WESTWOOD
Asset Management

May 5, 2008 **Westwood Asset Management** **1063 Gayley ave. 2nd fl. L.A. Ca 90024** Allen Cooke Portfolio Manager allen@westwoodam.com Byron Stead Managing partner byron@westwoodam.com Bob Cooke Managing partner bob@westwoodam.com 310 208 2151 fax 310 208 2228	"At higher projected market prices, we believe that the incentive to enter this business is not enough to outpace the skepticism surrounding higher prices. …operators will produce lower numbers of eggs in 2008 and 2009. We feel that this is the catalyst for higher wholesale prices."

Company Profile:
NASDAQ: CALM $31.11

CAL-MAINE FOODS

Fiscal 2009 per share earnings projection $9.78
Fiscal 2010 per share earnings projection $11.19
4th Q 2008 EPS $1.65, Fiscal 2008 $6.51 EPS
Projected price: $ 67

QUICK POINTS:

- Similar to higher wholesale pricing for all regions and all grades of eggs in 2008 and 2009
- Further reduction in table egg layers in 2008
- Specialty eggs regain premiums in 2008 leading to higher average prices for Cal Maine

VALUATION

Our Projected price is based on a 10 X current fiscal year earnings and 6 X the company's projected 2010 earnings, considers industry seasonality and cyclicality at higher average prices, but also reflects 2 year projected dividends of $7.54 per share and cash + cash generation of $500 million or $21.00 per share into the fiscal 2010 year end. This is also 2X our 2010 projected book value. At the end of this report we base our 2009 forecast on a $1.50 average generic price[1], $2.70 average specialty price per dozen and feed cost of $0.43 per dozen. We assume similar co-pack, incidental feed & egg product sales and small increases in specialty egg sales. 2010 projections are based on $1.65, $0.48.and 2.70. The current stock price equals the projected dividends and cash build into 2010. We also make our model available to download for investors to evaluate their own scenarios. www.westwoodam.com

EGGS KEY FACTORS

U.S. egg producer Cal-Maine is the largest domestic egg producer. CALM has historically grown its' business through acquisition and increasing the percentage of higher cost specialty eggs it sells. The company's revenues and earnings are based on the wholesale pricing of eggs per dozen.

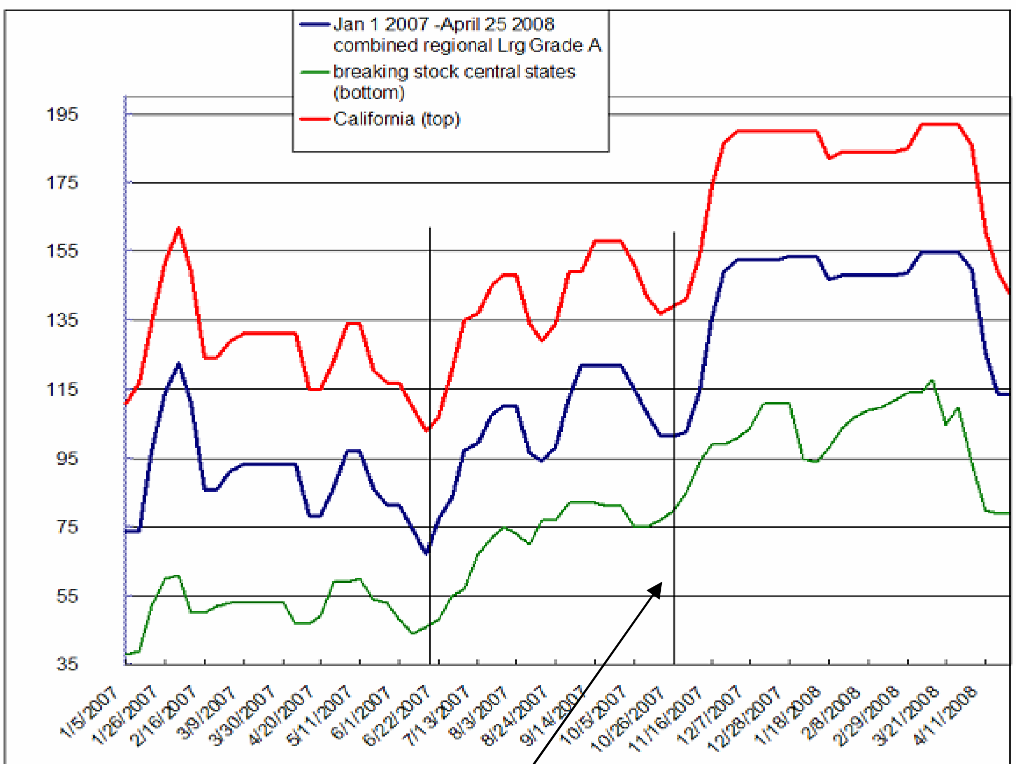
The inclining price of eggs, beyond the normal seasonal and cyclical patterns, is the result of several industry changes over the last ten to fifteen years along with a few other economic factors:

[1] Combined regional grade A large white eggs, delivered to warehouse; USDA AMS Poultry Market News & Analysis weekly…. (includes northeast, southeast, midwest & south central)

1. DEMAND: Population growth and steady increases in per capita consumption (PCC) have broadly increased domestic demand while the laying hen population has recently been stagnant to lower. Total consumption has increased by about 25 eggs per person annually since 1991. Eggs are consumed in two forms: table eggs (retail shell eggs) and the eggs we consume indirectly through other products. i.e. baking goods, ice cream, mayonnaise, mixes and other items (we refer to this as the breaking industry). Eggs for breaking and table eggs are two different markets. The breaking segment comprises a third of the total egg consumption and accounts for most of the increase in consumption in the last ten years. Although table egg consumption has been increasing slightly since 1996, annual per capita consumption of eggs through the breaking industry has doubled over the last 20 years from 40 to 80. The breaking segment has been the catalyst for more consumption over the last 20 years.

Eggs going to the breaker sell at average lower prices than table eggs. The breaking segment can drive short term prices and has preceded several similar table egg price movements recently. (See vertical line 2 [Oct 2007] in chart below) CALM sells table eggs (94%) egg product (4%)

Jan 1 2007 to April 25, 2008 pricing for **California (Top)** and **combined regional wholesale dozens (middle)** and low side of **central States breaking stock per dozen (bottom).** Note: the two vertical lines represent price changes where breaking stock pricing preceded the combined regional price and or California price change



Breaker price move precedes table eggs

2. REGULATION: Recent increases in industry regulation regarding pollution discharge systems and guidelines for more humane treatment (mean more cage space per laying hen) are creating barriers to entry and reducing the current number of hens and thus egg production.

