

## YoY Growth Streak Reaches 51 Months, But Momentum is Easing

**Herd size closing in on parity vs. prior year; Jan AND Feb '18 production revised LOWER**

Low milk prices may have had some impact on March milk production as February's national All-Milk price (\$15.30/cwt) was the lowest reported by USDA since June 2016 (20 months). However, it was likely challenging milking conditions due to winter lingering in both the Upper Midwest and East Coast that tempered March's growth. With expectations high due to reported output in Jan & Feb (originally both +1.8%) and a weaker YoY comparison in March '17 (+1.8% vs. 2.4% average the previous six months), a **1.3% increase came up short in HighGround's opinion. Further, the herd size fell slightly vs. the previous month and USDA revised February AND January production data LOWER, slightly bullish versus original expectations.**

Downward revisions were material from February, with both the US herd and output per cow dropping and knocking overall growth down from +1.8% to +1.6%. However, the downward revisions were tempered in the 23 State data, just 12 million pounds lower which represented a 0.08% decline. Of note in this USDA report is that January was also revised lower, 2,000 head were removed from the January milking herd total, and production per cow was reduced by 3 pounds.

March 2018 US Milk Production				
	Actual	vs. last year	vs. prev month**	Feb Revision
US Production*	18,987	1.3%	1.1%	-35
23 State Production*	17,821	1.5%	1.1%	-12
US Milk Cows*	9,406	UP 23,000 head	DOWN 2,000 head	-2
23 State Milk Cows*	8,743	UP 29,000 head	DOWN 2,000 head	0
US Milk Per Cow (lbs)	2,019	1.1%	1.1%	-4
23 State Milk Per Cow (lbs)	2,038	1.1%	1.1%	-1

\*Quoted in millions \*\*Adjusted to 30 day months Source: USDA - NASS

On a regional/individual state basis, some notable points:

- The Upper Midwest is shedding cows at a fairly decent clip historically.** Wisconsin lost 1,000 head from the previous month and is now 6k BELOW last year's number. **At 1.274 million cows, Wisconsin is back to Dec 2014 levels. Minnesota also lost 1,000 cows from Feb and DOWN 5k from last year, now at their lowest herd size (454k) since November 2006! In addition to lower milk prices, the reduction or removal of over-order premiums in the region have forced more dairy farms out over the past year.**
- East Coast production declines** were primarily due to strong comps from last year combined with a terrible winter season. New York's herd is UP 3,000 head from last year while Pennsylvania remained unchanged. **Milk per cow growth should return to the East once the weather improves.**
- The West and Southwest have held up well versus the rest of the country, contributing to nearly all of the country's

