, incur, assume or suffer to exist, any Debt except: (i) Debt for borrowed money owed to the Borrower and incurred under the permissions of clause (iv) of paragraph (i) of Section 5.02; (ii) Debt owed to Ford Motor Credit Company in an amount equal to $6,000 incurred to finance the purchase of an automobile; and (iii) other Debt for borrowed money or incurred under capital leases as long as the aggregate outstanding principal amount of the Debt incurred under the permissions of this clause (ii) shall never exceed $100,000.

(l) Liens of Hillandale, LLC. Permit Hillandale, LLC to incur, create, assume, or permit to exist any Lien upon any of its property, assets, or revenues, whether now owned or hereafter acquired, except: (i) Liens granted to the Administrative Agent to secure the Obligations; (ii) Liens on real estate and the improvements, equipment and fixtures located thereon and the other assets specifically related thereto securing the Hillandale Term Loan; (iii) Lien on equipment and other assets specifically related thereto securing the Debt permitted by clauses (iii) and (iv) of paragraph (j) of Section 5.02; (iv) Encumbrances consisting of minor easements, zoning restrictions, or other restrictions on the use of real property that do not (individually or in the aggregate) materially affect the value of the assets encumbered thereby or materially impair the ability of Parent or the Subsidiaries to use such assets in their respective businesses, and none of which is violated in any material respect by existing or proposed structures or land use; (v) Liens (other than Liens relating to environmental liabilities or ERISA) for taxes, assessments, or other governmental charges that are not delinquent or which are being contested in good faith and for which adequate reserves have been established; (vi) Liens of mechanics, materialmen, warehousemen, carriers, landlords, or other similar statutory Liens securing obligations that are not yet due and are incurred in the ordinary course of business or which are being contested in good faith and for which adequate reserves have been established; and (vii) Liens resulting from good faith deposits to secure payments of workmen's compensation or other social security programs or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, and contracts (other than for payment of Debt).

(m) Liens of American Egg Products LLC. Permit American Egg Products LLC to incur, create, assume, or permit to exist any Lien upon any of its property, assets, or revenues, whether now owned or hereafter acquired, except: (i) Liens on equipment and other assets specifically related thereto securing the Debt permitted by clauses (ii) and (iii) of paragraph (k) of Section 5.02; (ii) Encumbrances consisting of minor easements, zoning restrictions, or other restrictions on the use of real property that do not (individually or in the aggregate) materially affect the value of the assets encumbered thereby or materially impair the ability of Parent or the Subsidiaries to use such assets in their respective businesses, and none of which is violated in any material respect by existing or proposed structures or land use; (iii) Liens (other than Liens relating to environmental liabilities or ERISA) for taxes, assessments, or other governmental charges that are not delinquent or which are being contested in good faith and for which adequate reserves have been established; (iv) Liens of mechanics, materialmen, warehousemen, carriers, landlords, or other similar statutory Liens securing obligations that are not yet due and are incurred in the ordinary course of business or which are being contested in good faith and for which adequate reserves have been established; and (v) Liens resulting from good faith deposits to secure payments of workmen's compensation or other social security programs or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, and contracts (other than for payment of Debt).

(n) Liens of Borrower. Incur, create, assume, or permit to exist any Lien upon any right, title or interest it has in or to the following assets: (i) any membership or other equity interest it owns in Hillandale, LLC or American Egg Products LLC, (ii) any loan, advance or other extensions of credit it has made to Hillandale, LLC or to American Egg Products LLC and (iii) the proceeds of the property described in the foregoing clauses (i) and (ii) and all other property rights and general intangibles relating to the property described in the foregoing clauses (i) and (ii).

(o) Limitation on Restrictions on Subsidiaries. Create or otherwise cause or suffer to exist or become effective, nor permit any Subsidiary to create or otherwise cause or suffer to exist or become effective, any consensual encumbrance or restriction of any kind on the ability of any Subsidiary to: (1) pay dividends or make any other distribution on any of such Subsidiary's equity interests owned by the Borrower or any Subsidiary; (2) pay any Debt owed to the Borrower or any other Subsidiary; (3) make loans or advances to the Borrower or any other Subsidiary; or (4) transfer any of its property or assets to the Borrower Parent or any other Subsidiary.