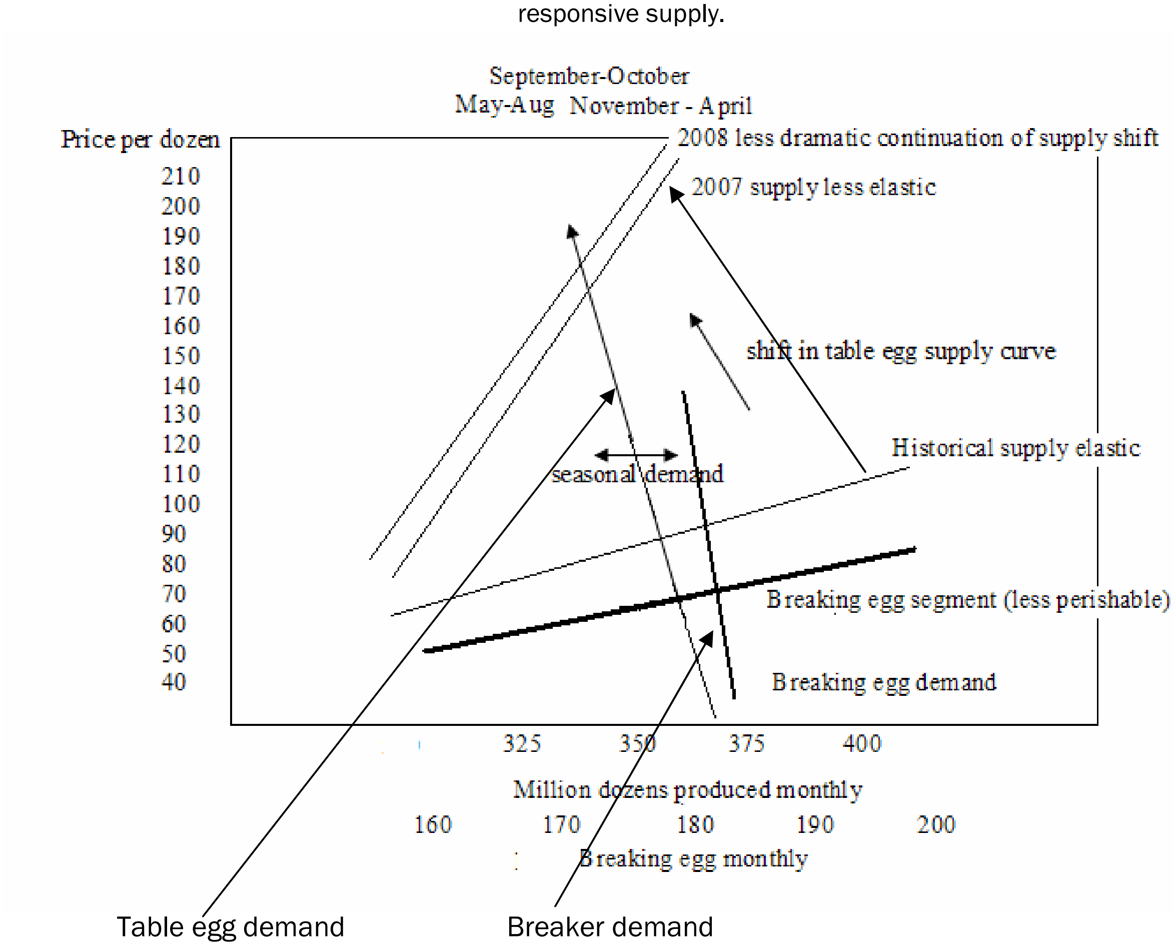
3. REDUCED PRODUCERS: Over the last 20 years the number of egg producing operations has decreased by 90%, from 2500 to 245. Now 60 producers own 87% of U.S. layers.

4. INPUTS: The cost of feed (corn: 76% soy bean meal 24%) has risen 100% in the last few years. Packaging and transportation have also increased.

5. HIGHER PRICED VARIETIES: Organic, cage free, brown and low cholesterol eggs have been gaining consumer preference over the same period. These higher quality or specialty eggs usually wholesale at prices 80% higher than generic eggs[2].

6. DEMAND INELASTIC: The demand for eggs is inelastic because unlike other foods there are no good substitutes for eggs. In 2007 Prices rose about 30% and per capita consumption declined around 1%. The 100 million dozen decrease in supply (-1.5%) in 2007 (also four eggs per capita) and the other factors caused a sharp price increase in the first 17 weeks of 2008 compared to 2007. Eggs are a necessary ingredient in hundreds of different products and are commonly used in a wide range of items made in the home. Another indicator of the effect of the tight 2007 supply was the markets outsize reaction to nominal export increases.

In the below graph we illustrate the inelastic table egg and breaker demand versus the decreasing and less responsive supply.



These are the factors affecting the industry currently. In the next 15 months the April 2008 UEP increase in cage space will result in lower numbers of laying hens. These factors will lead to higher average prices in the near term. In the following sections we evaluate calendar 2008 and 2009 then examine the longer term.