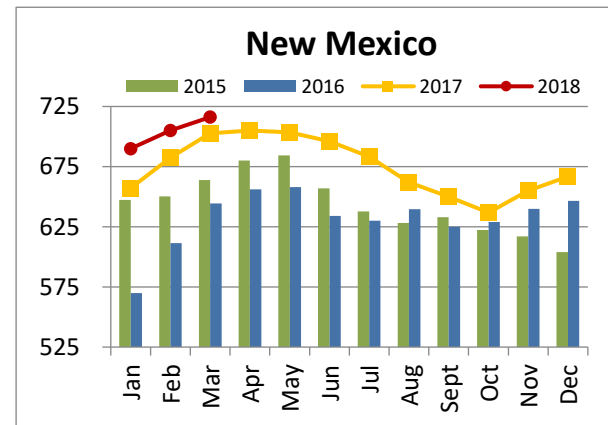
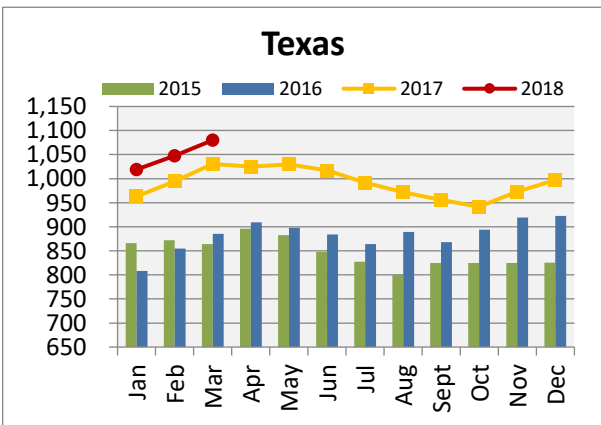
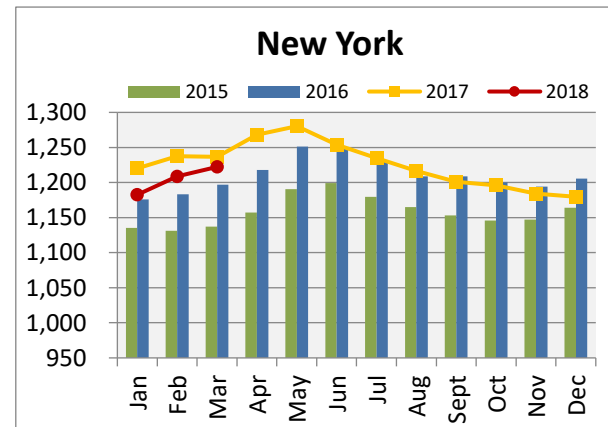
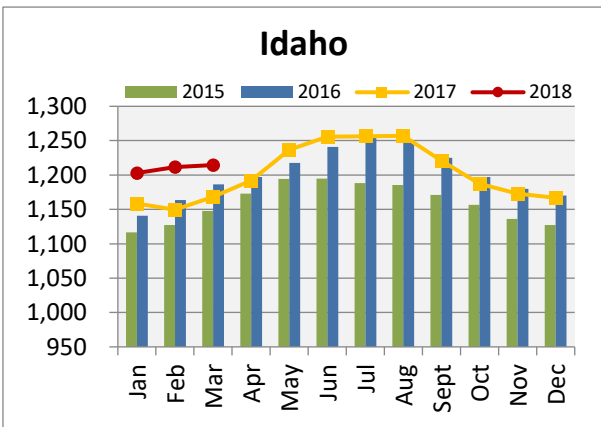
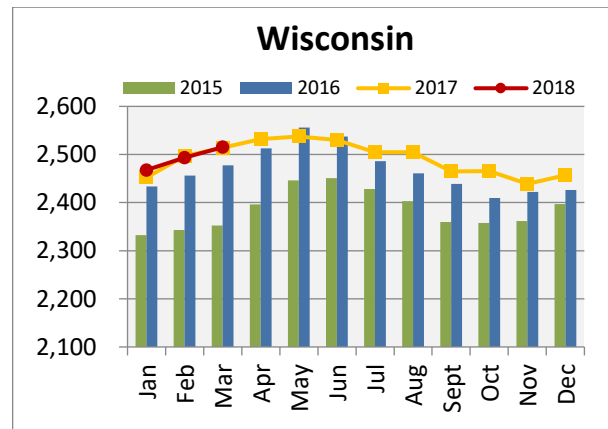
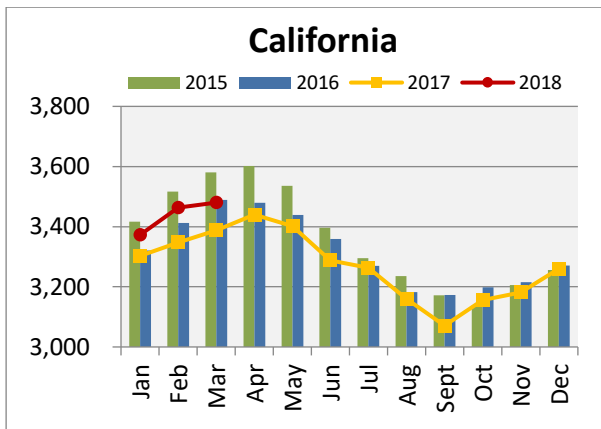
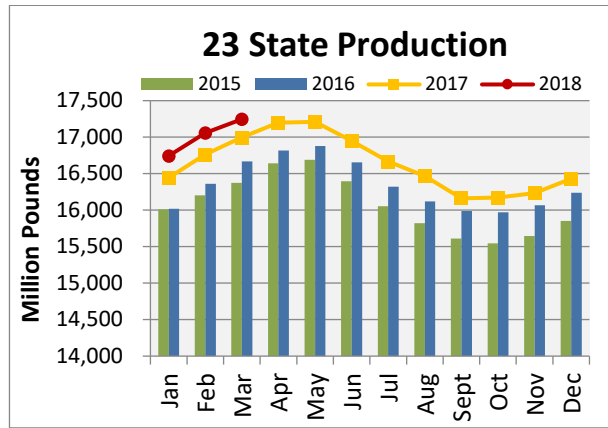
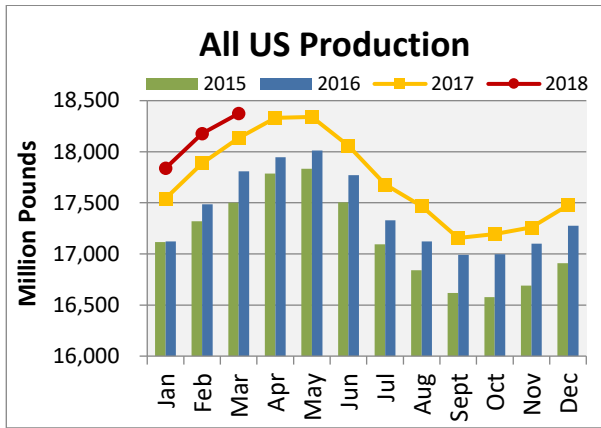
growth. California still has a herd problem but their output per cow has been exceptional. TX, ID, WA and CO have all shown strong increases due to both herd size as well as milk per cow.