(p) Affiliate Transactions. Enter into any transaction (including, without limitation, the purchase, sale, or exchange of property or the rendering of any service) with any Affiliate (including any Non-Guarantor Subsidiary) of the Borrower or any Subsidiary and will not permit any Guarantor to enter into any such transaction with any such Affiliate, except, in each case in the ordinary course of and pursuant to the reasonable requirements of Borrower's or such Guarantor's business and upon fair and reasonable terms no less favorable to Borrower or such Guarantor than would be obtained in a comparable arms-length transaction with a Person not an Affiliate of Borrower or such Guarantor.

Amendment to Existing Definitions in Section 7.01 – Definitions and Accounting Terms. *The definition of the following terms set forth in Section 7.01 of the Revolving Credit Agreement are amended in their respective entireties to read as follows:*

"Eligible Egg and Egg Product Inventory" means all eggs and egg products of Borrower and the other Pledgors including shell eggs (both processed and unprocessed), liquid, dried and frozen eggs, and all ingredients used in egg products, such as salt, sugar and syrup, and all packing and other supplies used in the production of eggs and processing of shell eggs, in which Agent has a perfected first priority security interest.

"Eligible Feed Inventory" means all feed of Borrower and the other Pledgors, including shelled corn and other feed grains, soybean meal, feed additives and chemicals used in the manufacture of feed, and processed "finished" feed, in which Agent has a perfected first priority security interest. Eligible Feed Inventory shall not include any silage.

"Eligible Livestock" means all grazing cattle on pasture and cattle of Borrower and the other Pledgors in a feedlot and all dairy cattle of Borrower and the other Pledgors of whatsoever age, in which Agent has a perfected first priority security interest

"Eligible Poultry Inventory" means all live poultry and chickens of Borrower and the other Pledgors, including broilers, pullets, layers, breeders and recycles, in which Administrative Agent has a perfected first priority security interest.

"Eligible Receivable" means the indebtedness arising out of a sale of goods or the performance of services by the Borrower or another Pledgor to a third party in the ordinary course of business (*i.e.*, not including any non–trade accounts receivable or those accounts receivable that do not otherwise arise from goods sold or services performed in the ordinary course of business) in which Agent has a perfected first priority security interest, and may include the right to payment of any interest or finance charges and other obligations of such third party with respect thereto:

(i) which is required to be paid in full within 60 days of the original billing date therefor;

(ii) as to which any payment, or part thereof, does not remain unpaid for more than 60 days from the original due date for such payment and which would, in the ordinary course of business of the Borrower or a Pledgor, not be written off as uncollectible;

(iii) which is an account receivable representing all or part of the sales price of goods or services;

(iv) which is an "account" within the meaning of the UCC of the State of New York;

(v) which is denominated and payable only in United States dollars in the United States; and

(vi) which complies, on and after the 30th day following notice by any Bank to the Borrower of any other criteria or requirements, with such other criteria and requirements as any Bank shall have specified in such notice.

"Guarantors" means each of Cal–Maine Farms, Inc., a Delaware corporation, CM Partnership, CMF of Kansas, South Texas Applicators, Inc., Southern Equipment Distributors, Inc., and each Subsidiary that hereafter executes and delivers a Subsidiary Joinder Agreement, and any reference to either or both Guarantors in any Loan Documents shall mean a reference to any or all of the Guarantors, as applicable. The term "Guarantor" shall not include Hillandale, LLC nor American Egg Products LLC.

"Loan Documents" means this Agreement (as it may be amended or otherwise modified from time to time), the Notes, the Amended Guaranty Agreement, the Consolidated Security Agreement, the Hillandale Security Agreement, the Borrower Pledge Agreement, the Intercreditor Agreement, and all other certificates and documents delivered by the Borrower or any of its Subsidiaries hereunder or under the terms of any of the foregoing documents.

"Revolving Credit Commitment" means, as to each Bank, the obligation of such Bank to make the Advances to be made pursuant to Section 1.01 in a principal amount not exceeding Twenty-Two Million Eight Hundred Fifty Seven Thousand One Hundred Forty Two and 86/100 Dollars ($22,857,142.86) with respect to Rabobank, a principal amount not exceeding Eleven Million Four Hundred Twenty Eight Thousand Five Hundred Seventy One and 43/100 Dollars ($11,428,571.43) with respect to Harris and a principal amount not exceeding Five Million Seven Hundred Fourteen Thousand Two Hundred Eighty Five and 71/100 Dollars ($5,714,285.71) respect to First South, as the same may be reduced or terminated pursuant to Section 1.04 or Section 6.02.