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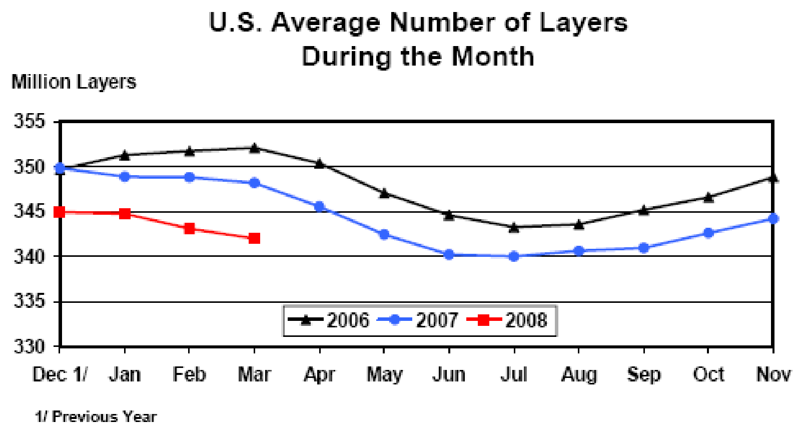
2 USDA Weekly Retail Shell Egg and Egg Products Feature Activity

2008 & 2009 WHOLESALE PRICING PER DOZEN (SHORTER TERM OUTLOOK)

2007 U.S. production was 6.4 billion dozen, down from 6.5 billion in 2006. The industry fore-casts new layer numbers and thus future laying hen numbers by estimating the laying hen chicks, called pullets. Pullets need 5 months to grow into laying hens called layers and are used for replacements of individual hens and flocks. The replacement rate for all U.S. table egg type layers is roughly 20 million birds per month. March 2008 estimates for U.S. table egg hens are 282 million birds[3], a three year March low. We believe that the current layer number and the current pullet numbers indicate a total reduction of 50 million dozens produced in 2008 compared to 2007. Current USDA pullet estimates of 102 million birds indicate a laying flock that will be 2 million birds smaller in late summer of 2008 than 2007[4]. The light hen slaughter is 2.6 million birds ahead of 2007 through February with recent increases in pullets being offset by the increased rate of layers sold for slaughter. Through September of 2008 there are not enough replacement hens in the pullet flock to return the laying flock to 2007 levels. Current hatch numbers indicate that eggs set to become future pullets are also down year over year. So visibility confirms a reduction in hens throughout October of 2008.

Chart includes all laying types



The current April 2008 United Egg Producers (UEP) space increase means that chicks put into operations must have an average of 5% more space per barn. So, over the next 15 month Pullet cycle, capacity for UEP certified eggs will be reduced by 5%. Straining the supply over the next few years is this slight reduction in supply combined with the increase in people. The Per Capita supply is trending lower at a faster rate, since the U.S. population grows by about 3 million annually; laying hens need to increase by an average of 3 million per year to keep pace with population growth. The current laying hen estimates are 4.5 million lower than 2007 on a per capita basis.

The market factors driving prices are still in motion and we expect Cal-Maine's fiscal 2009 and 2010 prices to average 20-35% higher than their fiscal 2008 (ending June 1, 2008). The first 17 weeks of this year have demonstrated an increase of 57% in combined regional Large Grade A prices. Investors and consumers can expect higher prices for all regions with wholesale seasonal price excursions possibly into the low $2.00 area through 2010. Certain geographic areas have recently experienced prices close to $2.00 per dozen. During December of 2007, California large grade A dozens increased to $1.90. U.S. to Canada shell egg exports are up roughly 1 million dozen YTD with large grade A being quoted at $2.12 USD[5] in Canada. As an alternative forecast method average prices per dozen can average 4 times the cost of feed per dozen. IE: 1st Q 2008, 37 cents avg feed cost compares to prices around $1.50 per dozen.

[3] UEP estimate
[4] http://usda.mannlib.cornell.edu/usda/current/ChicEggs/ChicEggs-04-22-2008.pdf
[5] http://www.ams.usda.gov/mnreports/pybshellegg.pdf Pg2

LONGER TERM OUTLOOK

It is uncertain if the government will change the current economic regarding ethanol fuels which are obviously causing a gravitational effect on chicken feed. We are projecting feed cost per dozen to remain in the 43 cents area throughout the summer of 2008 and remain in a range of 30 to 55 cents per dozen over the next two years. Higher feed prices have coincided with even higher egg prices and better margins for Cal-Maine, so we don't believe that there is a negative correlation to the price of feed and Cal-Maine's earnings. However, it may be difficult to predict the price of this input.

