

Cal-Maine Foods, Inc.(Q3 2026 Earnings)

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Corporate Speakers:

- Sherman Miller; Cal-Maine Foods, Inc.; President, Chief Executive Officer
- Max Bowman; Cal-Maine Foods, Inc.; Vice President, Chief Financial Officer

Participants:

- Heather Jones; Heather Jones Research, LLC; Founder
- Pooran Sharma; Stephens Inc.; Analyst
- Leah Jordan; Goldman Sachs; Vice President, Equity Research
- Benjamin Mayhew; BMO Capital Markets; Vice President, Ag/Protein Equity Research
- Ben Klieve; The Benchmark Company; Analyst

PRESENTATION

Operator^ Good morning, everyone, and welcome to the Cal-Maine Foods Third Quarter Fiscal 2026 Earnings Conference Call. (Operator Instructions). Please note this call is being recorded. I will now turn the call over to Sherman Miller, the President and Chief Executive Officer of Cal-Maine Foods. Please go ahead.

Sherman Miller^ Good morning. Thank you for joining us today. I want to remind everyone that today's remarks may include forward-looking statements. These are based on management's current expectations and are subject to risk and uncertainties described in our SEC filings.

Let me start by sincerely thanking our teams across the organization whose execution, focus, and commitment to excellence drive the operational and financial performance that underpins everything we do. The hard work and dedication continue to set us apart, and these results are a direct reflection of their efforts.

In February, we shared the sad news of the passing of longtime board member Jim Poole. Over more than two decades, Jim made a lasting impact on the company, and we extend our heartfelt condolences to his family and loved ones.

Today we announced the appointment of Dudley Wooley to the Board to fill the vacancy left by Jim. Dudley brings deep expertise in risk management and governance, along with a strong track record of leading growth-oriented organizations and driving operational performance. We look forward to the perspective he will add as we continue to strengthen our business, enhance earnings visibility, and focus on long-term value creation.

Before Max walks you through our results in detail and provide additional color on our financial performance, I'd like to spend a few minutes discussing how we think about the long-term direction of the business and how the strategy we're executing is designed to create durable value over time.

When investors evaluate Cal-Maine, they often focus on the consistency of our execution. That reputation has been built over time, not in any single quarter. It reflects the accountability, operational excellence, and continuous improvement embedded across the organization.

At Cal-Maine, our objective is straightforward. To compound intrinsic value per share over time through thoughtful portfolio evolution, efficient operations, and prudent capital allocation. While short-term earnings will naturally fluctuate in the cyclical industry, our focus remains on strengthening the long-term earnings power and resilience of the business.

In practical terms, that strategy centers on several priorities. First, we continue to expand our specialty egg mix. Specialty eggs represent a larger portion of our portfolio. They support structurally stronger margins, more stable demand characteristics, and improved returns on invested capital.

Second, we're continuing to evolve our pricing structures. Over time, we're increasing the share of our business that operates under structured pricing arrangements, which we believe helps improve the stability and predictability of realized pricing across the cycle.

Third, we're expanding our prepared foods platform. Prepared foods broadens our addressable market, leverages our vertically integrated shell egg inputs, and establishes a complementary long-term growth platform alongside our core shell egg business. At the same time, we continue to reinforce the operational strengths that have long defined the company. Investments in cybersecurity, productivity, and vertical integration strengthens our cost leadership and support reliable operating performance across cycles.

Together, we believe these actions will steadily improve the quality and durability of our normalized earnings power while strengthening the company's long-term competitive position. Against that backdrop, let me highlight a few key developments from the third quarter and the first three quarters of our fiscal year that reflect how the strategy is translating into execution.

Unless otherwise indicated, all comparisons are to the comparable period of fiscal 2025. In the third quarter of fiscal 2026, specialty eggs drove a greater portion of shell egg sales, accounting for 50.5% of total shell egg sales compared to 24.4%. Prepared foods accounted for 9.5% of net sales compared to 0.8%. Specialty eggs and prepared foods combined accounted for 52.9% of net sales compared to 24%.

