



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

Some Market Thoughts and Predictions

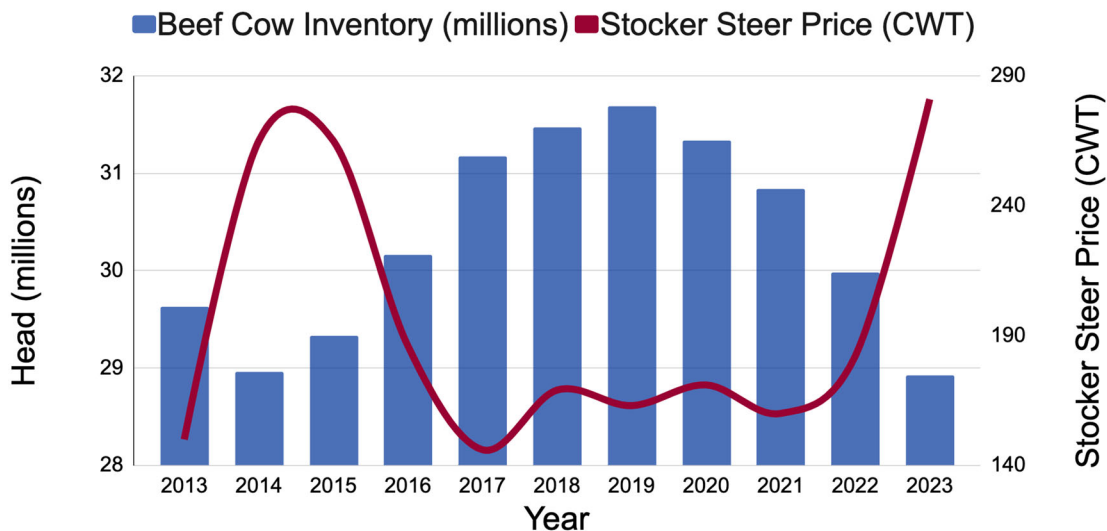
By Kit Pharo

Many people, including me, mistakenly thought we would see a repeat of the 2014/2015 time period when the most recent drought began to subside. It will be similar — but it will not be the same! When the widespread 2011 to 2013 drought came to an end, the United States had the lowest beef cow numbers in 63 years. That takes us all the way back to 1951.

The cattle market responded in a big way! Calf prices nearly doubled in one year (see red line in graph below)! Most of us never thought we would ever see calf prices that high. Those record-high prices created record-high profits for nearly all cow-calf producers. We were on top of the world! Unfortunately, as cow numbers began to increase, calf prices quickly dropped by nearly 50% in just two years (see graph below). The price on a typical 500-pound steer dropped from a whopping \$1400 per head to only \$700 per head.

10 Year Historical Inventory vs. Price

Inventory from USDA and Pricing from cattlerange.com



Let's jump ahead 10 years. As a result of the most recent nationwide drought, cow numbers are as low today as they were in 2014 (see graph above). Once again, the cattle market has responded in a big way. Calf prices are higher than the record-high prices we were receiving in the 2014/2015 time period — and they seem to be increasing weekly! Normally when we have low cow numbers and high calf prices, we will see some rapid herd expansion. However, that is not happening yet. The fact that herd expansion is not yet taking place suggests these record-high prices will last longer than they did in the 2014/2015 time period.

There are several reasons we are not seeing any herd expansion. First, there are still areas of significant drought. Cow-calf producers in those areas are unable to increase the size of their herds until the drought recedes some more. High interest rates may also be having a negative affect on herd expansion. However, the primary reason we are not seeing any herd expansion is the fact that today's record-high calf prices are not creating record-high profits like they did in the 2014/2015 time period. In fact, many of today's cow-calf producers are struggling to break even. They are much too dependent on outside inputs — which are also at record-high price levels.

"We all have two lives. The second one starts when we realize we only have one."

~ Tom Hiddleston ~

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THE PHARO CATTLE COMPANY NEWSLETTER

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

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More Thoughts and Predictions

Continued from Page 1

It's comforting to know these record-high prices will go higher and last longer than the record-high prices of the 2014/2015 time period. However, we must never take them for granted! They won't last forever! When herd expansion begins, prices will fall. They may fall by 50% or more! Will you be ready?

Without change... many cow-calf producers will be under water when calf prices go back down. I'm afraid this could be the end of many family farms and ranches. Survival will require change — and NOW is the best time to make the necessary changes! Making those changes after cattle prices go back down will be impossible, because survival will take precedence over all else.

Cow-calf producers must find ways to reduce their dependence on outside inputs and to reduce their cost of production if they hope to survive when calf prices go back down. As mentioned earlier, the costs of all inputs are at record-high levels — and I don't think they will ever go back down. I'm referring to the cost of land, hay, feed supplements, fuel, fertilizer, chemicals, labor, vehicles and equipment.