The overall decrease in market participants suggests that the cycle will be less volatile in the future. Egg production has transitioned from a cottage industry into a corporate owned industry. We feel that these players are less likely to rashly add birds and more likely to evaluate total returns etc. The ROI for new facilities with the backdrop of perceived price volatility is poor and it may remain so until we experience a multi year stable price period at levels averaging over 1.50 per dozen. Due to the difficulty in ascertaining future capacity we have tried to examine the available economics of creating a new operation. Contributing to this is the reduction in birds per barn (UEP guidelines) and NPDES (National Pollution Discharge Elimination System) requirements.

We estimate the cost of bringing a new (Table egg producing operation) medium or large CAFO,[6] UEP certified table egg facility online to be about $15-25.00 per bird or cage space. Cal-Maine has an un-depreciated PP&E of roughly $16.00 per current laying hen. The number is somewhat higher if you add capital cost or other expensed cost.

After estimating current feed, pullet growing, packaging, processing cost and other farm cost at current levels over four years and estimating an average price of $1.50 per dozen, over the same four years, we get a four year total after tax profit of about $20.00 per cage space. In the example below if you do not deduct the cost of capital in the four years your after tax profit is closer to $36.00 (similar to CALM's 3rd quarter 2008).

initial cost per cage space	90 dozen sold over four years (with all eggs grade A lrg)	cost of 90 dozen	gross profit	cost of capital	taxes	profit
20.00	1.50(90)=135.00	-80	55	-25	-8.75	19.50

In the above example with the price set at $1.50 per dozen profits are 20 to 40% annually over four years. We believe that the monetary incentive to enter this business is not strong enough to outpace the skepticism surrounding higher prices. Operators may need higher pricing for prolonged periods to add new operations. Due to higher barriers to entry and historical price volatility, participants can not easily estimate break even or positive ROI on new operations. Current operators most likely will expand existing farms to offset decreases in cage space.

Acknowledging some of the current sentiment: It can be done cheaper, but this is a different economic. If an operator wants to escape the UEP and EPA rules and guidelines it is possible. One must farm less than 35,000 hens to escape EPA and may have more than one bird per 67 inches of cage space ignoring UEP (old style operation). These operations sell non UEP certified eggs mostly into the breaking market, where prices are lower. So, even these operators can also face pricing uncertainties.

Adding to the uncertainty above is the possibility of further state or government regulations. Currently, although there is nothing in the works it is a possibility that the UEP will recommend further increases in cage space at some point in the future. The current amount, 67 square inches per bird is better, but it is still fairly little and just meets the recommended 67-100 inches. At this time hens are still not able to roost or engage in some of the other

[6] Concentrated animal feed operation

recommended behaviors. The trend is toward more humane treatment so UEP guidelines for cage space could be increased again to 80 or 100 or other requirements could pop up on the state level.

So at this time we do not see any immediate increase in hens, pullets or hatchlings through fall of 2008. The current capacity is being reduced by about 5% (14 million hens) over the next 15 months so current operators will most likely increase capacity in 2009. We predict that the flock will regain its size to the 2007 levels in the 2009 year but predict that the supply per capita will continue to trend lower through 2010 leading to higher wholesale prices.

CAL-MAINE

Cal-Maine's fiscal year starts on June 1. The company operates 29 egg production facilities, 19 pullet growing facilities, 16 feed mills and 28 processing and packaging facilities. The company is the largest producer of shell eggs and specialty eggs in the U.S. CALM has five different revenue streams. Generic eggs, egg product, specialty eggs, feed sales and co-pack sales. Co-pack revenues are basically re-sales of other producer's eggs and CALM operates with very little margin here. In our model we break out co-pack revenues, produced egg sales and generic egg sales.

Over the last 20 years CALM has grown revenues through acquisitions and the shift towards specialty eggs. The increase in low cholesterol, cage-free and organic has decreased volatility in average prices. The continued increase in exposure to specialty eggs is an operational strategy for CALM. In 2007 specialty eggs were 8.7% of dozens sold and 15% of revenues. In 2008, CALM lost specialty egg premiums compared to generic eggs due to price increases in generic. In the last two quarters the company lost its normal 5% premium for total eggs sold vs. certain industry averages due to the decline in premium for specialty eggs. We are forecasting a return of premium for total dozens sold per period based on the adjustment in specialty egg pricing. We have adjusted our CALM 2009 and 2010 revenues to reflect adjusted wholesale specialty egg prices of 2.70 per dozen. We expect CALM to continue acquisitions and increase specialty eggs as a percentage of eggs sold.

