CAL MAINE FOODS INC
Form 10-Q/A
May 01, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q/A
(Amendment No. 1)

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Amendment No. 1 to quarterly report on Form 10-Q for the quarterly period ended March 3, 2007

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)

The undersigned registrant hereby amends its Quarterly Report on Form 10-Q for the quarter ended March 3, 2007 (the "Form 10-Q") solely for the purpose of correcting an inadvertent error in the amount of its originally reported "Total liabilities" as of March 3, 2007. No other changes to the Form 10-Q are made, except for the filing of updated Exhibits 31.1, 31.2 and 32.0.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this amendment to be signed on its behalf by the undersigned, thereunto duly authorized.

CAL-MAINE FOODS, INC.

Date: April 30, 2007
By: /s/ Charles F. Collins

Charles F. Collins
Vice President Controller

(Principal Accounting Officer)

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CAL-MAINE FOODS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	March 3, 2007 (unaudited)	June 3, 2006 (note1)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 15,134	$ 13,295
Investments	28,600	25,000
Trade and other receivables	40,525	24,955
Recoverable federal income taxes	836	1,177
Inventories	62,855	57,843
Prepaid expenses and other current assets	1,266	3,408
Total current assets	149,216	125,678
Notes receivable and investments	8,241	8,316
Goodwill	4,195	4,016
Other assets	2,550	2,833
Property, plant and equipment	363,209	339,831
Less accumulated depreciation	(178,278)	(163,556)
	184,931	176,275
TOTAL ASSETS	$ 349,133	$ 317,118
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 53,482	$ 34,642
Current maturities of purchase obligation	5,435	6,884
Current maturities of long-term debt	13,610	11,902
Deferred income taxes	11,610	11,450
Total current liabilities	84,137	64,878
Long-term debt, less current maturities	94,383	92,010
Minority interest	923	919
Purchase obligation, less current maturities	9,673	16,751
Other non-current liabilities	3,701	3,860
Deferred income taxes	18,705	18,925
Total liabilities	211,522	197,343
Stockholders' equity:		
Common stock $0.01 par value per share:		
Authorized shares - 60,000		
Issued 35,130 shares and 21,158 shares outstanding at March 3, 2007 and 21,103 shares at June 3, 2006	351	351
	24	24

Class A common stock $0.01 par value per share, authorized issued and outstanding 2,400 shares at March 3, 2007 and June 3, 2006				
Paid-in capital		28,955		28,700
Retained earnings		129,679		112,183
Common stock in treasury-13,972 shares at March 3, 2007 and 14,027 at June 3, 2006		(21,398)		(21,483)
Total stockholders' equity		137,611		119,775
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	349,133	$	317,118

See notes to condensed consolidated financial statements.

CAL-MAINE FOODS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
UNAUDITED

	13 Weeks Ended		39 Weeks Ended	
	March 3, 2007	February 25, 2006	March 3, 2007	February 25, 2006
Net sales	$ 175,211	$ 130,107	$ 428,256	$ 348,150
Cost of sales	131,029	104,134	350,712	303,408
Gross profit	44,182	25,973	77,544	44,742
Selling, general and administrative	16,902	15,493	45,830	43,140
Operating income	27,280	10,480	31,714	1,602
Other income (expense):				
Interest expense, net	(1,639)	(1,906)	(5,198)	(5,895)
Other	1,956	1,346	2,637	1,090
	317	(560)	(2,561)	(4,805)
Income (loss) before income taxes	27,597	9,920	29,153	(3,203)
Income tax expense (benefit)	10,194	1,930	10,780	(2,400)
Net income (loss)	$ 17,403	$ 7,990	$ 18,373	$ (803)
Net income (loss) per common share:				
Basic	$ 0.74	$ 0.34	$ 0.78	$ (0.03)
Diluted	$ 0.74	$ 0.34	$ 0.78	$ (0.03)
Dividends per common share	$ 0.0125	$ 0.0125	$ 0.0375	$ 0.0375
Weighted average shares outstanding:				
Basic	23,519	23,497	23,508	23,494
Diluted	23,578	23,680	23,583	23,494

See notes to condensed consolidated financial statements.