"Termination Date" means December 31, 2007 or the date of the earlier termination in whole of the Revolving Credit Commitment pursuant to Sections 1.04 or 6.02.

Addition of New Definitions in Section 7.01 – Definitions and Accounting Terms. The following definitions are hereby added to Section 7.01 of the Revolving Credit Agreement:

"Affiliate" means, as to any party, any other party: (a) that directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, such party; (b) that directly or indirectly beneficially owns or holds five percent (5%) or more of any class of voting equity of such party; or (c) five percent (5%) or more of the voting equity of which is directly or indirectly beneficially owned or held by the party in question. The term "control" means the possession, directly or indirectly, of the power to direct or cause direction of the management and policies of a party, whether through the ownership of voting securities, by contract, or otherwise; provided, however, in no event shall Administrative Agent, Agent or any Bank be deemed an Affiliate of the Borrower or any Subsidiaries.

"Borrower Pledge Agreement" means that certain Pledge Agreement dated as of October 13, 2005 between the Borrower and the Agent for the benefit of the Banks and all amendments, supplements and other modifications thereto.

"Hillandale Security Agreement" means that certain Security Agreement dated as of October 13, 2005 between Hillandale, LLC and the Agent for the benefit of the Banks and all amendments, supplements and other modifications thereto.

"Hillandale Term Loan" means a term loan originally extended in 2005 in an original principal amount not to exceed $28,000,000 secured by real property owned by Hillandale, LLC and the improvements, fixtures and equipment located thereon and related thereto and certain other assets specifically related thereto, the proceeds of which were or are to be used to refinance the then existing Debt of Hillandale, LLC.

"Lien" means any lien, mortgage, security interest, tax lien, financing statement, pledge, charge, hypothecation, assignment, preference, priority, or other encumbrance of any kind or nature whatsoever (including, without limitation, any conditional sale or title retention agreement), whether arising by contract, operation of law, or otherwise.

"Pledgors" means Borrower, the Guarantors and Hillandale, LLC.

Amendment to Exhibit – Compliance Certificate. Exhibit C to the Revolving Credit Agreement is amended in its entirety to read as set forth on Exhibit A hereto.

Conditions Precedent

Conditions. The effectiveness of Article II of this Amendment is subject to the satisfaction of the following conditions precedent:

The Administrative Agent shall have received a fully executed complete copy of the Hillandale Agreement (including all schedules and exhibits thereto) together with copies of all bills of sale, assignments, UCC, Tax and Judgment Lien searches, legal opinions, closing certificates and other documentation delivered in connection therewith (collectively the "Hillandale Documents") excluding however, the real property deeds and title insurance documents and the environmental reports;

The Administrative Agent shall have received the Borrower Pledge Agreement in substantially the form of Exhibit B hereto executed by the Borrower and such other documentation as the Administrative Agent may request to cause the Borrower to evidence, perfect, or otherwise implement the pledge of collateral contemplated by the Borrower Pledge Agreement;

The Administrative Agent shall have received the Hillandale Security Agreement in substantially the form of Exhibit C hereto executed by Hillandale, LLC and such other documentation as the Administrative Agent may request to cause Hillandale, LLC to evidence, perfect, or otherwise implement the pledge of collateral contemplated by the Hillandale Security Agreement;

The Administrative Agent shall have received the First Amendment to Third Amended and Restated Intercreditor Agreement in substantially the form attached hereto as Exhibit D executed by all the parties thereto;

The Administrative Agent shall have received the promissory note executed by Hillandale, LLC and payable to the order of the Borrower in substantially the form attached hereto as Exhibit E and endorsed by the Borrower payable to the order of the Agent;

The Administrative Agent shall have received a Note for each of the Banks in the amount of its Revolving Credit Commitment after giving effect to this Amendment;

The Administrative Agent shall have received such evidence of the existence and good standing of the Borrower and the other Pledgors (including, without limitation, Hillandale, LLC) and of their authority to execute, deliver and perform this Amendment, the other Loan Documents and Hillandale Documents to which each is a party as the Administrative Agent may require, each dated (unless otherwise indicated) the date of this Amendment, in form and substance satisfactory to the Administrative Agent;

The Administrative Agent shall have received an opinion of counsel to the Borrower and the other Pledgors in form and substance acceptable to the Administrative Agent;