At the same time, cow-calf producers need to find ways to increase their production per acre. Nearly all cow-calf producers need to **stop** focusing on increasing production per cow, which is nothing more than bragging rights, and **start** focusing on increasing production per acre! This is step number one of our *Ten Steps to Maximize Profits!* Call or email to request a copy of our "Ten Steps."

Pharo Cattle Company has the genetics and the philosophies you need to decrease your dependence on outside inputs and to decrease your cost of production. We can also help you increase your production and profit per acre by 30 to over 100 percent! The key to long-term success in this business is to produce MORE for LESS!

I predict herd expansion will begin in earnest this fall and winter as many cow-calf producers retain ownership of their heifer calves. These heifers will be bred in 2024 to calve in 2025. When those 2025-born calves are weaned, I predict cattle prices will start falling, just as they did in 2016 and 2017.

"People hate change and love it at the same time. What we really want is for things to remain the same — but get better."

~ Sydney J. Harris ~

Weekly Emails

If you are not receiving our weekly emails, send us your email address. You'll be glad you did!



Milk is NOT a Maternal Trait

By Kit Pharo

Many bulls are promoted as “high-maternal” bulls in sale catalogs and AI sire directories — but what does that mean? Without exception, it means the bull has the genetic ability to produce daughters with high milk production. For many, many years, I have been the only one saying milk is NOT a maternal trait; it is a growth trait. The only reason I would ever want more milk in a range beef cowherd is to produce bigger calves. Milk is a growth trait, and it is the most inefficient and expensive growth trait I have ever dealt with.

You probably know high-milking cows require more feed for maintenance than low-milking cows. It takes energy to make milk. But... did you know high-milking cows require more feed for maintenance — even when they are **not** lactating? Most people don't know this. Simply put, the engine of a high-milking cow requires large amounts of high-octane fuel year-round. A low-milking cow, on the other hand, can get by on smaller amounts of low-octane fuel.

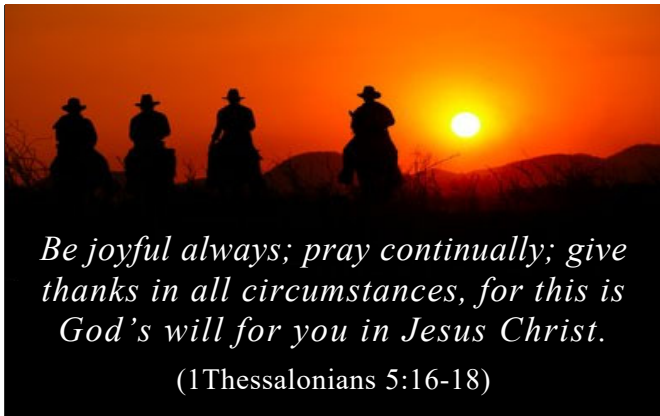
What does this tell us about steer calves that are produced by high-milking cows? They will never produce a drop of milk — but they have the same high-octane engine their mothers have. Whether on grass or in a feedlot, they will require more feed just to meet their maintenance requirements — **before** they can start gaining weight. In other words, they are less efficient at feed conversion.

Studies from the USDA Research Station in Miles City, Montana, have shown that we can separate a calf from its dam and get the exact same gains with 15% less feed than when we leave the calf with its dam. What does that tell you about milk? Milk is very inefficient and expensive! This is why early weaning is such a great tool for drought management. Other than drought management, however, I am not a fan of early weaning.

Contrary to popular opinion, we do NOT raise calves on milk. We raise calves on grass and use milk as a bypass protein supplement. According to a study in Australia, over 80% of a calf's ability to grow from birth to weaning is due to its genetic foraging ability. Less than 20% can be attributed to milk. Unfortunately, members of the high-input, status quo beef industry have all but bred genetic foraging ability out of their cowherds.

What is a maternal trait? If milk is not a maternal trait, then what is? Several things come to mind when I think of maternal traits. Ultimately, though, fertility is the most important maternal trait. From an economic point of view, nothing is more important than fertility in a cow-calf operation. Ironically, high milk production is extremely antagonistic toward fertility. Heavy milking cows tend to be hard-keeping cows that are very difficult to get bred back. Reproduction can only take place after maintenance requirements have been met. Maybe we should start referring to milk as the “anti-maternal” trait.

Pharo Cattle Company breeds cattle for maternal traits, but high milk production has never been a trait we selected for. I have yet to find a cowherd in North America that needs to increase milk production. For over 35 years, we have selected for easy-fleshing, moderate-sized, low-maintenance cows that can efficiently produce and reproduce with minimum inputs. We run our cows on grass year-round and let the environment sort out the good ones — while we show absolutely no sympathy for open, late or dry cows. As you might expect, high-milking cows are always the first to fall out of our program.



