



Our customers are the most profitable cow-calf producers in the world.

Whatcha Gonna Do with All that Money?

By Kit Pharo



For the last three months, we have used our weekly emails to discuss the upcoming **Best of Times**. I hope you have been tuned in and paying attention — because this is gonna be BIG! I am asking the above question early because I want you to be prepared when the **Best of Times** get here.

Cow numbers have been steadily declining since 2019. There are two reasons for this — lack of profitability and drought. Many cow-calf producers have not seen a profit since 2015. The current drought has been devastating for many cow-calf producers over a large geographical area. Therefore, much destocking has taken place.

Because cow numbers have been declining, cattle prices have been increasing since 2020 (see graph below). This is a simple factor of supply and demand. Prices will continue to gradually increase until this widespread drought has been broken. At that point in time, cattle prices will go SKY HIGH! They will set new record highs just as they did when the drought broke in 2014 (see graph below). That will be the beginning of the **Best of Times** we have been waiting for!

10 Year Moving Average... Stocker, Feeder & Slaughter Steers



The longer it takes for this drought to break, the higher cattle prices will go! Many, however, believe the **Best of Times** will begin this year. I'm ready! When it happens, a 500-pound steer calf that is currently worth \$1000 will quickly be worth \$1800 to \$2000! Whatcha gonna do with all that money? Are you going to foolishly assume the **Best of Times** will last forever — or are you going to invest wisely and prepare for the future? The **Best of Times** will probably only last two or three years. You need to take full advantage of them while they're here.

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"Change before you have to."

~ Jack Welch ~

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Our Mission: Help ranchers put more fun and profit into their business.

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Whatcha Gonna Do?

(Continued from Page 1)



I'm not gonna tell you what to do with all that money — but I would like to give you a few things to think about. We have all heard stories about people who won the lottery — but had nothing to show for it five years later. You don't want something similar happening to you, do you?

Farmers and ranchers have a tendency to spend new-found wealth on vehicles and equipment to avoid paying taxes. I would much rather pay taxes and save the remaining money for something that will have a return on investment. Vehicles and equipment will never have a return on investment. In addition to burning high-priced fuel, their value depreciates very rapidly.

In most cases, it makes sense to pay off some or all of your existing debt. The Bible says, "*The borrower is slave to the lender.*" It is impossible to function at your very best when you are a slave to someone else. Being debt-free will liberate your mind and help you see opportunities you could not see before.

Don't make the wrong things easy. I have seen many producers, for example, invest in things that make it easy to put up hay and/or feed hay. They created a program that revolves around feeding hay. As the cost of land, fuel, equipment and labor continues to increase, their business becomes less and less profitable.

Invest in education and low-cost infrastructure (fence and water) that will allow you to increase grass and beef production by 50 to over 200 percent. Invest in bulls with low-maintenance genetics. Low-maintenance cows will always produce more pounds and more profit per acre than the high-maintenance cows you now have. The money you invest in things like this will provide HUGE returns on your investment for many years to come.

Whatcha gonna do? In finding ways to spend your new-found wealth, your goal should be to create a very profitable, enjoyable and sustainable business. I hope you will make the most of this opportunity — and so do your kids and grandkids. When cattle prices go back down, your cost of inputs will continue to go up. Will you be able to stay in business without making some changes?

Resistance To Change —

By Kit Pharo

People hate change! Nowhere is this more prevalent than in agriculture. More often than not, it takes decades for people in agriculture to make simple changes — even though they know the change will be for their own good. I must confess that I too am reluctant to change. I don't hate change as much as most people, but it still makes me uncomfortable.

A few years ago, I read a neat little Seth Godin book entitled *Tribes*. In this book, Seth spent considerable time discussing the status quo and its fear of change. He believes change is inevitable. Change is a normal and necessary part of life — and the sooner we embrace it, the better off we will be.

Seth says, “*Change almost never fails because it's too early. It almost always fails because it's too late. By the time you realize your corner of the world is ready for a change, it's almost certainly too late. It's definitely not too early.*”

Why Things Don't Work the Way They Used To —

By Jim Gerrish

As we grow older, it seems more and more things aren't the way they used to be. Today, I want to talk about why the beef business model many of us grew up with no longer works. I'm getting to be one of the older guys in the neighborhood, and I've lived through some stuff younger people have not lived through.