In the first three quarters of fiscal 2026, specialty eggs drove a greater portion of shell egg sales, accounting for 42.7% of total shell egg sales compared to 29.2%. Prepared

foods accounted for 9.3% of net sales compared to 1%. Specialty eggs and prepared foods combined accounted for 45.7% of net sales compared to 28.6%.

Importantly, the egg market in the third quarter of fiscal 2026 provided a real-time test of our strategy. Fears of price softness can create noise around near-term performance, but they also provide an opportunity to demonstrate that our results are not simply a function of spot market conditions. Instead, our performance reflects how effectively we manage mix, pricing structures, cost, and capital across the cycle.

What we're really seeing is a market that's still being impacted by high path AI, but to a much lesser extent than last year. The disruption hasn't gone away. It's still a reality, but it's not driving the same level of supply shock or penny-driven purchasing. Supplies improved, and retailers and food service operators aren't rushing to build inventory, which has put downward pressure on wholesale prices, with retail adjusting more gradually.

The key data points for December to February make that clear. The average layer hen flock is up about 2.2% year over year, and depopulations are down 70.6% year over year. So, while high-path AI is still present, the magnitude of disruption is meaningfully lower, and that's what showing up in pricing.

On the demand side, consumption remains stable to improving, with a few timing dynamics influencing near-term trends, and retail volumes are up about 3% year to date. What's important is that our market is broad-based. Growth is showing up across both value and premium segments. In food service, demand is beginning to recover with increased traffic in egg servings increasing particularly in quick service.

More broadly, eggs continue to benefit from strong structural tailwinds. They align with high-protein and health-focused diets, fit well with convenience and portable meal formats, and remain a non-discretionary item once a consumer is in the channel. So, overall, demand is holding up well, and what we're seeing in the market today is much more about supply recovery and timing shifts than any fundamental change in consumption.

You can see our strategic framework reflected in the acquisition of the shell egg, egg products, and prepared foods assets of Creighton Brothers and Crystal Lake that we announced during the quarter. This transaction expands the geographic scale of our shell egg platform and adds nearby liquid egg capacity that supports our internal sourcing strategy for egg-based ingredients.

We believe that over time, integrating shell egg production, egg products, and prepared foods more tightly within our value chain will help strengthen supply security, improve operational efficiency, and reinforce the economics for our prepared foods platform. With that, let me turn the call over to Max to drill down into our financial results and discuss our capital allocation framework. Max?

Max Bowman^ Thanks, Sherman, and good morning, everyone. As a reminder, we published our third-quarter earnings release and 10-Q this morning. Additionally, we published a brief earnings presentation on our website. These documents contain detailed information on our financial results.

I'll touch on the highlights for the third quarter of fiscal 2026. Unless otherwise indicated, all comparisons are to the comparable period of fiscal 2025. For the third quarter of fiscal 2026, net sales were \$667 million compared to \$1.4 billion, down 53%. Conventional egg sales were \$283.2 million compared to \$1 billion, down 72.1% with 70.1% lower selling prices and 6.7% lower sales volumes.

Specialty egg sales were \$289.1 million compared to \$328.9 million, down 12.1% with 16.9% lower selling prices and 5.8% higher sales volume. Our average breeder flock grew 13%. Total chicks hatched rose 41.7%, and the average number of layer hens expanded to 2%.

Prepared food sales were \$63.6 million compared to \$11.8 million, up 441.2% year-over-year and compared to \$71.7 million, down 11.2% quarter over quarter. Our majority-owned subsidiary, Crepini Foods, delivered strong momentum with sales increasing by 283%, contributing positively to the overall prepared foods portfolio.

In prepared foods, Q3 represents a trough driven by the timing of previously announced planned network optimization and expansion activities. The near-term margin pressure is largely volume driven, reflecting temporary downtime and the under absorption of fixed costs, along with some mixed headwinds as the network transitions and we increase the use of cost-type pricing arrangements that enhance stability.