"If you don't drive your business, you will be driven out of business."
~ B.C. Forbes ~

Genetic Fly Resistance



What a novel idea! While others continue to treat the symptoms of the problem with toxic chemicals, we're helping you solve the problem with genetics.

We have satellite cowherds in 12 different states — from Alabama to Montana and from Minnesota to Texas. Most of those herds have gone two decades without being treated for parasites.

Genetic parasite resistance is one of many areas in which Pharo Cattle Company has assumed the leadership position. In the last 16 years, we've evaluated and scored over 14,000 bulls for genetic fly resistance.

How Many Calves?

Grazing guru **Jim Gerrish** has a great article in the August issue of *The Stockman Grass Farmer* that discusses the lack of profitability in today's cow-calf operations. Jim blames the high cost of inputs, along with the producer's reluctance to change anything.

In this article, Jim said, "Fifty years ago, it took 20 calves to purchase a new pickup truck. Today, even with record-high calf prices, it takes **58 calves** to purchase a new pickup." Let that sink in. How many calves will it take when prices go back down?

NOTE: Jim Gerrish will be the featured speaker at ALL FOUR of our bull sales. These meetings will be FREE and open to the public!



Calving Ease Will Sell for a Premium

By Kit Pharo

With herd expansion taking off, most cow-calf producers will be retaining more heifers than they have for several years. Therefore, bulls with genuine calving ease will be selling for a premium. This fall may be the last time you will be able to purchase calving ease bulls for an affordable price. I expect them to sell for substantially more next spring and beyond.

Buyer Beware... Not all bulls that are promoted as calving ease bulls are calving ease bulls. Over the years, I have had hundreds of customers tell me about their previous experiences with the so-called "calving ease" bulls they purchased from other bull suppliers — dead calves, dead heifers, paralyzed heifers, checking heifers every four hours, etc., etc.

No one — and I mean NO ONE — sells as many bulls with genuine calving ease as Pharo Cattle Company! We have always been serious about calving ease because our customers are serious about calving ease. Bulls with genuine calving ease will reduce death loss, decrease labor, increase enjoyment, increase future conception rates and shorten your calving season.

We are so serious about calving ease that we are willing to **Guarantee Calving Ease** on a high percentage of our bulls. We have done this for the last 25 years. Others told us, "You can't do that" — but we did and we are still doing it! If you plan to retain heifers, I suggest you get your calving ease bulls purchased early. They may cost twice as much next spring!

Udder Improver

Udder improvement is one of our many specialties. This perfect-uddered cow is the dam of the leadoff bull in our Nebraska Sale.



Father / Daughter



Several sons will sell in our Colorado Sale

Bred In – NOT Fed In

By Kit Pharo

When time allows, I like to glance through other bull sale catalogs and advertisements. I have noticed that everyone else has bulls that are way too fat. They look like they are ready for slaughter. Those overfat bulls are guaranteed to melt and fall apart when you take them home and introduce them to the real world. They will be lucky to make it through their first breeding season.

What most bull producers do to get a bull ready to go to work is akin to getting a long-distance runner ready for a marathon by setting him down in front of the television and feeding him nothing but donuts for four to six months. It's no wonder only one out of three bulls is expected to last long enough to have a second breeding season. With the high cost of bulls, this is NOT acceptable!

Here at Pharo Cattle Company, thickness and fleshing ability have been bred in – NOT fed in! Our grass-developed Solar Bulls won't be as big or as fat as everyone else's bulls — but they will be able to breed **TWICE AS MANY COWS** for **TWICE AS MANY YEARS** as the typical overfed, grain-developed Diesel Bull. If you would like to get the **Biggest Bang for every Buck** you spend on bulls, call us at **800-311-0995** to request a sale catalog.

Some Like it HOT

We have some outstanding South Poll and Heat-Tolerant Composite bulls selling in our Alabama Sale.

Our goal is to produce cattle with no Brahman influence that can work well in very hot and humid environments. We have been very impressed with this set of bulls. They will still be out grazing when other cattle are shaded up or standing in the water.



Maximizing grazing time is the key to profitability in this business. Heat-adapted animals that graze twice as long as non-adapted animals will likely be twice as profitable. The best way to beat the heat is with genetics.

He's the Man!



Several sons will sell in our Montana Sale

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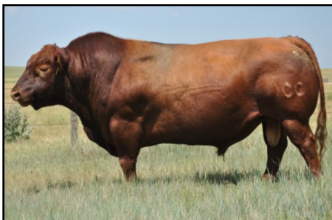
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Cowboy Logic: "A bad attitude is like a flat tire. You can't go very far until you change it."

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Grass-Based Genetics
— with Calving Ease —



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and/or an AI Sire Directory**



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