One of the things I lived through was 1973. I know that doesn't sound like a big deal, but it *is* a big deal when we look at the economics of ranching. For those who don't remember or were not alive at the time, here are some things that happened in 1973.

- I graduated from high school in 1973. My 50-year class reunion will happen this year!
- My dad bought one of the first 605C large round balers in the state of Illinois for \$4200.
- At the start of the farming season, we were paying 17¢/gallon for diesel fuel. By late summer, diesel was costing around 35¢/gallon due to the first Arab oil embargo.
- Fed cattle on the CME reached \$55/cwt on the live market. The federal government capped beef prices and halted all US beef exports.

Why do I bring all of this up? We have had more than a generational change in ranch management since 1973. You would think that over the course of 50 years everything would have changed. Unfortunately, most of our neighbors are still operating in the 1970's beef industry paradigm.

In 1973, the average calf weighed 400 pounds at weaning, and was worth about \$240 which was an all-time high. That Vermeer baler could be purchased with 18 calves. In 2023, a new Vermeer big baler will cost over \$60,000. Today, a 500-pound calf is worth about \$1000, so it will take 60 calves to pay for that baler.

Today, diesel fuel is costing around \$4.60/gallon. Based on the general rate of inflation in the overall economy since 1973, a gallon of diesel should cost \$2.21/gallon.

Looking at general inflation, adjusted cattle prices based on \$55/cwt in 1973, fed cattle should be selling for \$308/cwt. A 500-pound steer calf should be selling for over \$2000 today just to have kept pace with inflation.

We can safely say that over the last 50 years, input costs have increased *10 Times Faster* than cattle prices. That is why things don't work the way they used to. Survival in the cow-calf business will require producers to adapt to today's economic reality!





Make Things Happen —

Peter Drucker, noted author and management consultant, once said, "*The best way to predict the future is to create it.*" Folks, that is an awesome concept! Yes, I know many things are totally out of our control — but many things are within our control. The key is to focus on the things that are within our control — and to take action.



Passionate versus Reflective —

By Bobby Thoman

The problem with society, according to Soren Kierkegaard, is that it has no passion! Kierkegaard was a Danish philosopher who lived in the mid-1800s, but his writings are still very applicable today.

Kierkegaard observed that there is a danger of getting lost in thought and never committing to anything. He proposed there are two different types of man: the passionate man and the reflective man. The reflective man analyzes everything, which raises doubts and leads to inaction.

Reflection always gives us a way out, and an excuse for not making a decision. Those paralyzed by reflection are unhappy and when they encounter passionate people who are active, energetic, confident and flourishing, they experience it as an insult or condemnation. This causes envy and the reflective person begins to criticize.

Kierkegaard called this criticism “leveling.” Leveling was the act of equalizing everyone where no one could stand out. This was driven by the press and public opinion. People would default to “group-think” because they were afraid of being leveled. People came to fear the judgement of others as much as death!

Kierkegaard could very easily have been writing about agriculture today! People are just as afraid to “be different” today as they were 180 years ago. People who dare to challenge the status quo are still being labeled as crazies, lunatics and conspiracy theorists. Have we not learned anything from history?

In contrast, Kierkegaard described passion as a focused energy of the soul. He encouraged people to be bold and courageous. He encouraged people to take a leap of faith and follow their inward calling. To be happy, we need to be decisive and we need to act! We need to be challenged and we need to take risks!

Does this sound familiar? It should! Instead of addressing the problems and finding solutions, most people still prefer to stick their head in the sand and ignore the obvious! They are afraid to get out of their comfort zone, and they are afraid to go against the status quo.