As capacity comes back online, we expect a progressive recovery beginning in Q4 with margins trending back towards baseline through fiscal 2027 and 2028 as scale and network efficiencies are realized. We expect prepared foods capacity to increase more than 30% over the next 18 to 24 months.

Importantly, demand remains intact. This is a function of execution timing, not structural weakness, and these investments position prepared foods as a more durable, high-margin growth platform. Overall, gross profit was \$119.3 million compared to \$716.1 million, down 83.3% primarily driven by 56.5% lower shell egg selling prices, partially offset by a decrease in the price and volume of outside egg purchases, as our percentage produced to sold increase 3.1 percentage points to 91.5%.

Operating income was \$35.9 million compared to \$635.7 million, down 94.3% with an operating income margin of 5.4%. Net income attributable to Cal-Maine was \$50.5 million compared to \$508.5 million, down 90.1%. Diluted earnings per share were \$1.06 compared to \$10.38, down 89.8%. Cost of sales decreased 21.9%. Lower cost associated with egg purchases and egg products more than offset the increase in prepared food costs due to the acquisition of Echo Lake Foods, as well as the increase in our farm production and processing, packaging, and warehouse costs.

SG&A expenses increased 4.2% due to the addition of Echo Lake Foods and increased professional and legal fees. This was partially offset by lower employee-related cost. Net cash flow from operations was \$103.6 million compared to \$571.6 million, down 81.9%. We ended the quarter with cash and temporary cash investments of \$1.152 billion, down 17.3%. We remain virtually debt-free.

We repurchased 329,830 shares of common stock under our current share repurchase authorization during the quarter for a total of \$24.3 million. The repurchase program permits us to purchase up to \$500 million, of which \$350.8 million remains available.

For the third quarter of fiscal 2026, we will pay a cash dividend of approximately \$0.36 per share to holders of our common stock pursuant to our variable dividend policy. The dividend is payable on May 14, 2026, to holders of record on April 29, 2026. The final amount paid will be based on the number of outstanding shares on the record day.

From a financial perspective, our priorities remain centered on strengthening the durability and predictability of Cal-Maine's earnings profile while maintaining a structured and flexible capital structure. Our capital allocation framework is designed to support long-term per share value creation while preserving the financial resilience necessary to navigate a cyclical industry.

First, we will prioritize investment in high-return organic growth opportunities. This includes investments that expand specialty egg capacity, improve productivity and operational efficiency, and support the continued development of our egg products and prepared food capabilities. To that end, our prepared foods expansion initiatives are progressing on schedule and in line with plans previously communicated.

At Echo Lake Foods, the network optimization and capacity expansion project is underway and expected to add approximately 17 million pounds of annual scrambled egg production capacity throughout fiscal 2027. In addition, the previously announced \$14.8 million high-speed pancake line continues to advance this plan and is expected to contribute an additional 12 million pounds over the course of fiscal 2027.

Separately, our joint venture, Crepini Foods, is investing \$7 million through fiscal 2028 to expand production capacity by approximately 18 million pounds through the installation of new equipment and production lines. Collectively, these initiatives remain on track and are expected to increase Cal-Maine's prepared food production capacity by more than 30% over the next 18 to 24 months as the projects are completed and ramp up as planned.

Second, we pursue selective acquisitions that strengthen the company's strategic positioning and meet stringent return thresholds. Our acquisition of certain assets of Creighton Brothers and Crystal Lake is a good example of this approach. The transaction expands the geographic scale of our shell egg platform, while also adding nearby liquid egg capacity that we believe will strengthen our integrated value chain.

Third, we return excess capital to shareholders through our variable dividend framework and, when appropriate, opportunistic share repurchases. Underlying this entire framework is a commitment to maintaining balance sheet strength. A strong liquidity position provides a flexibility to invest across the cycle, respond to strategic opportunities, and navigate industry volatility. This systematic approach allows us to balance growth, resilience, and shareholder returns while preserving the long-term optionality that is critical in our industry.

