

## September Milk Output Surprisingly Surges

**1.8% milk per cow gain drives production to highest year over year change in 12 months**

Milk production spiked higher in September even as total US cow numbers continued declining, remaining at the lowest level since early 2016. Even as the US herd continues to shrink, the year over year change in total cow numbers is narrowing, allowing milk per cow gains to push overall output higher. The total herd size is now just 53,000 head smaller versus the prior year, the smallest year over year gap since October 2018 after peaking at a whopping 100,000 head difference in March. Regardless of future herd size changes, the move towards parity in milk cow numbers will allow continued expected milk per cow growth to support milk production in the coming months.

**It is unlikely that US milk output will see declines in the near term and HighGround opines that production expansion has returned for good and will become the new normal yet again, ending the declines seen in three different months earlier this year and contributing to a return to global milk production expansion.**

While overall output continues declining seasonally and marked the lowest monthly output of the year to date, the August to September decline was just 0.5%, much lower versus the five-year average 1.3% decline in the month. High slaughter rates continue to push the total herd size lower, with August cow numbers revised DOWN 1,000 head versus the initial estimate with the herd falling an additional 2,000 head into September. **These herd size declines are being driven by the 26 states that are not included in the monthly data reporting; total cow numbers have gained in the top 24 producing states for three consecutive months now (UP 19,000 head!).** In the lower producing states, dairy farm herd sizes are smaller on average with financial stress still prevalent. The industry continues to consolidate into larger farms in several key regions across the country as smaller farms in rural parts of the country not known for dairy sell out.