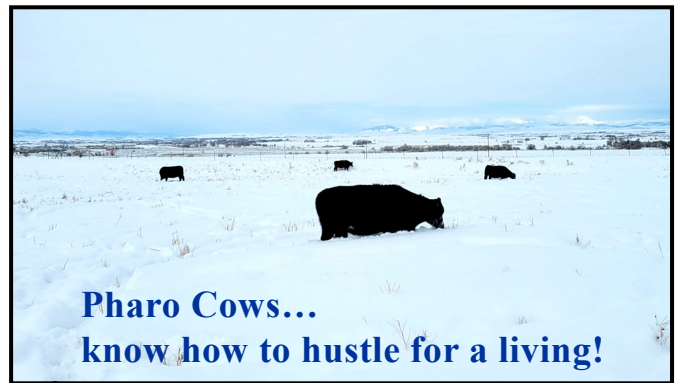
Folks, we must live in the reality of the present — instead of the shadows of the past. What worked for your grandparents is no longer applicable. It’s time to make the necessary changes to ensure your children will be able to carry on in agriculture! (Please read Jim Gerrish’s article on page 3.)

Kierkegaard says passion unifies one’s character. It is passion that produces an enchantment similar to being in love. Passion is what brought me back to ranching. Passion gave me the drive to figure out how to make ranching profitable and enjoyable — in good times and in not-so-good times. What are you passionate about? Dare to be a Herd Quitter — and dare to put some passion into your life!

Fall Sale Results —

We sold **505** low-maintenance, grass-developed bulls in our fall bull sales (Colorado, Alabama, Montana and Nebraska). The bulls sold for an average price of \$6200.

We sold bulls into 34 states and four Canadian provinces. A whopping **45%** of the bulls were purchased through one of our three Stay-At-Home options. We make it easy to purchase bulls this way.



Don't Be Duped —

By Kit Pharo

If you are a cow-calf producer and if you have a mailing address, I'm sure you have been inundated with bull sale catalogs and beef publications jammed full with bull sale advertisements.

You don't have to be a genius to see that nearly all of the bulls being offered have been developed in an artificial environment. They are gobby fat — and pretty much guaranteed to melt and fall apart when you take them home and introduce them to the real world.

You will also notice nearly all the bulls being offered have been bred and selected to help you increase your weaning weights. This has been the primary focus of the status quo beef industry for the last 50 years. Registered breeders continue to select for higher and higher growth EPDs, and for bigger and bigger weaning weights.

Several registered breeders are bragging about their 800, 900 and even 1000-pound weaning weights. Are they implying you and I can get the same results simply by using their bulls? Sadly, the fact that these registered breeders continue to sell a lot of bulls for a lot of money tells me there are a lot of commercial cow-calf producers who are totally duped.

What does it take to produce calves that weigh 800 to 1000 pounds at weaning? First, it requires cows that weigh 1800 to 2200 pounds. These cows do not fit any environment outside a feedlot. Is that the kind of cow you want? Producing calves that weigh 800 to 1000 pounds at weaning also requires calves to be fed a high-energy ration — starting soon after birth.

Registered breeders are willing to spend whatever it takes to get the results they want. They can justify spending all that extra money because commercial cow-calf producers are still willing to pay big bucks for overfat bulls that have artificially-inflated weaning weights. This is a ruse most seedstock producers have mastered.

Here's the rub... According to university research, there has been *NO significant increase in weaning weights* in commercial cowherds since 2001. As expected, the environment is the limiting factor! Commercial cow-calf producers cannot justify spending extra money to get the results they were promised because they will never get paid enough to cover the cost.

Allow me to spell this out for you. While cow size has continued to increase for the last 20 years, weaning weights have remained unchanged. Cow-calf producers are spinning their wheels. They are spending more to get less. This should come as a rude awakening — and it should create a change in thinking! Unfortunately, change comes mighty slow. Sometimes, it comes too late to do any good.

Are you ready for something different? Call 800-311-0995 to request a catalog for Pharo Cattle Company's three spring bull sales. You will quickly see that our program and our bulls are pretty much the exact opposite of everyone else's program and bulls. We have always been focused on helping you make your business more profitable, enjoyable and sustainable. This has absolutely nothing to do with gobby-fat bulls and 1000-pound weaning weights!



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Cowboy Logic: "Think small. Big ideas scare people."

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