Over time, we believe the combination of portfolio evolution, discipline, capital allocation, and balance sheet strength will continue to enhance the company's normalized earnings power per share and support durable value creation for shareholders. That concludes my review of the financial results. I will now turn the call back to Sherman.

Sherman Miller^ Thanks, Max. Looking ahead, we believe Cal-Maine's well-positioned to benefit from durable shifts shaping the egg category. By building on the structural strength of our core shell egg platform while expanding across specialty eggs, egg products, and prepared foods, we believe we are strengthening the resilience and quality of our business over time.

This progression is expected to help enhance the durability of our earnings profile and position Cal-Maine to deliver sustainable growth and long-term value creation. With that, I'll turn the call back over to the operator to begin the Q&A portion of today's call.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions). Our first question comes from Heather Jones with Heather Jones Research, LLC. Your line is open.

Heather Jones^ Good morning. Thanks for the question, and congratulations on the quarter. I guess I'm going to start with specialty pricing. That was where much of the upside was relative to our estimate for the quarter. And the California price had rallied nicely over the course of a few weeks, but recently begun to pull back, but still not back to the Q3 lows. So, just wondering if you would expect Q4 specialty price to be similar to Q3, or is there some other dynamic that we need to consider there?

Sherman Miller^ Good morning, Heather. Thank you for the question. Specialty eggs continue to be extremely exciting for us. And as we move into Q4 and beyond, we see that as a huge part of our differentiation and us being able to diversify. And the specialty price, as we mentioned before, there is a smaller piece of that category that is tied to the market. And as that market moves up and down, there is some fluctuation. But for the most part, those prices are a lot more stable. And Max, you might want to give a little bit more color on that.

Max Bowman^ Yes, as Sherman said, Heather, our specialty pricing doesn't fluctuate that much. We call out the vast majority of our specialty pricing is either grain-based or a fixed-price type arrangement cost plus. So, again, stays pretty flat.

There is a component of that that, as you call out, that ties to the cage-free California market. It varies from quarter to quarter, but roughly, I'd say about 12% or in that range. And depending on how that price reacts this quarter and coming quarters will largely drive a lot of that movement, but we expect that specialty price to stay pretty consistent.

Heather Jones^ Okay, thank you for that. And then my follow up it's just on the prepared foods business. I think, and I joined the call a few minutes late, but I think I caught you all saying that you expect the margin for that business to trend back to baseline through '27 into '28.

So, just wanting to clarify that. Are you not expecting it to fully get back there until '28? And then when you say baseline, there were some quarters where it was north of 20%, but I believe your baseline is 19%. So, is it unlikely to get back to where it was a few quarters ago? And just how should we just update it, think how we should be thinking about baseline?

Max Bowman^ Yes, I'll take that one. We think Q3 represents, I'd call it a trough quarter. What you're seeing is anticipated impacts of some of the network expansion and capacity initiations that we mentioned. In the quarter, we saw some lower volumes as we go -- and margin pressure as we go through these reconfigurations.

When you have lower volumes, the first thing that happens to you is under absorption of fixed cost, and that was one of the major headwinds for the quarter. But as we roll into Q4 '26, even we expect to see some of that rebound begin to come back online. It will be tempered a little bit as sales mix tied to the end of the school year partially will offset some of that margin recovery, and that's just a normal seasonal dynamic. It's not an execution issue there.

We're currently, because of these reconfigurations having a slightly less desirable product mix that's impacting our margins as we reconfigure, but again, that will improve over time too. All these things are transitional and not reflecting of underlying demand, which we still believe to be strong.

We'll continue -- we continue to migrate from market-based pricing towards grain-based and longer-term pricing arrangements. This moderates sometimes near-term pricing upside. But again, we're looking at the long-term durability and stability of our business, and we think it enhances that.