Each Bank shall have received its pro rata portion (calculated based on the Revolving Credit Commitments) of an upfront fee paid by the Borrower which aggregates for all Banks to an amount equal to $100,000;

The Administrative Agent shall have received evidence that the lenders under the Note Agreement shall have agreed that neither Hillandale, LLC nor American Egg Products LLC are required to be added as guarantors under the terms of the Note Agreement, which evidence shall include an amendment to or waiver of Section 2.9 of the Note Agreement;

The Administrative Agent shall have received such additional documentation and information as it or its legal counsel may request;

The representations and warranties contained herein and in all other Loan Documents, as amended hereby, and in the Hillandale Documents shall be true and correct as of the date hereof as if made on the date hereof, except for such representations and warranties limited by their terms to a specific date;

No Event of Default nor any event or condition that with the giving of notice or lapse of time or both would be such an Event of Default shall exist or will result from the Hillandale Transactions; and

All proceedings taken in connection with the transactions contemplated by this Amendment and the Hillandale Documents and all documentation and other legal matters incident thereto shall be satisfactory to the Administrative Agent and its legal counsel.

Ratifications, Representations and Warranties

Ratifications. The terms and provisions set forth in this Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Revolving Credit Agreement and except as expressly modified and superseded by this Amendment, the terms and provisions of the Loan Documents (including all amendments thereto which include, without limitation, that certain First Amendment and Waiver to Second Amended and Restated Revolving Credit Agreement dated October 14, 2002, that certain Second Amendment to Second Amended and Restated Revolving Credit Agreement dated January 31, 2003, that certain Third Amendment to Second Amended and Restated Revolving Credit Agreement dated September 12, 2003, that certain Fourth Amendment to Second Amended and Restated Revolving Credit Agreement dated December 1, 2003, that certain Fifth Amendment to Second Amended and Restated Revolving Credit Agreement dated March 31, 2004, that certain Sixth Amendment to Second Amended and Restated Revolving Credit Agreement dated April 14, 2004, that certain Seventh Amendment to Second Amended and Restated Revolving Credit Agreement dated August 6, 2004 and that certain Eight Amendment to Second Amended and Restated Revolving Credit Agreement dated March 15, 2004 (collectively, the "Previous Amendments")) are ratified and confirmed and shall continue in full force and effect. The liens, security interests, and assignments created and evidenced by the Loan Documents are valid and existing liens, security interests, and assignments of the respective priority recited in the Loan Documents. Each of the parties hereto agrees that: (i) the Loan Documents, as amended hereby and by the Previous Amendments, shall continue to be legal, valid, binding, and enforceable in accordance with their respective terms and (ii) this Amendment is a Loan Document as such term is defined in and used in the Revolving Credit Agreement and the other Loan Documents.

Representations and Warranties. To induce the Administrative Agent and the Banks to modify the Revolving Credit Agreement as herein set forth, Borrower and each Guarantor represents and warrants to the Administrative Agent and the Banks that:

The representations and warranties of Borrower and each Guarantor contained in the Loan Documents, as amended hereby, are true and correct on and as of the date hereof as though made on and as of the date hereof, except for such representations and warranties limited by their terms to a specific date;

No Event of Default has occurred and is continuing or will occur as a result of the Hillandale Transactions and no event or condition has occurred (or will occur as a result of the Hillandale Transaction) that with the giving of notice or lapse of time or both would be an Event of Default, and the Borrower and each Guarantor is in full compliance with all covenants and agreements binding on them contained in the Loan Documents, as amended hereby;

No default nor any event of default has occurred and is continuing or will occur as a result of the Hillandale Transactions under the terms of the Note Agreement and no event or condition has occurred (or will occur as a result of the Hillandale Transaction) that with the giving of notice or lapse of time or both would be such a default or event of default, and the Borrower and each Guarantor is in full compliance with all covenants and agreements binding on them contained in the Note Agreement;

All Hillandale Documents are in full force and effect, no material term or condition thereof has been amended, modified or waived, the Contribution and Initial Equity Acquisition has occurred, the Hillandale Transactions are permitted by the terms of the Note Agreement and each party to the Hillandale Documents has performed all material obligations required thereby as of the date hereof; and

AS OF THE DATE OF ITS EXECUTION OF THIS AMENDMENT THERE ARE NO CLAIMS, RIGHTS OF RECOUPMENT OR OFFSETS AGAINST OR DEFENSES OR COUNTERCLAIMS TO ITS OBLIGATIONS UNDER THE LOAN DOCUMENTS AND IN ACCORDANCE THEREWITH IT WAIVES ANY AND ALL SUCH CLAIMS, OFFSETS, DEFENSES, RIGHTS OF RECOUPMENT OR COUNTERCLAIMS, WHETHER KNOWN OR UNKNOWN, ARISING PRIOR TO THE DATE OF ITS EXECUTION OF THIS AMENDMENT.