CAL-MAINE FOODS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
UNAUDITED

	39 Weeks Ended	
	March 3, 2007	February 25, 2006
Cash flows provided by operating activities	$ 36,959	$ 13,622
Cash flows from investing activities:		
Net (increase) / decrease in investments	(3,600)	10,784
Acquisitions of businesses, net of cash acquired	(1,152)	(23,804)
Purchases of property, plant and equipment	(17,071)	(6,939)
Payments received on notes receivable and from investments	846	1,755
Increase in notes receivable and investments	(1,180)	(519)
Net proceeds from sale of property, plant and equipment	402	1,637
Net cash used in investing activities	(21,755)	(17,086)
Cash flows from financing activities:		
Proceeds from issuance of common stock from treasury	177	73
Payment of purchase obligation	(6,102)	-
Proceeds from long-term borrowings	3,000	28,000
Principal payments on long-term debt	(9,563)	(29,814)
Payment of dividends	(877)	(877)
Net cash used in financing activities	(13,365)	(2,618)
Net change in cash and cash equivalents	1,839	(6,082)
Cash and cash equivalents at beginning of period	13,295	20,221
Cash and cash equivalents at end of period	$ 15,134	$ 14,139

See notes to condensed consolidated financial statements.

CAL-MAINE FOODS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(in thousands, except share amounts)
March 3, 2007

1. Presentation of Interim Information

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation have been included. Operating results for the thirteen-week and thirty-nine week periods ended March 3, 2007 are not necessarily indicative of the results that may be expected for the year ending June 2, 2007.

The balance sheet at June 3, 2006 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

For further information, refer to the consolidated financial statements and footnotes thereto included in Cal-Maine Foods, Inc.'s annual report on Form 10-K for the fiscal year ended June 3, 2006.

Green Forest Foods, LLC Acquisition

On January 24, 2007, we entered into an agreement to buy the remaining 50 percent interest in Green Forest Foods, LLC, owned by Pier 44 Properties, LLC. Green Forest Foods, LLC located in Green Forest, Arkansas, had been jointly owned and operated by Pier 44 Properties, LLC and Cal-Maine Foods, Inc. since January 2006. Effective January 27, 2007, we became the sole owner and operator of Green Forest Foods, and it became a fully consolidated entity. Prior to this purchase, we accounted for our investment in Green Forest Foods, LLC under the equity method. The acquisition cost was $2 million in cash. We also assumed $11.0 million in liabilities, primarily obligations for fixed assets subject to capital leases. Pro forma information with respect to the acquisition is insignificant to the Company’s consolidated financial statements and accordingly has not been presented.

Green Forest Foods produces, processes, and markets eggs from approximately one million laying hens, along with pullet growing for replacements.

Hillandale Acquisition

On July 28, 2005, we entered into an Agreement to Form a Limited Liability Company 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, formed under the Agreement, for cash of approximately $27 million on October 12, 2005, with the remaining 49% of the Units of Membership to be acquired in essentially equal annual installments over a four-year period. The purchase price of the Units equals their book value at the time of purchase as calculated under the terms of the Agreement.

In August 2006, in accordance with the Agreement, we purchased, for $6.1 million, an additional 13% of the Units of Hillandale, LLC based on their book value as of July 29, 2006. Our ownership of Hillandale, LLC currently is 64%. Our obligation to acquire the remaining 36% of Hillandale, LLC is recorded at its present value of $15.1 million as of March 3, 2007 of which $5.4 million is included in current liabilities and $9.7 million is included in other non-current liabilities in the accompanying consolidated balance sheet. We will purchase an additional 12% of Hillandale LLC based on the book value of the Membership Units as of July 29, 2007.

Prior to the acquisition of our Units of Membership in Hillandale, LLC, 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 interest in AEP was accounted for by the equity method. Effective with our acquisition of Hillandale, LLC, we own a majority of the membership interests in AEP. Accordingly, the financial statements of AEP have been consolidated with our financial statements effective July 29, 2005.

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

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.

	39 Weeks Ended			
	March 3, 2007		February 25, 2006	
Net sales	$	428,256	$	361,124
Net income (loss)	$	18,373	$	(4,959)
Basic net income (loss) per share	$	0.78	$	(0.21)
Diluted net income (loss) per share	$	0.78	$	(0.21)

Stock Based Compensation

In December 2004, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) Statement No. 123 (revised 2004)(“SFAS No.123(R)”), "Share-Based Payment," which is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123(R) supersedes Accounting Principles Board (“APB”) Opinion No. 25, "Accounting for Stock Issued to Employees", and amends SFAS No. 95, "Statement of Cash Flows". SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, restricted stock and performance-based shares to be recognized in the income statement based on their fair values. SFAS No. 123(R) also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. In the first quarter of fiscal 2007, we adopted SFAS No. 123(R) using the modified prospective method. Under the modified prospective method, compensation cost will be recognized for all share-based payments granted after the adoption of SFAS No. 123(R) and for all awards granted to employees prior to the adoption date of SFAS No. 123(R) that remain unvested on the adoption date. Accordingly, no restatements were made to prior periods. We recognized stock based compensation expense of $1,269 and $1,522 for the thirteen week and thirty-nine week periods ended March 3, 2007.