The company has $47 million in auction rate money market instruments backed by municipal bonds or notes. The Auction rates have recently become illiquid and un-sellable. We expect that that the investment could ultimately endure a write down of up to 15-20% in fiscal 2009 or 2010 depending on an emergence of accurate pricing. This could produce an effect of up to 41 cents per share.

4TH QUARTER 2008 = $1.65 IN EARNINGS PER SHARE

Our estimate for fourth quarter 2008 earnings is 1.65 per share. This is based on an average feed price per dozen of 40 cents and a combined regional average price for Large Grade A dozens of 1.30 during the period, average specialty egg prices of 2.60 per dozen and co pack sales at 15% of total dozens. This would bring Cal-Maine to a year end total earnings of 6.51 per share. This would bring the total cash holdings up to about $160 million or $ 6.50 per share after the 55 cent 4th quarterly dividend. The cash estimate also includes the $ 47 million in auction rate securities.

2009 & 2010

We are expecting specialty eggs to increase to 10% of dozens sold but are modeling them at 15% of total egg revenues. This should improve over the next 24 months adding higher margin revenues. We are forecasting co-pack sales to remain at 15% of sales and the company to maintain the historical percentages in egg products and incidental feed sales.

Our target average price per generic dozen sold by Cal-Maine in fiscal 2009 is based on a combined regional price average of $1.50 per dozen during the period. We expect some up tick in bird supply going into the company's 2009 fiscal year but not enough to alter the decline in eggs available per capita. So with supplies still tight we are projecting a combined regional price average 1.65 during the company's fiscal 2010 year. We are fore-casting feed cost per dozen of 43 cents in 2009 and 48 cents in 2010. We have projected stagnant revenue of 2.70 per specialty dozen for the two years but predict that this will improve. Feed cost may easily change based on the governments ethanol program or other factors.

SUMMARY

Our valuation is based on a 6 multiple to the company's projected 2010 earnings, considers cyclicality of the industry, but also reflects fiscal 4th quarter 2008 cash holdings of $160 million, 2 year projected dividends of $7.54 per share and cash build to $500 million or $20.00 per share into the fiscal 2010 year end. The valuation also reflects a roughly 3 X 2010 ebitda to market cap multiple after subtracting cash holdings in 2010. We also believe that this is conservative based on stocks like POT and MOS that are trading at 40X trailing. Our target also is roughly 2 X our 2010 projected book value. We believe that CALM is a compelling buy.

The earnings model is available for download at www.westwoodam.com under news heading 5/06/08 Calm Report.

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CALM FISCAL 2009 REVENUES & EARNINGS