Miscellaneous

Survival of Representations and Warranties. All representations and warranties made in this Amendment shall survive the execution and delivery of this Amendment, and no investigation by the Administrative Agent or any Bank or any closing shall affect *the representations and warranties or the right of the Administrative Agent and each Bank to rely upon them.*

Reference to Revolving Credit Agreement. Each of the Loan Documents are hereby amended so that any reference in such Loan Documents to the Revolving Credit Agreement shall mean a reference to the Revolving Credit Agreement, as amended hereby.

Severability. Any provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

Applicable Law. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Successors and Assigns. This Amendment is binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns, except neither Borrower nor any Guarantor may assign or transfer any of its rights or obligations hereunder without the prior written consent of the Banks.

Counterparts. This Amendment may be executed in one or more counterparts and on telecopy counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same agreement.

Effect of Waiver. No consent or waiver, express or implied, by the Administrative Agent or any Bank to or for any breach of or deviation from any covenant, condition, or duty by Borrower or any Guarantor shall be deemed a consent or waiver to or of any other breach of the same or any other covenant, condition, or duty.

Headings. The headings, captions, and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

Entire Agreement. THIS AMENDMENT EMBODIES THE FINAL, ENTIRE AGREEMENT AMONG THE PARTIES HERETO AND SUPERSEDES ANY AND ALL PRIOR COMMITMENTS, AGREEMENTS, REPRESENTATIONS AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THE SUBJECT MATTER OF THIS AMENDMENT, AND MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF THE PARTIES HERETO.

Executed as of the date first written above.

CAL–MAINE FOODS, INC.

By: ____
Timothy Dawson, Vice President and Chief Financial Officer

COÖPERATIEVE CENTRALE
RAIFFEISEN–BOERENLEENBANK B.A.
"RABOBANK NEDERLAND," NEW YORK BRANCH (sometimes referred to as Rabobank International), as the Administrative Agent and a Bank

By: ____
Richard J. Beard, Executive Director

By: ____
Brett Delfino, Executive Director

FIRST SOUTH FARM CREDIT, ACA

By: ____
J. Andrew Mangialardi, Vice President

Harris N.A. (successor in interest by merger to Harris Trust and Savings Bank)

By: ____
David J. Bechstein, Vice President

GUARANTOR CONSENT

Each Guarantor: (i) consents and agrees to this Ninth Amendment to Second Amended and Restated Revolving Credit Agreement; (ii) agrees that the Intercreditor Agreement, the Amended Guaranty Agreement and the Consolidated Security Agreement to which it is a party shall remain in full force and effect and shall continue to be the legal, valid, and binding obligation of such Guarantor enforceable against it in accordance with its terms; and (iii) agrees and acknowledges that the obligations, indebtedness and liability secured or guaranteed by the Amended Guaranty Agreement and the Consolidated Security Agreement to which it is a party include the "Obligations" as defined in the Second Amended and Restated Revolving Credit Agreement, as amended by this Amendment.

GUARANTORS

CAL–MAINE FARMS, INC.
SOUTHERN EQUIPMENT DISTRIBUTORS, INC.
SOUTH TEXAS APPLICATORS, INC.

By: ____
Timothy Dawson, Vice President and Chief Financial Officer of each of the foregoing companies

CAL–MAINE PARTNERSHIP, LTD.