Prior to adoption of SFAS No. 123(R), we applied Accounting Principles Board(“APB”) No. 25 in accounting for our employee stock compensation plans and generally recognized no compensation expense for employee stock options. Under the provisions of APB No. 25, we recognized a liability for Stock Appreciation Rights (“SARS”) and Tandem Stock Appreciation Rights (“TSARS”) (collectively, “Rights”) based upon the intrinsic value of vested SARS and TSARS at each period end. Under SFAS No. 123(R), we are required to recognize a liability for vested SARS and TSARS based upon their fair value at each period end using a Black-Scholes option pricing model and to record a cumulative effect adjustment for the change in method of accounting for such liability awards. The cumulative effect resulting from the adoption of SFAS No. 123(R) was insignificant and is included in stock based compensation expense for the current fiscal year.

Our stock-based compensation plans are described in note 1 of the notes to consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended June 3, 2006. On August 24, 2006, in accordance with provisions of our 2005 Stock Appreciation Rights Plan (the “SARs Plan”), our Board of Directors approved an amendment to the SARs Plan providing that exercises under the SARs Plan be settled in cash and not with shares of our common stock.

A summary of our equity award activity and related information for the thirty-nine weeks ended March 3, 2007 is as follows:

	Number of Options		Weighted Exercise Price Per Share	Weighted Average Remaining Contractual Life (in Years)		Aggregate Intrinsic Value
Outstanding, June 3, 2006	473,400	$	4.97			
Granted	-		-			
Exercised	55,600		3.18			
Forfeited	-		-			
Outstanding, March 3, 2007	417,800	$	5.21	7.59	$	3,351
Exercisable, March 3, 2007	104,240	$	3.99	6.73	$	840

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The number and weighted average grant-date fair value of non-vested equity awards was as follows:

	Number of Shares		Weighted Average Grant-Date Fair Value Per Share
Nonvested, June 3, 2006	395,760	$	2.56
Granted	-		-
Vested	(82,200)		2.52
Forfeited	-		-
Nonvested, March 3, 2007	313,560	$	2.58

A summary of our liability award activity and related information for the thirty-nine weeks ended March 3, 2007 is as follows:

	Number Of Rights		Weighted Average Strike Price Per Right	Weighted Average Remaining Contractual Life (in Years)		Aggregate Intrinsic Value
Outstanding, June 3, 2006	586,000	$	5.69			
Granted	15,000	$	6.93			
Exercised	56,400	$	5.01			
Forfeited	-		-			
Outstanding, March 3, 2007	544,600	$	5.80	8.29	$	3,406 822
Exercisable, March 3, 2007	123,320	$	5.19	7.65	$	846

The fair value of liability awards was estimated as of March 3, 2007 using a Black-Scholes option pricing model using the following weighted-average assumptions: risk-free interest rate of 4.5%; dividend yield of 1%; volatility factor of the expected market price of our stock of 36.8%; and a weighted-average expected life of the rights of 4.75 years.

2. Inventories

Inventories consisted of the following:

	March 3, 2007	June 3, 2006
Flocks	$ 38,806	$ 39,092
Eggs	5,452	3,820
Feed and supplies	18,597	14,931
	$ 62,855	$ 57,843

3. Legal Proceedings

We are defendants in certain legal actions. It is our opinion, based on advice of legal counsel, that the outcome of these actions will not have a material adverse effect on our consolidated financial position or operations. Please refer to Part II, Item 1, of this report for a description of certain pending legal proceedings.

4. Net Income (Loss) per Common Share

Basic earnings (loss) per share are based on the weighted average common shares outstanding. Diluted earnings per share include any dilutive effects of options and warrants. Options and warrants representing 182,793 shares were excluded from the calculation of diluted earnings per share for the thirty-nine week period ended February 25, 2006 because of the net loss for the period.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS

Exhibit No.	Description
31.1	Certification of The Chief Executive Officer
31.2	Certification of The Chief Financial Officer
32.0	Written statement of The Chief Executive Officer and The Chief Financial Officer