We -- as we begin to see this recovery in Q4 '26, we'll see higher unit capacity and better utilization of that capacity. And then that margin recovery will really start showing up towards the end of '27 and, as you said, into '28. And that's when the volumes we've

talked about through the additional investment that we've made and are making, I should say, in Echo Lake, as well as Crepini, will be fully online and returning.

So, when you speak of the 19% to 20% margin, that was the margin we called out at Echo Lake and Crepini's coming along, and the other elements of our prepared foods we continue to work on as well. But it's -- we think we're taking some, we want to call it short-term pain now for better long-term positioning and gain in the future, but are positive as -- feel more positive as we go into '27 and early '28 that we'll really see the fruits of that, along with that 30% growth that we had talked about from these investments.

Sherman Miller^ Thank you, Max. And the only thing I'll add, Heather, is just getting the nuts and bolts in the right place for long-term performance and growth and having streamlined operations and really strategically placing the four Echo facilities in the right manner to have our flour products to the north two facilities, the egg-type products in the southern two facilities, which happen to be very close to Creighton Brothers, which can supply the eggs long term. So, a lot of good progress there.

Heather Jones^ Okay, thank you so much.

Operator^ One moment for our next question. Our next question comes from Pooran Sharma with Stephens Inc. Your line is open.

Pooran Sharma^ Thank you, and congrats on this quarter here. Wanted to focus on pricing here, maybe for the conventional eggs. It did come in a little bit higher than we were modeling. And you have stated in the past that your new hybrid pricing model gives you a little bit better floor. And I'm just looking at the price ratio between your conventional egg pricing and what we track with the USDA, and we just haven't seen it this high since over a decade.

And was wondering if maybe you could help us and the investment community just understand how to think about your cost of production for your conventional eggs just based on some of the disclosures you have in your filings. And then maybe just marry that with what kind of, at a high level, rate of return do you all generally expect from these types of assets.

Sherman Miller^ Well, good morning, and thank you for the question. I'll start off, and then pass it to Max. And I think you picked it very well. You are seeing reduced volatility. And as we mentioned with hybrid pricing, there's some trade-offs. On the top side, there's an opportunity, but on the bottom side, there is as well. And that's what you're seeing in this quarter.

And market realization certainly benefits from this, as well as, as we mentioned before, having longer-term arrangements. So, any topside slippage is certainly balanced with downside uplift. And that, of course, it depends heavily upon the type of customer. And

the real win here is us working with customers not to only benefit the type of eggs you're talking about, but also specialty eggs and prepared foods that we also value very highly.

On the cost side, there's certainly a lot going on geopolitically around the world. Grain certainly is one of the things that's come up in the news over the last few weeks, particularly tied to fertilizer. And our consultants assured us that probably 90% of the inputs have already been locked. So, fertilizer costs for this planting season shouldn't cause too much disruption, but certainly fuel transporting not only grains but everything else is certainly in the news and is real.

But the reassuring piece of that is that we've been here many, many times before. And we navigate that not only by using our scale, but also by using things like our warehousing and our inventory and managing through situations like this. Max, what would you add?

Max Bowman^ Well, I mean, Pooran, when you talked about hybrid pricing, you're talking about primarily our conventional eggs. As you know, we only report one segment today. So, we don't really give complete margin information and returns on conventional versus specialty. But all that hybrid pricing does exactly what you called out and what we've said before. We -- what we hope to get from that is a more stable and resilient and continuous profit.

I mean, I'm not saying it will always be a profit, but certainly, we're taking some off the top for high, high returns from conventional and trading that for longer-term, more stable earnings. And then we -- as we grow, that's a piece of the puzzle. And where we look for really good growth and even better returns would be from our specialty and our prepared foods business.

So, we look at the conventional business as our baseline. It's important because of its size and scale that it's strong and it operates profitably and consistently. And that's what the hybrid pricing does. And then we continue to invest in the prepared foods and our specialty where we hope to get higher returns.

We don't disclose individual, again, returns for conventional and specialty at this time, but we've said in the past that our return on invested capital is double digit, well above our cost of capital. And so, we feel good about the returns as we sit today, not only from conventional, but the opportunities especially in prepared foods.