By: Cal–Maine Foods, Inc.,
its general partner

By: ______________________________________
Timothy Dawson, Vice President and Chief Financial Officer

CMF OF KANSAS – LLC

By: Cal–Maine Foods, Inc.
its managing member

By: ______________________________________
Timothy Dawson, Vice President and Chief Financial Officer

Subsidiaries of Cal-Maine Foods, Inc **Exhibit 21**

Name of Subsidiary	Place of Incorporation or Organization	Percentage of Outstanding Stock or Ownership Interest Held by Registrant
Cal-Maine Farms, Inc.	Delaware	100%
Southern Equipment Distributors, Inc.	Mississippi	100%
South Texas Applicators, Inc.	Delaware	100%
Cal-Maine Partnership, Ltd.	Texas	(1)
CMF of Kansas, LLC	Delaware	(2)
Hillandale, LLC.	Florida	51%
American Egg Products, Inc.	Georgia	(3)

(1) Limited partnership in which Cal-Maine Foods, Inc. has a 1% General Partner interest and Cal-Maine Farms, Inc. has a 99% Limited Partner interest.

(2) Limited liability company of which Cal-Maine Foods, Inc. and Cal-Maine Farms, Inc. are members and have 99% and 1% interests, respectively.

(3) Cal-Maine Foods, Inc. 44% and Hillandale, LLC. 27%

Exhibit 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-20169) pertaining to the Cal-Maine Foods, Inc. 1993 Stock Option Plan, the Registration Statement (Form S-8 No. 333-29940) pertaining to the Cal-Maine Foods, Inc. 1999 Stock Option Plan, and the Registration Statement (Form S-8 No. 333-130832) of Cal-Maine Foods, Inc. pertaining to the Cal-Maine Foods, Inc. Incentive Stock Option Plan and to the Cal-Maine Foods, Inc. Stock Appreciation Rights Plan of our reports dated August 11, 2006, with respect to the consolidated financial statements and schedule of Cal-Maine Foods, Inc. and subsidiaries, Cal-Maine Foods, Inc. and subsidiaries management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Cal-Maine Foods, Inc. and subsidiaries included in the Annual Report (Form 10-K) for the year ended June 3, 2006.

/s/ Ernst & Young LLP
New Orleans, Louisiana
August 11, 2006

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-14(a)
or 15d-14(a) under the Securities Exchange Act of 1934

I, Fred R. Adams, Jr., CEO, certify that:

1. I have reviewed this Annual Report on Form 10-K of Cal-Maine Foods, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e). for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information ; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Fred R. Adams, Jr.
Fred R. Adams, Jr.
Chairman of the Board and Chief Executive Officer

Date : August 16, 2006

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-14(a)
or 15d-14(a) under the Securities Exchange Act of 1934

I, Timothy A. Dawson, CFO, certify that:

1. I have reviewed this Annual Report on Form 10-K of Cal-Maine Foods, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e). for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information ; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Timothy A. Dawson
Timothy A. Dawson
Vice President and Chief Financial Officer

Date: August 16, 2006

Exhibit 32

Written Statement of the Chief Executive Officer and Chief Financial Officer
Pursuant to 18 U.S.C. § 1350

Solely for the purposes of complying with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, we, the undersigned Chief Executive Officer and Chief Financial Officer of Cal-Maine Foods, Inc.(the "Company"), hereby certify, based on their knowledge, that the Annual Report on Form 10-K of the Company for the year ended June 3, 2006 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Fred R. Adams, Jr.
Fred R. Adams, Jr.
Chief Executive Officer

/s/ Timothy A. Dawson
Timothy A. Dawson
Chief Financial Officer

Date: August 16, 2006

CORPORATE INFORMATION

CORPORATE OFFICES

Cal-Maine Foods, Inc.
3320 Woodrow Wilson Drive
Post Office Box 2960
Jackson, Mississippi 39207
(601) 948-6813
www.calmainefoods.com

TRANSFER AGENT

Computershare Investor Services, LLC
P. O. Box 43078
Providence, Rhode Island 02940-3078
800-568-3476

INDEPENDENT AUDITORS

Ernst & Young LLP
3900 One Shell Square
701 Poydras Street
New Orleans, Louisiana 70139

ANNUAL MEETING

11:30 a.m.
October 5, 2006
Cal-Maine Corporate Offices
3320 Woodrow Wilson Drive
Jackson, Mississippi

FORM 10-K

The Form 10-K, including the financial statements and schedules thereto, for the year ended June 3, 2006, as well as other information about Cal-Maine Foods, Inc. may be obtained without charge by writing to Ms. Delores McMillin, Investor Relations, at the Company's corporate offices.

CAL-MAINE FOODS, INC.
3320 Woodrow Wilson Drive
Post Office Box 2960
Jackson, Mississippi 39207
(601) 948-6813
www.calmainefoods.com