



What's in Store for 2012?



There is ample reason to believe most cow-calf producers will look back on 2012 as one of the most prosperous years ever. We saw record-high prices for beef and all classes of cattle in 2011. It looks as though all of those records could be broken again in 2012. The fundamentals within the beef industry continue to look better than they have ever looked in my lifetime.

On average, the price of beef was up 15% in 2011 compared to 2010. Fed and feeder cattle prices were up 21% — while calf prices were up a whopping 25% in 2011 compared to 2010. I heard of some 550-pound steer calves that sold for over \$900 per head, as well as some replacement quality heifer calves that sold for an even \$1000 per head. Prior to 2011, I couldn't even imagine prices this high. Is it possible for prices to continue to increase in 2012?

Let's take a look at the supply and demand forces that are at work. The U.S. beef cowherd has been shrinking every year since 2007. We have the smallest cowherd since 1958. Fewer cows means there are fewer calves being produced — which means prices will increase because there won't be enough calves to meet the demand. When the drought in Texas and surrounding states lets up, there will be a huge movement to rebuild cowherds. This will further reduce the supply of feeder cattle and cause calf and feeder prices to go even higher.

Domestic demand and retail prices for beef were surprisingly strong for 2011. The fact that the economy has some major problems doesn't seem to be having a negative effect on beef demand. International trade has also been very supportive of higher cattle and beef prices. For the first time in 40 years, the U.S. became a net exporter of beef in 2011. We are importing less beef and exporting more beef. It looks as though beef exports will continue to increase in 2012.

In summary, supply and demand factors suggest that we will see higher cattle prices in 2012 than we saw in 2011. I think it is safe to say that the opportunity to pay off debt and to get ahead has never looked so good. Are you in a position to take advantage of this opportunity?

High prices do NOT guarantee high profits. The increasing cost of inputs has made it difficult for status quo producers to take full advantage of high cattle prices. Most studies have shown that there is a \$200 to \$300 difference in annual cow cost between high-input and low-input producers. That's a bunch! Even so, you would have to be doing almost everything wrong to keep from making a profit in today's cow-calf business. The big winners are the low-input producers who are making \$300 more per cow than their high-input neighbors — usually with less labor.

Due to high grain prices and high feeder cattle prices, profitability in the cattle feeding business has been much more difficult to attain than it has been in the cow-calf business. Average feedlot returns were negative for the latter half of 2011. It is much too risky to retain ownership of your calves through the feedlot at this time. A contrarian attitude has always served me well. When everyone wants my calves, I sell them. When no one wants my calves, I keep them.

Don't forget about outside concerns. Even though there is good reason to be very bullish about the cow-calf business, there is good reason to be very concerned about the state of the world around us. The world appears to be very fragile. I don't see any way to get out of the mess we are in without suffering some hardships. We don't know what the future holds, but I suggest you consider the possibilities and prepare accordingly. Those who will suffer the least will be the ultra low-input producers who have made some preparations.

"A wise man makes his own decisions, while an ignorant man follows public opinion."

(Herd Quitter Proverb)



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Times Are Changing...

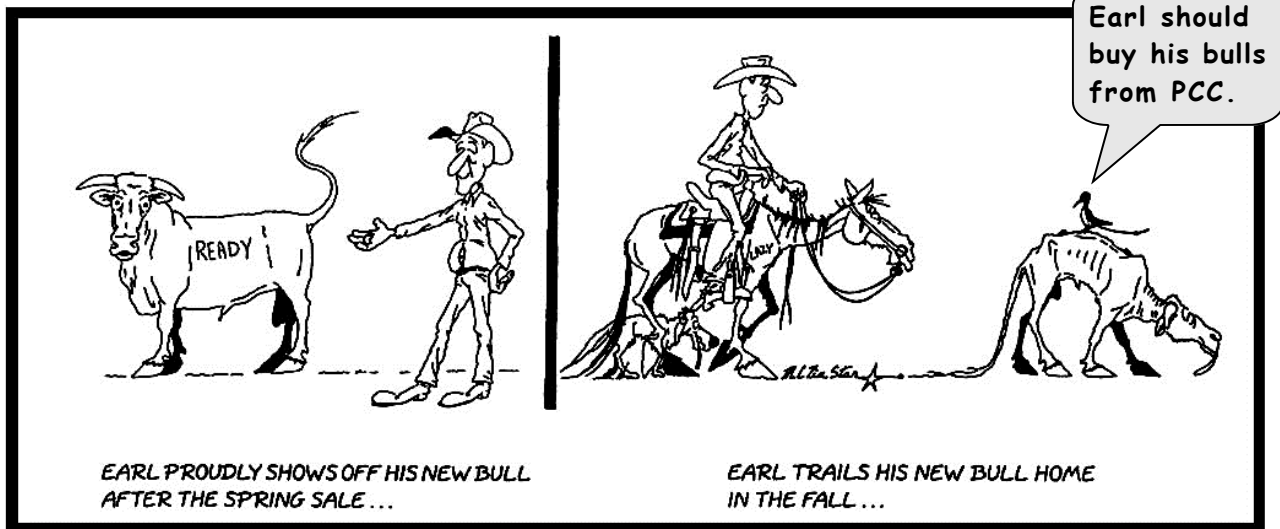
We started mailing out a bimonthly newsletter to our subscribers in 1994. Our first newsletter was mailed to less than 300 people. We currently have close to 20,000 active subscribers in our database.