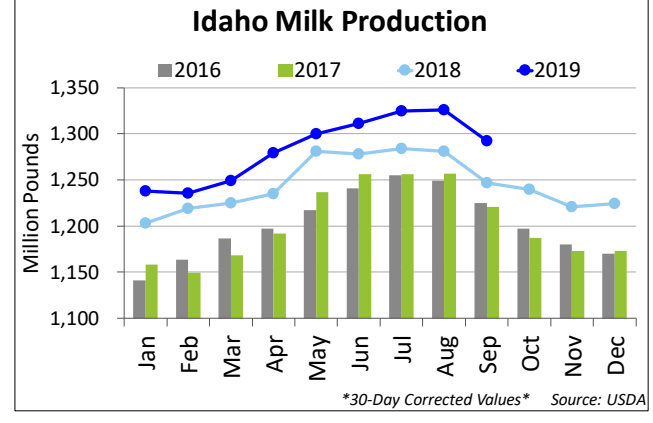
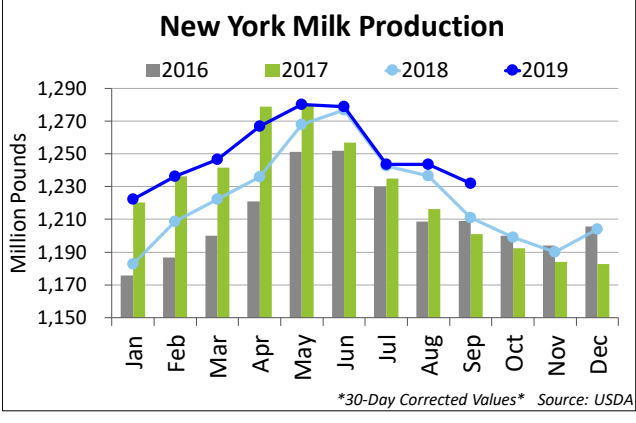
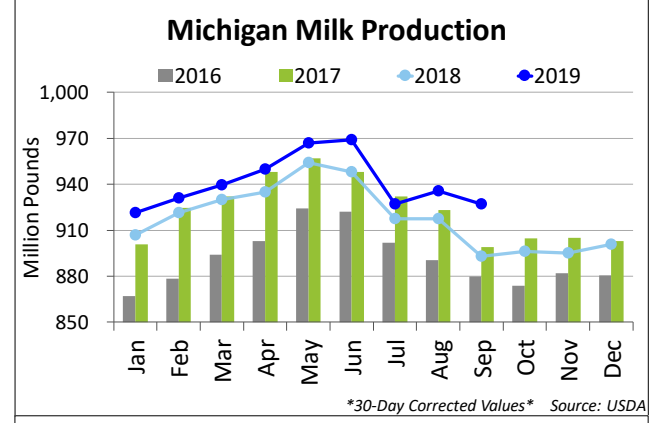
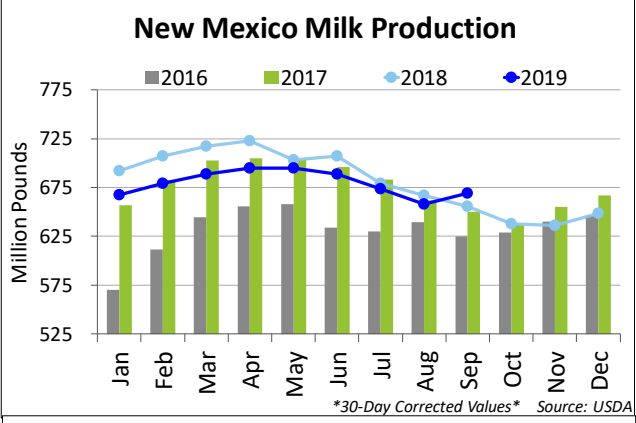
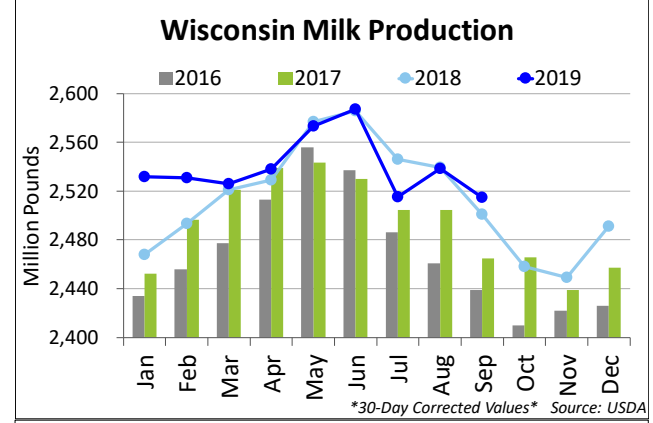
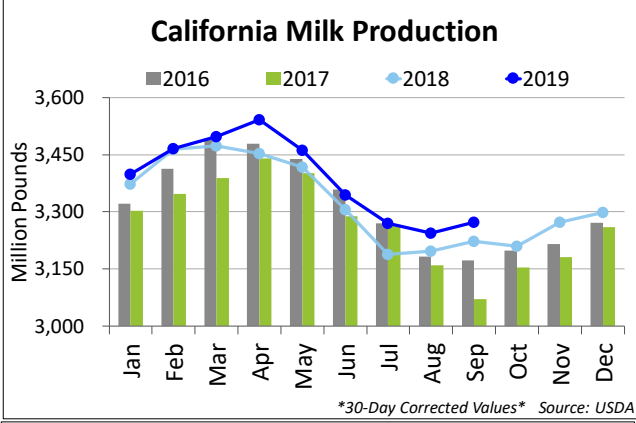
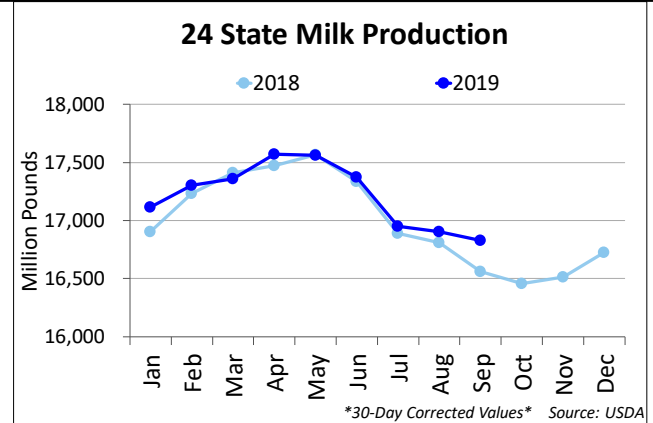
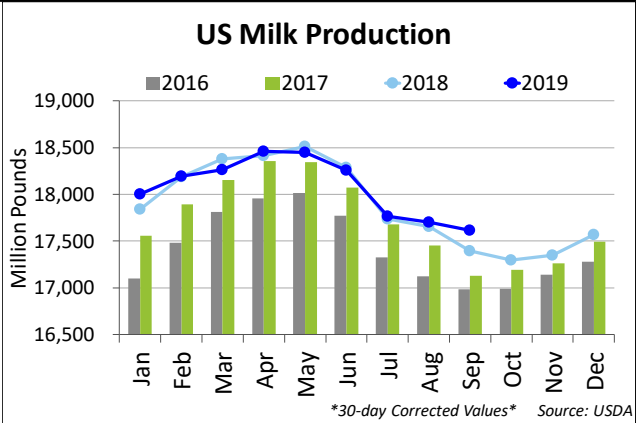
	Value	vs. Last Year	vs. Last Month	Aug-19 Revision	Unit
US Production	17,616	+1.3%	-0.5%	+10	Million lbs
24 State Milk Production	16,829	+1.6%	-0.4%	+32	Million lbs
US Milk Cows	9,315	-53	-2	-1	1,000 head
24 State Milk Cows	8,796	-11	+7	+11	1,000 head
US Milk Per Cow	1,891	+1.8%	-0.5%	+1	lbs
24 State Milk Per Cow	1,913	+1.8%	-0.5%	+1	lbs