Pooran Sharma^ Great, I appreciate the detail there, Sherman and Max. Maybe just wanted to understand, from a capital allocation front, you still have a pretty strong balance sheet. And in our recent conversations, you had called out liquids as maybe an area of focus. So, as you're looking across the M&A landscape, does that remain an area that you want to continue to build, or are you just more looking at it opportunistically in terms of what's out there, in terms of conventional, specialty, or more prepared foods assets?

Sherman Miller^ I'll start by just commenting on Creighton Brothers. As we pointed out, there's liquid egg capacity there, and it's very close to our prepared foods operations that ultimately egg products will be produced in the southern two plants. And our capital allocation hierarchy still remains intact to pursue selective accretive M&A for returns are compelling.

And we believe that we have more ways to grow than ever before, being conventional eggs, specialty eggs, prepared foods, the ingredients that you mentioned, and also brands tied to prepared foods.

The ingredient piece, we want to, over time, closely align our needs within Echo Lake. And as we mentioned before, there's some arrangements that we're working through that we inherited. But we think that Creighton Brothers is certainly a very strategic move in making all that come to pass. Max?

Max Bowman^ Yes. And I guess I would just say, in our materials that we published, we've got an investor deck. It's got a few slides on there, and it recaps our capital allocation for the last 12 months ending at the end of our third quarter. And I think there's a lot of balance there, and it shows that, in a lot of ways, we're putting our money where our mouth is.

I mean, it represents about \$1 billion of capital that was allocated. About 38% or \$384 million of that went to dividends to our shareholders. About \$299 million, or 30%, went to the acquisitions, things like Echo Lake, Clean Egg, Creighton Brothers that we just announced. And remember, we've been in a time when acquisitions are sometimes considered a little tougher because of the very good markets that we've been in, but yet we've been able to deploy capital towards these acquisitions that we believe really advance our goals for long term.

On the CapEx side, we allocate about \$117 million, or 17% of that. That includes about \$35 million or so of maintenance CapEx. And then our stock repurchases or share repurchases is about 15% over \$150 million. So, again, I think that gives a good view of where we're spending our money. And as Sherman says, what our focus is there is really long-term shareholder value. We look at things opportunistically, and we want to do the things that we think clearly enhance our earnings quality and portfolio growth and resiliency.

Pooran Sharma^ Great, thank you for the detail.

Operator^ One moment for our next question. Our next question comes from Leah Jordan with Goldman Sachs. Your line is open.

Leah Jordan^ Thank you. Good morning. I wanted to ask about demand. So, you talked about it being resilient in the quarter, but just seeing if you could provide more color on the trends you're seeing within your branded portfolios specifically. And then what are

the growth opportunities you still see there, including any potential opportunity to gain more contracts or exclusivity over time?

Sherman Miller^ Good morning, Leah. Thank you for that question. And I'll certainly get to the branded, but just on a higher level, retail egg volumes are up about 3% year to date, and that's through late February. And the really incredible thing about that is it's broad across segments from conventional cage-free, free-range, pasture-raised.

And food service is also showing early signs of recovery, January making a clear inflection point up about 1% year over year, with dollars up about 4%. So, we're seeing some good things from a high level. And eggs continue to be well-positioned with the long-term consumer shift toward high-protein diets supported by their strong nutritional profile, and affordability is a huge plus for us right now as a tailwind.

And on our branded side, we do continue to grow that through many ways. One is establishing production to support it. And as Max has mentioned, these cage-free projects that are coming online here now and in the next few months, tee us up to be able to continue to grow that. We have seen growth, of course, in this quarter, and are planning future growth as well. Max, what would you add?

Max Bowman^ Yes, I think you pretty well covered it. But I mean, I would say that our specialty, not just branded, but specialty, it was up 6% for the quarter. That's higher than the overall market for specialty, and as Sherman said, this broad-based cost, cage-free, free-range, pasture-raised.