	9/1/2008	12/2/2008	3/1/2009	6/2/2009	Totals
estimated	1st Q	2nd Q	3rd Q	4th Q	
in 1,000,000s					
TOTAL REVENUE $	**262.74**	**313.73**	**320.95**	**271.33**	***1168.75***
input quartely avg.					
Comb. regional Q Avg/ dozen $	**1.38**	**1.59**	**1.62**	**1.41**	***1.5***
total dozens sold MM	162.5	173.2	174.5	165	***675.2***
specialty dozens sold	16.25	17.32	17.45	16.5	***67.52***
specialty egg revenues $	43.875	46.764	47.115	44.55	***182.304***
specialty price/dozen $	2.7	2.7	2.7	2.7	***2.7***
generic dozens sold	146.25	155.88	157.05	148.5	***607.68***
generic egg revenues $	197.79	242.89	249.33	205.20	***895.21***
generic price/ dozen $	1.35	1.56	1.59	1.38	***1.47***
avg. revenue per dozen	1.49	1.67	1.70	1.51	***1.59***
CALM produced %	0.85	0.85	0.85	0.85	
total dozens produced	138.13	147.22	148.33	140.25	***573.92***
total dozens purchased	24.38	25.98	26.18	24.75	***101.28***
feed cost per dozen $	0.43	0.43	0.43	0.43	***0.43***
incidental feed sales %	0.02	0.02	0.02	0.02	
egg product %	0.04	0.04	0.04	0.04	
shell egg sales %	0.94	0.94	0.94	0.94	
sales of egg product $	10.15	12.17	12.45	10.49	***45.26***
incidental feed sales $	4.93	5.91	6.05	5.09	***21.98***
total shell egg revenue $	241.66	289.66	296.45	249.75	***1077.51***
consolidated revenues of subs $	6.00	6.00	6.00	6.00	***24.00***
copack revenues $	33.64	43.45	44.47	37.46	***159.02***
produced egg revenue $	208.03	246.21	251.98	212.29	***918.50***
Net revenues $	229.11	270.28	276.48	233.87	***1009.74***
cost of sales $	**174.49**	**188.06**	**189.54**	**179.17**	***731.26***
cogs%	0.66	0.60	0.58	0.59	***0.61***
copack cost $	33.10	42.75	43.76	36.86	***156.47***
net cost of sales $	141.39	145.30	145.78	142.31	***574.79***
feed cost $	**59.39**	**63.30**	**63.78**	**60.31**	***246.79***
other cost of sales	82.00	82.00	82.00	82.00	***328.00***
gross profit	**88.25**	**125.67**	**131.41**	**92.16**	***437.49***
depreciation & Amortization	6.3	6.3	6.3	6.3	***25.20***
ebitda	74.05	111.47	116.21	76.96	***378.69***
SG&A	20.5	20.5	21.5	21.5	***84.00***
Op income	68.75	106.17	110.91	71.66	***357.49***
int expense net	1	1	1	1	***4.00***
other income	1	1	1	1	***4.00***
Income tax expense	-24.06	-37.16	-38.82	-25.08	***-125.12***
net income	45.69	70.01	73.09	47.58	***236.37***
diluted shares	24.1	24.2	24.2	24.2	
net income per diluted shares	1.90	2.89	3.02	1.97	***9.78***
dividend per share	0.63	0.96	1.01	0.66	***3.26***
net cash add	**30.46**	**46.67**	**48.73**	**31.72**	***157.58***

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CALM FISCAL 2010 REVENUES & EARNINGS