(standardized to 30 days) Source: USDA

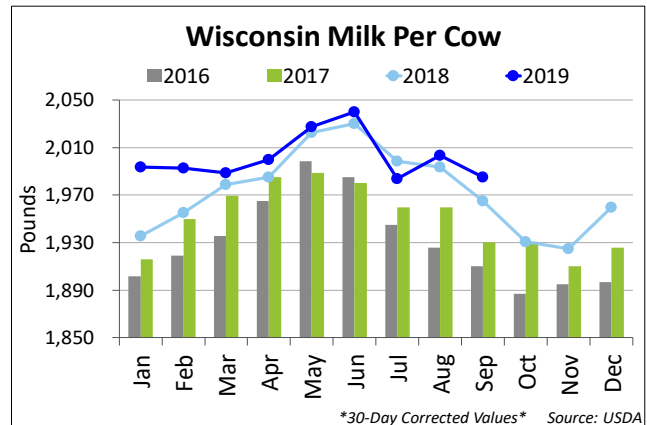
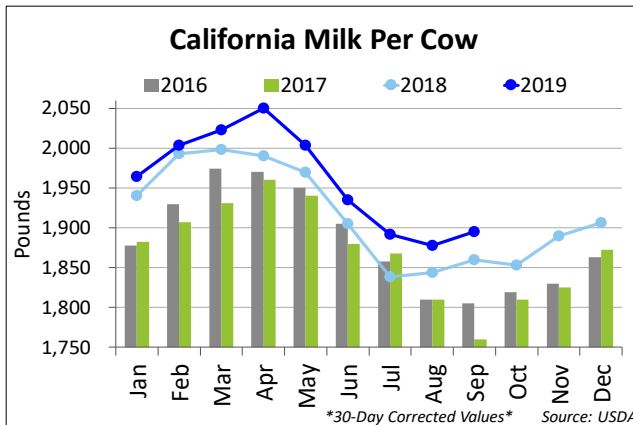
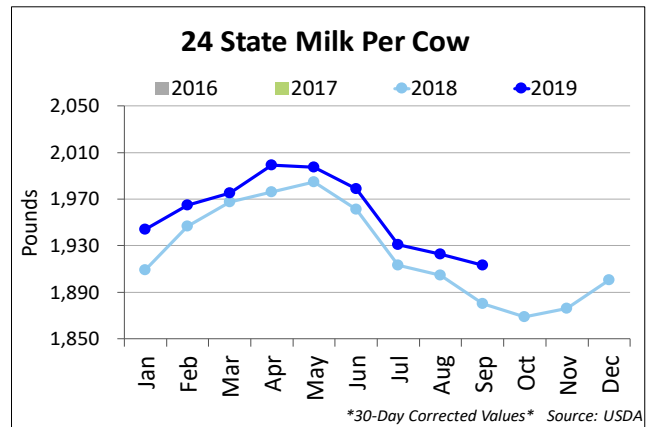
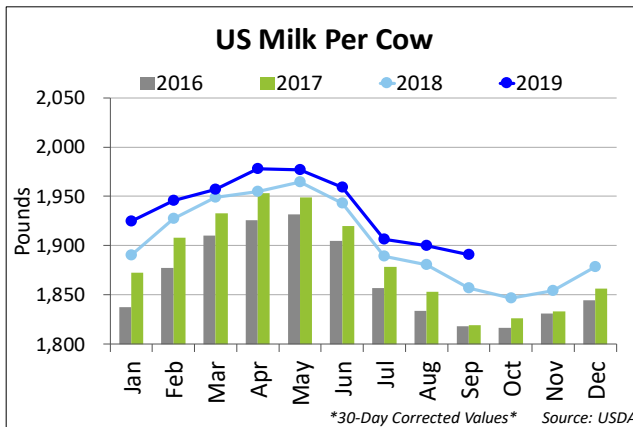
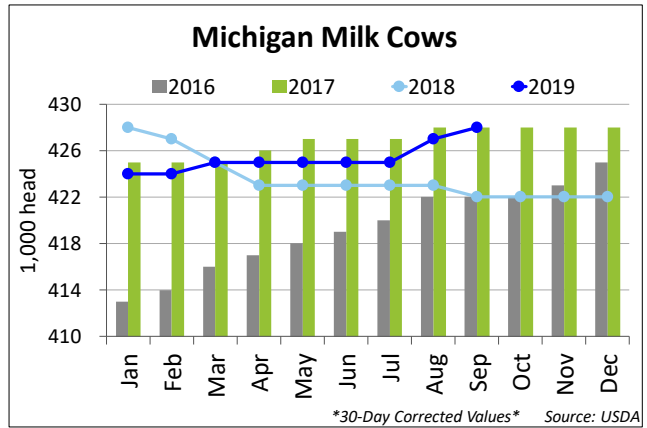
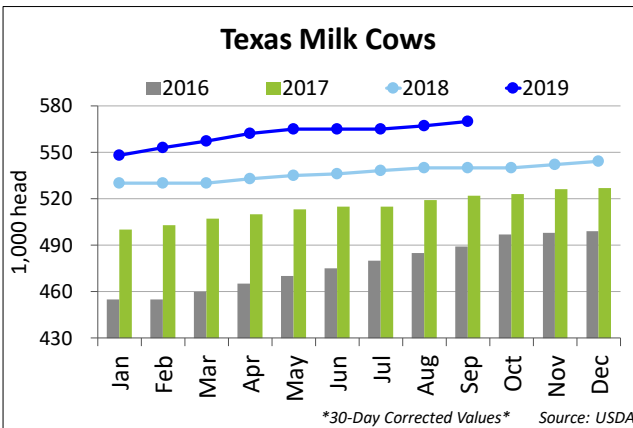
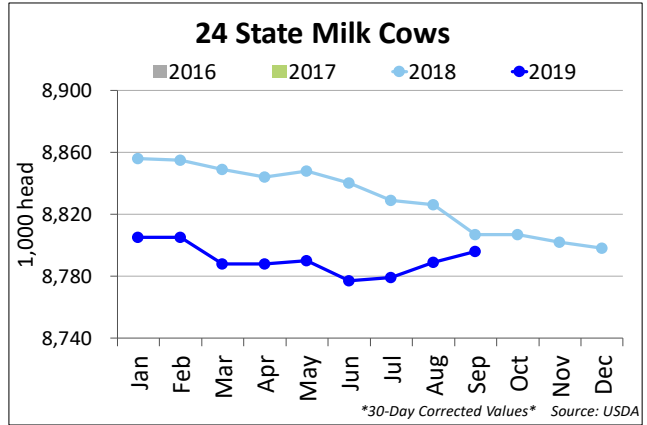
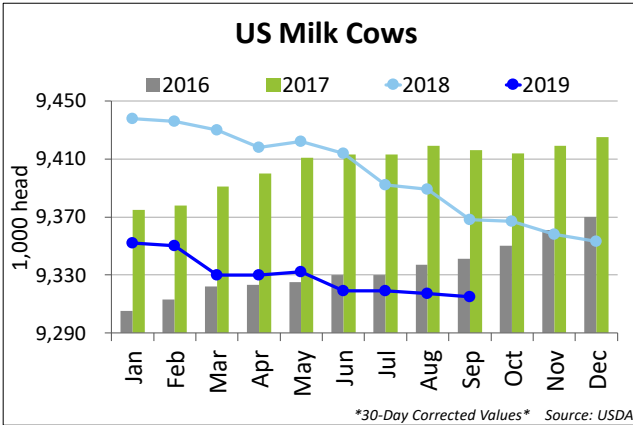
State	Milk Production	vs. Last Year	Milk Cows	vs. Last Year	Milk Per Cow	vs. Last Year
California	3,273	+1.6%	1,727	-5	1,895	+1.9%
Wisconsin	2,515	+0.6%	1,267	-6	1,985	+1.0%
Idaho	1,292	+3.6%	627	+17	2,060	+0.7%
New York	1,232	+1.7%	627	+6	1,965	+0.8%
Texas	1,137	+9.3%	570	+30	1,995	+3.6%
Michigan	927	+3.8%	428	+6	2,165	+2.4%
Minnesota	807	+1.1%	446	-5	1,810	+2.3%
Pennsylvania	800	-3.8%	485	-32	1,650	+2.5%
New Mexico	669	+2.0%	327	N/C	2,045	+2.0%
Washington	563	+1.8%	281	+4	2,005	+0.5%