And importantly for us, from a volume perspective, it was a record specialty quarter, which I think is something to take note of, particularly when you consider the fact that lower conventional prices sometimes tend to tamper down specialty growth because the consumer goes for the cheaper egg, yet we were still able to get some growth.

I didn't mention our nutrient [ph] enhance or our branded relationship with EB, but that's something we continue to work to grow and think there's opportunity for some more regional growth there into the fourth quarter and beyond a bit, so. And then the Sherman says, those projects that we've called out, the 1.1 million of cage-free that we were adding at, I think, five locations, all those are -- a couple were done.

The rest, I'll say one will finish up late in this quarter, this fourth quarter, and that -- then another one will finish in the fourth quarter -- or excuse me, in August of next -- of this year, but after this fiscal year. So, we can still see growth in our specialty business ahead, and I think there's great opportunity there.

Leah Jordan^ Thank you. That's very helpful detail. Just for a follow-up, wanted to switch over to feed. I know Sherman, you touched on it a little bit in an earlier question, but just given that the shift in grain markets in recent weeks, just seeing if you could provide more color on how you're thinking about your feed costs over the coming

quarters and as you start to plan into FY '27, and any mitigation you have there should we see cost continue to rise.

Sherman Miller^ Yes, so we continue to measure and mitigate risk, and that includes utilizing our grain warehousing basis locks, hedging strategies that are applicable. And certainly, these grain-based agreements have offset the effect of grain price change. And yesterday, the planning intentions report came out and viewed by some as fairly neutral.

If you look at what they were predicting planning last year at this time, it's very close in reality of what actually got planted, going down about 3.5 million acres. And beans are up about 3.5, but we really focus on the carry up. 14% stocks to use is bearish, and certainly, its geopolitical effect can change things in a hurry from the Middle East and a lot of fertilizer costs and fuel costs conversation happening.

But at the end of the day, we've been through this many times, and we continue to utilize all of our tools to mitigate any risk that we have the best that we can, and we'll continue to do that. Max, anything to add there?

Max Bowman^ I think you covered it, Sherman.

Leah Jordan^ Great, thank you.

Operator^ One moment for our next question. Our next question comes from Benjamin Mayhew with BMO Capital Markets. Your line is open.

Benjamin Mayhew^ Hi, good morning, guys. Thanks for the questions. So, my first is if you could just help us better frame up the current supply environment, and particularly the specialty egg category. Competition seems to have picked up there quite a bit year to date, with more promotional activity seen. So, what is your view on the sustainability of the supply growth rates we are seeing?

Sherman Miller^ Ben, good morning. Thank you for that question. And as we mentioned a few minutes ago, specialty eggs, we continue to grow that, and the first step of it is having supply. So, as some of these projects come online, it certainly indicates that we're going to be prepared for that type of growth.

And the last few years have certainly been very light on promotions. Just simply there was a shortage of eggs, and promotions were not needed going forward. We promoted all except for the last few years, so we'll continue to fall back into that routine and see good results coming from it. Max, anything to add on that question?

Max Bowman^ I think that pretty much covers it.

Benjamin Mayhew^ Okay. And just thinking about your organic growth investments, just your thought process around that. How do you view the trade-offs or any trade-offs between investing in productivity enhancement up and down your value chain versus

adding more capacity at this point? Given the current market environment, how are you thinking about deploying your capital there?

Sherman Miller^ So, back to capital allocation. Capital is allocated to the opportunities that most clearly enhance our earnings quality, portfolio resilience, and long-term shareholder value. And as I mentioned, there's more ways than ever for us to consider that, and we consider it in five buckets. Conventional eggs, we continue to grow. Creighton Brothers, that acquisition had additional conventional eggs that have been very nicely, especially in the liquid piece.

Specialty eggs, that -- those organic projects have been going on as well as we've had M&A through Creighton. And I also picked up about 500,000 cage-free hens there. And then, of course, also prepared foods. We have \$30 million -- \$36 million worth of expansion projects going on there, as well as continue to look for M&A and our opportunities.