	9/1/2009	12/2/2009	3/1/2010	6/2/2010	Totals
estimated	1st Q	2nd Q	3rd Q	4th Q	
in 1,000,000s					
TOTAL REVENUE $	**284.06**	**339.70**	**347.11**	**292.98**	***1263.84***
input quartely avg.					
Comb. regional Q Avg/ dozen $	**1.52**	**1.75**	**1.78**	**1.55**	***1.65***
total dozens sold MM	162.5	173.2	174.5	165	***675.2***
specialty dozens sold	16.25	17.32	17.45	16.5	***67.52***
specialty egg revenues $	43.875	46.764	47.115	44.55	***182.304***
specialty price/dozen $	2.7	2.7	2.7	2.7	***2.7***
generic dozens sold	146.25	155.88	157.05	148.5	***607.68***
generic egg revenues $	217.85	267.33	273.96	225.57	***984.72***
generic price/ dozen $	1.49	1.72	1.74	1.52	***1.617***
avg. revenue per dozen	1.61	1.81	1.84	1.64	***1.73***
CALM produced %	0.85	0.85	0.85	0.85	
total dozens produced	138.13	147.22	148.33	140.25	***573.92***
total dozens purchased	24.38	25.98	26.18	24.75	***101.28***
feed cost per dozen $	0.48	0.48	0.48	0.48	***0.48***
incidental feed sales %	0.02	0.02	0.02	0.02	
egg product %	0.04	0.04	0.04	0.04	
shell egg sales %	0.94	0.94	0.94	0.94	
sales of egg product $	10.99	13.19	13.49	11.35	***49.01***
incidental feed sales $	5.34	6.41	6.55	5.51	***23.81***
total shell egg revenue $	261.73	314.10	321.07	270.12	***1167.02***
consolidated revenues of subs $	6.00	6.00	6.00	6.00	***24.00***
copack revenues $	37.05	47.11	48.16	40.52	***172.84***
produced egg revenue $	224.68	266.98	272.91	229.60	***994.18***
Net revenues $	247.01	292.58	298.95	252.46	***1091.00***
cost of sales $	**184.76**	**199.03**	**200.59**	**189.19**	***773.56***
cogs%	0.65	0.59	0.58	0.59	***0.60***
copack cost $	36.46	46.36	47.39	39.87	***170.08***
net cost of sales $	148.30	152.67	153.20	149.32	***603.48***
feed cost $	**66.30**	**70.67**	**71.20**	**67.32**	***275.48***
other cost of sales	82.00	82.00	82.00	82.00	***328.00***
gross profit	**99.30**	**140.67**	**146.52**	**103.79**	***490.28***
depreciation & Amortization	6.3	6.3	6.3	6.3	***25.20***
ebitda	85.10	126.47	131.32	88.59	***431.48***
SG&A	20.5	20.5	21.5	21.5	***84.00***
Op income	79.80	121.17	126.02	83.29	***410.28***
int expense net	1	1	1	1	***4.00***
other income	1	1	1	1	***4.00***
Income tax expense	-27.93	-42.41	-44.11	-29.15	***-143.60***
net income	52.87	79.76	82.91	55.14	***270.68***
diluted shares	24.1	24.2	24.2	24.2	
net income per diluted shares	2.19	3.30	3.43	2.28	***11.19***
dividend per share	0.73	1.10	1.14	0.76	***3.73***
net cash add	**35.25**	**53.17**	**55.28**	**36.76**	***180.45***

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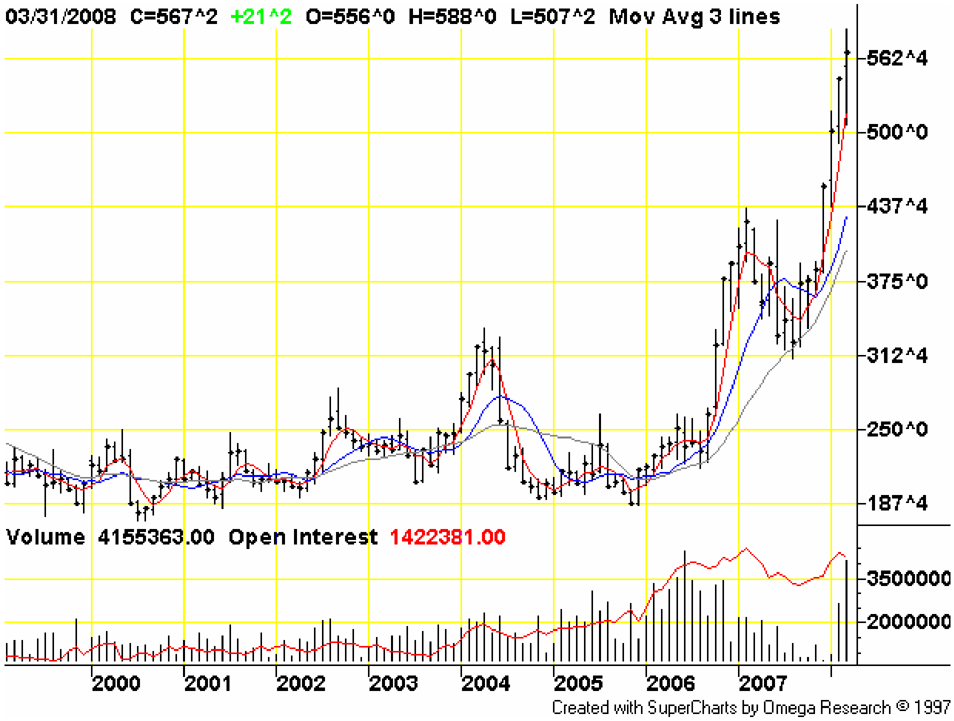
Corn price



Breaker demand going from 20% to 30% of total eggs produced