

# Daily Livestock Report

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## Market Comments

**USDA released on Monday its first weekly rating of pasture and range conditions for 2010, showing that US pastures are off to one of the best seasons of the last 15 years.** Pasture conditions are an important driver for cow slaughter rates during the summer months (the other being the financial state of the enterprise). So far, US beef cow slaughter rates have remained at relatively high levels as producers respond to very high prices for market cows. The improvement in cow prices has helped reduce some of the debt burden incurred during this extraordinary recession (see our comments in the April 30 issue of the DLR). The USDA report for week ending May 2 showed that 63% of pastures and ranges in the 48 states were considered to be in good or excellent condition. Keep in mind this is a weighted average based on reported acres, not a simple average. Moisture conditions in the Midwest and Northern and Southern Plains are in good shape and that has contributed to the good pasture conditions. The most recent reading of the Palmer drought index points to very positive longer term drought conditions for much of the pastureland in the country.

Pasture conditions in states with a large beef cow inventory are well ahead of last year's levels. Last year only 29% of Texas pastures and ranges were considered to be in good/excellent condition while 40% were rated as poor or very poor. This year, 57% of pastures in Texas were rated in good/excellent condition while just 9% were rated as poor or very poor. Similarly in Oklahoma, 60% of pastures and ranges as of May 2, 2010 are in good/excellent condition compared to 38% a year ago. These two states accounted for almost a quarter of the overall beef cow inventory in the US on January 1. Conditions in all other states also show significant improvement over a year ago. Last year, poor pasture conditions in the Southern Plains pushed a significant number of beef cows to market. That may not be the case this year, although it is too early to make any definitive pronouncements. As we noted last Friday, high beef cow slaughter in Region 6 (which includes TX and OK) has so far contributed to the year over year increase in US beef cow slaughter. It seems to us that it is only a matter of time when a combination of a much better profit outlook (see deferred feeder cattle futures) and very positive short term feed supplies finally put an end to the ongoing liquidation of the US beef cow herd.

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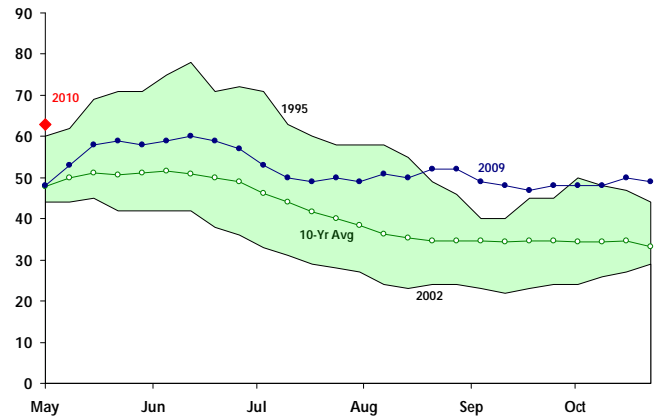
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### PASTURE CONDITIONS: 15 YEAR HISTORY

% RATED IN GOOD/VERY GOOD CONDITION. WEEK ENDING MAY 2, 2010



### Palmer Hydrological Drought Index: May 1, 2010