**HighGround's Take:** Low prices and poor weather have taken a toll in specific dairy regions and impacted output. If the herd remains flat, parity may be achieved in just a few short months. That said, milk per cow has remained strong and farmers around the world are still being told (economically) to produce more milk. Perhaps the bottom is in for US milk prices, but how much upside can it have if the market is still oversupplied?

Top 10 States: By The Numbers - March 2018						
State	Actual (mln lbs.)	vs. last year	Milk Cows (1,000 head)	vs. last year	Milk Per Cow (lbs.)	vs. last year
CA	3,596	2.7%	1,737	-18	2,070	3.8%
WI	2,599	0.0%	1,274	-6	2,040	0.5%
ID	1,255	4.0%	605	9	2,055	1.5%
NY	1,263	-1.2%	625	3	2,020	-1.7%
TX	1,116	4.8%	518	11	2,155	2.6%
PA	963	-0.3%	525	0	1,835	-0.3%
MI	971	0.8%	426	1	2,280	0.7%
MN	842	-1.1%	454	-5	1,855	0.0%
NM	740	1.9%	334	7	2,215	-0.2%
WA	569	3.3%	275	1	2,215	9.7%

\*Percentages calculated on daily avg basis\*

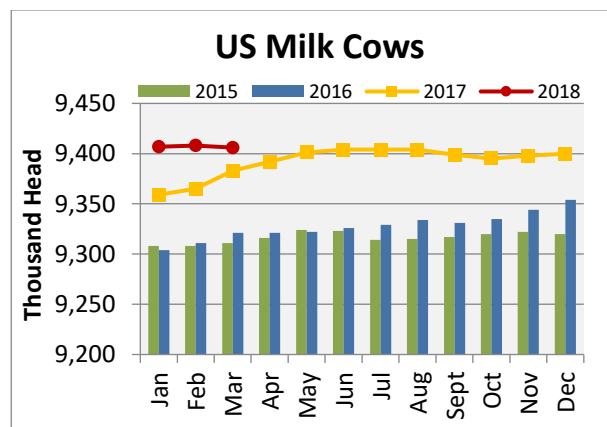
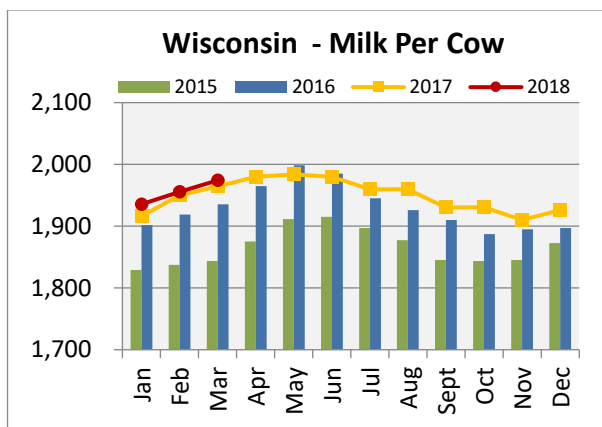
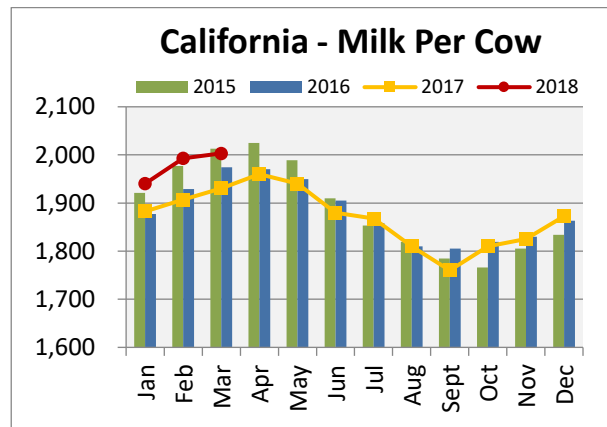
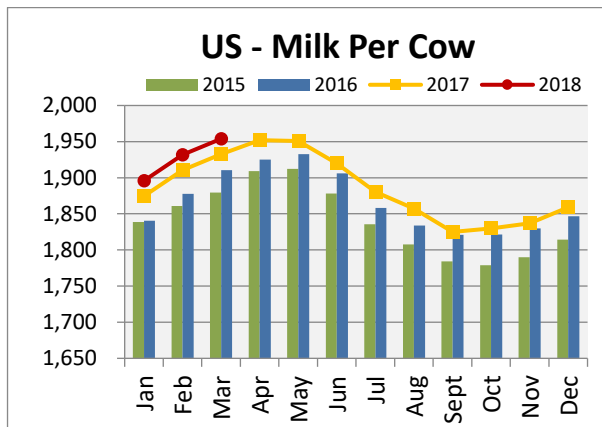
\*All charts are normalized to daily average basis and quoted in million pounds, unless otherwise stated.



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## Milk Per Cow Trends

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### About HighGround Dairy

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