And then lastly, ingredients is just a big opportunity for us to make sure that our production is aligned. So, we don't just focus just on specialty eggs, but we certainly know that we've got to have the supply needed to be able to grow those, and I believe we're sitting in the right position to do that. Max?

Max Bowman^ I think you covered it. The only thing I'll say about the productivity, I mean, just our culture with our roughly 50 operating locations, we're always ranking those one against the other, trying to learn what one is doing that's really good, or if there's one that's underperforming, how we can get that underperforming to duplicate the results of those at the top third of our business.

So, it is a constant analysis of productivity and looking for ways to bring our whole enterprise up as we identify things across it. And I do think that that scale and that opportunity to look at good -- at 50 locations gives you, if you can really mine that and then take it to the other locations, gives you a lot of opportunity for continuous improvement, and that's always part of our focus.

Benjamin Mayhew^ Great, thank you, guys. Have a great rest of your day.

Max Bowman^ Thank you.

Operator^ One moment for our next question. Our next question comes from Ben Klieve with Benchmark StoneX. Your line is open.

Ben Klieve^ All right. Thank you for taking my questions, and congratulations on a nice quarter here. My first question is a follow-up to the conversation around the hybrid pricing model in the conventional egg. I'm wondering if you can elaborate a bit on the behavior of your retail partners here, as commodity egg prices have come down with intraquarter sub a dollar various points throughout the quarter.

Are those retailers that maybe were moving to contract-based pricing over the past year or two, are they reconsidering that move here in the face of low commodity egg prices, or has the willingness for the move to -- from market base to contract base remained pretty consistent?

Sherman Miller^ Good morning, Ben. Thank you for that question. And boy, this quarter was certainly a test for whatever strategy a retailer had with the market range up to \$2.69 all the way down to \$0.85 within the same quarter, and that's in the southeast market. So, definitely the strategies got tested.

And as we mentioned, there's protection for our customers on the upside. And in the downside, there's protection for us. And depending on their go-to-market strategy, whether it's a high low or an everyday low price, different arrangements are -- favor one retailer versus the next. But I would say overall, the strategies performed exactly like they were designed to, and you're seeing some of that benefit in our market realization in this quarter. Max?

Max Bowman^ I think you covered it.

Ben Klieve^ All right, very good, and I appreciate that. And my follow-up question is pivoting over to the prepared side, can you educate us a bit on the state of this market?

Doubling down after Echo Lake with another acquisition here a few weeks ago, I'm wondering if you can educate us on the size of this addressable market and the degree of fragmentation within it? I'm just curious if you guys are maybe looking to continue this acquisition pace or if you've reached a reasonable level of market share within this space.

Sherman Miller^ Ben, we certainly have not topped out here, and Crystal Lake that came with Creighton Brothers is certainly in our announcement. But it was more or less a distribution of Echo Lake products.

So, I wouldn't really say it's doubling down at this point, but we do continue to grow that both organically and through M&A as opportunities present themselves and we'll be very strategic and make sure that we stay egg-centric. While we do that in the breakfast channel, it won't get too far outside of our core competencies. Max?

Ben Klieve^ Got it. Very good. Well, I appreciate you guys taking my questions. Congratulations again on the nice quarter, and I'll get back in queue.

Sherman Miller^ Thank you.

Operator^ And I'm not showing any further questions at this time. I'd like to turn the call back over to Sherman.

Sherman Miller^ Well, thanks, everybody. It was an exciting quarter for us, and we're very grateful for everybody's attendance today and your continued interest in Cal-Maine Foods. And operator, we're ready to conclude the call.

Operator^ This concludes the question-and-answer session. A replay of today's call will be available via webcast in approximately two hours after this call. The webcast will be available on demand for a year.

It can be accessed by going to the company's website, investor relations section. In addition, a transcript of today's call will also be posted on Cal-Maine's website, investor relations section. Thank you for joining us today. You may now disconnect.