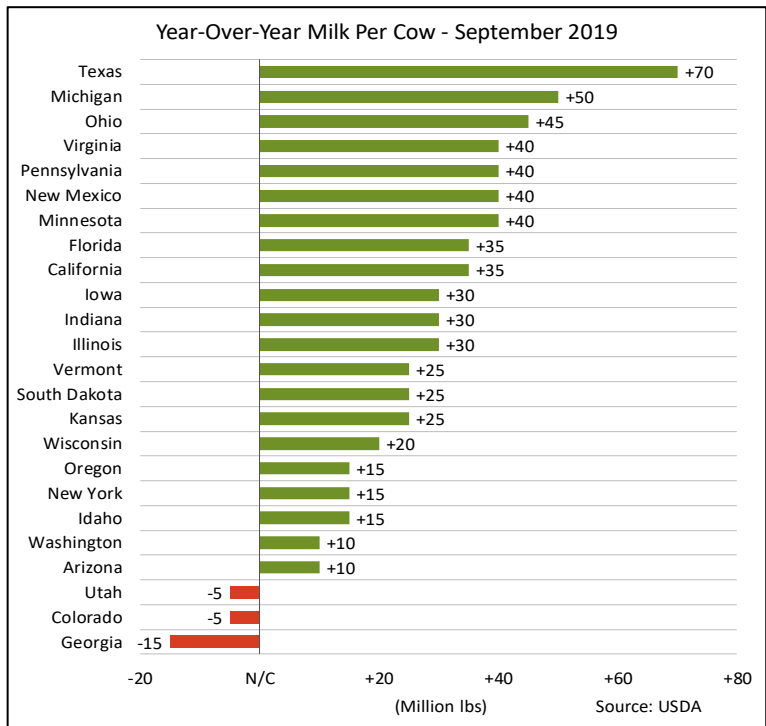
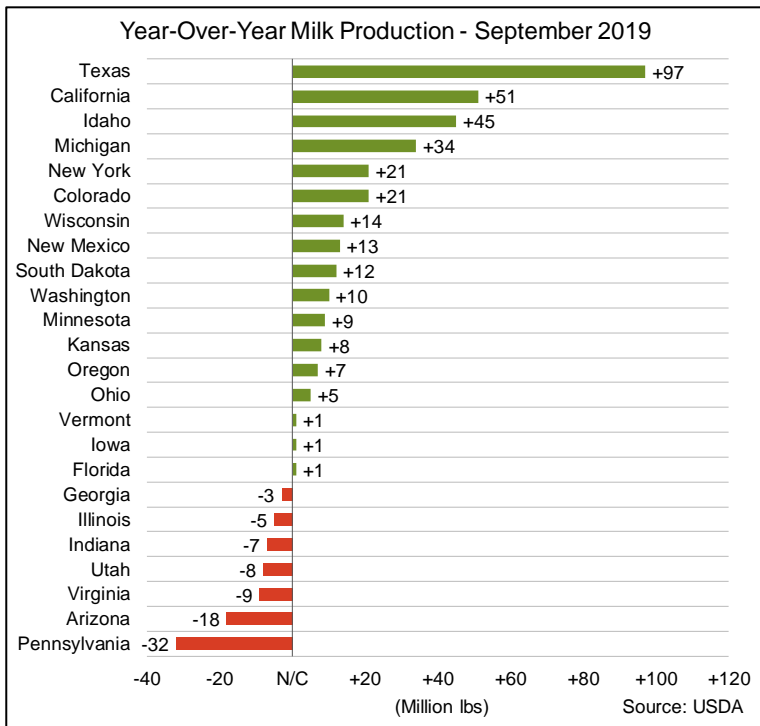
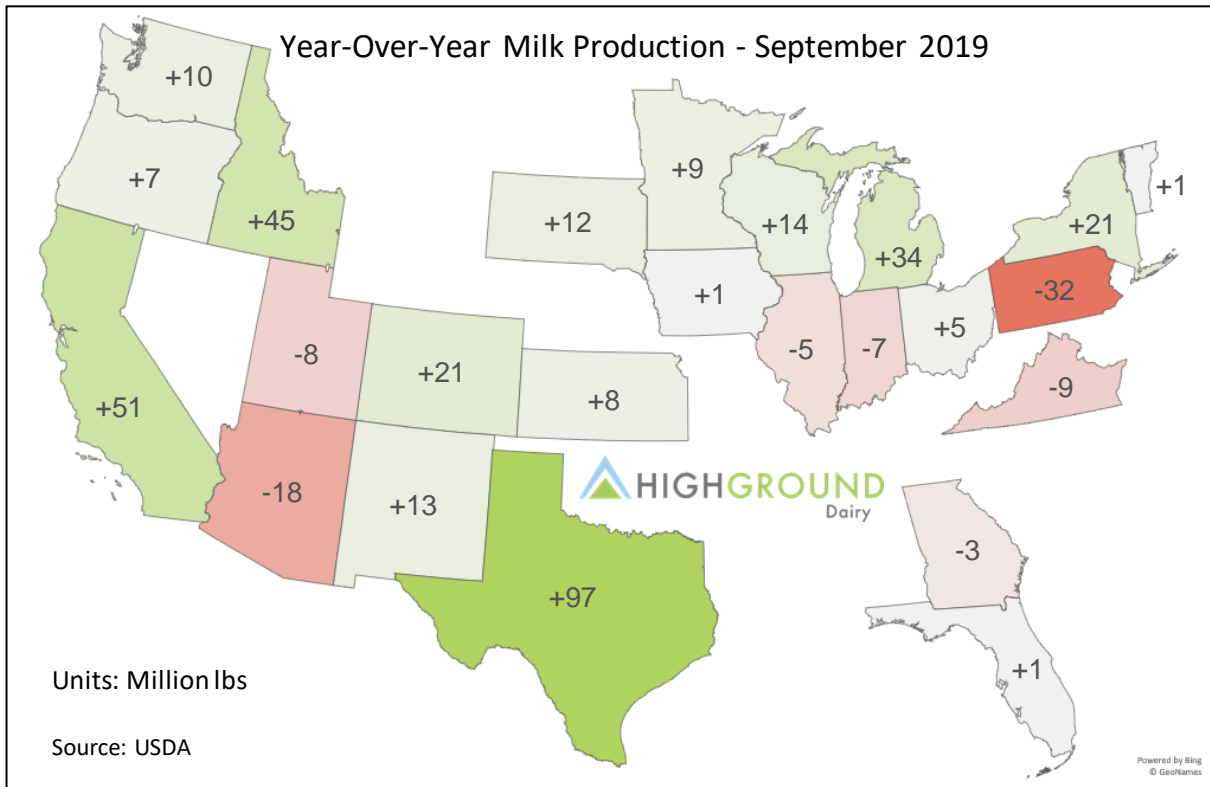
Naturally, states with the largest milk per cow increases showed the strongest production gains in the month. Texas again led the country in growth with production UP a whopping 97 million pounds or 9.3% versus prior year driven by a herd size that is 30,000 head larger from last September and milk per cow that was UP 3.6% in the month. The Texas production is impressive and shows no signs of slowing in the near term as Panhandle dairymen continue adding cows. In Idaho, output was UP 3.6% on 17,000 more head. California climbed 1.6% but on a smaller herd as milk per cow drove gains. Even Michigan, a state that had been showing substantial gains in prior years but slower growth due to the sharp cut in milk check premiums in recent years, was UP 3.8% on 6,000 additional cows and a 2.4% per cow gain. Finally, in a state that has been representative of the recent challenges facing farmers across the country, even Pennsylvania was able to show a milk per cow gain in the month, UP 2.5% on a herd size that is DOWN 32,000 head in just one year.

**HighGround's Take:** Milk per cow growth has been one of the steadiest trends in the dairy industry in recent decades, and continued yield expansion strongly overcame the smallest herd size in years to push production higher. **HighGround believes production contraction is finished and the US has again returned to growth mode for the foreseeable future. As cow numbers stabilize and grow higher, this will contribute even further towards output growth over the next several months. Milk will return to plentiful.**



## Milk Per Cow and Cow Number Trends





## About HighGround Dairy

HighGround Dairy launched in 2012 by industry veteran, Eric Meyer. Affiliated with HighGround Trading LLC, HighGround Dairy services all those interested in trading dairy futures and options markets. Through the brokerage division and its related consulting company, HighGround Advisory Group, it specializes in dairy hedging, risk management and market analysis services for farmers & cooperatives, processors, manufacturers, distributors, traders and end-users.

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