Because we send out two weekly emails, we have reduced the number of printed newsletters from six to only four per year. We have also reduced the size of most newsletters from eight pages to four pages. Because of the time and money involved in printing and mailing our so-called "free" newsletter, we would like to completely do away with it. However, since we do not have email addresses for over 6,000 of our subscribers, we feel obligated to continue mailing out a newsletter — but that may change in the future.

We are able to share a tremendous amount of pertinent information and ideas in our weekly emails — at no cost. We are also able to share noteworthy thoughts from many other people — at no cost. If you are not receiving our weekly emails, you are missing out on a lot. Well over 95% of the information we share is sent out via email. If you like our newsletters, I can pretty much guarantee you will love our weekly emails. If you would like to receive our FREE weekly updates and devotions, send your request (along with your name) to **Kit@PharoCattle.com**.

DON'T WORRY... we will continue to mail you a hard copy of our newsletter until you ask us to stop.





"The biggest problem with owning Pharo bulls is they make our other bulls look bad."
 Peggy Espy — Wyoming

NO Grain Required...

Our program is one of very few that does NOT use grain to develop bulls. We may be the only one that is selling yearling bulls that have been developed on a 100% grain-free diet. As far as we are concerned, grain should only be fed to animals that are destined for slaughter. It should NOT be fed to breeding animals.

Our older, grass-developed bulls are tested for their ability to perform year-round on grass with minimum supplementation. We are currently developing bulls on short, native grass in Eastern Colorado, as well as on fescue and other forages in Missouri.

Our yearling bulls are fed a grain-free, high-roughage ration (mostly hay) for very moderate gains of only 2 pounds per day. If young bulls are pushed any harder than this it will negatively affect their fertility, soundness and longevity.

We expect our bulls to gain weight while breeding cows their first breeding season. Very few young bulls can do this. Because of the way our bulls have been bred and developed, we believe they can breed more cows for more years than bulls coming out of most programs.


To request a catalog for our Spring Bull Sale call **1-800-311-0995**.

No Excuses...

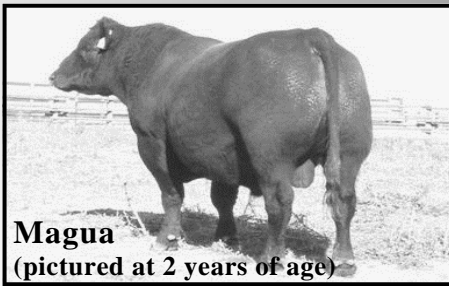
When we combined our 3 Stay-At-Home options with our FREE and very Afforda-BULL delivery, we eliminated nearly all of the excuses people gave for not being able to own a bull from Pharo Cattle Company.

We make it easy. With our unique Quick Sort program, you can quickly sort bulls to your exact specifications — and then you can watch a short video clip of those bulls.

Bigger is NOT Always Better



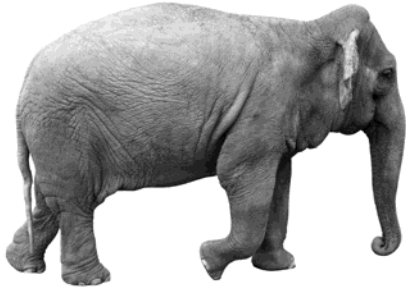
Our 3 and 4 frame cows weigh 1100 to 1200 pounds. That's big enough!



Magua
(pictured at 2 years of age)

This thick, easy-fleshing, 3-frame bull was developed 100% on grass. He weighed a ton at 4 years of age.

**You can no longer afford
to feed elephants!**



\$smaller Cows = Bigger Profit\$

Necessary Business Expense

Dave Pratt, of Ranch Management Consultants, once said, *“If you are in the ranching business and can’t get email, you may not be in the business very long.”* That is a pretty strong statement — but I am in full agreement! Cattlemen who have and use email have a distinct advantage over those who don't have and/or don't use email. In today's world, I consider the cost of having email to be a necessary business expense.

The Power of Persistence...

By Chip Hines

With the coming of the New Year it is traditional to look back at what happened, good or bad, in the world around us. For the cattle industry, one definite change I have seen in the last year is that “cow size” is mentioned more and more and finally given full due, even in the freebie magazines! These are the same magazines devoted to following the path of money laid down by the sellers of inputs who depend on pushing production as opposed to profit.

Going back to the early 1970's everything we read, whether in magazines or university and government research papers, was about performance — and especially the need for heavy weaning weights. This led to big cows, although it was not considered a detriment at the time. But now it is becoming a popular topic amongst producers and academics alike.

Why is this changing after 40 years of big cow dominance with very few speaking out about the illogic of big cows? One person, with the knowledge of what the producer on the land needed to be profitable, brought this into focus. Kit Pharo began his seedstock operation with a wholly different approach than the norm. Instead of the industry's standard of increasing performance no matter the cost, Kit knew that it would take more than buying high-performance bulls for his customers to be profitable. This led to the PCC Philosophy that continues to be the guiding force in their seedstock operation.

One of Kit's focal points was cow size. Bigger cows were not efficient and were reducing profit in several ways. Kit began a campaign for smaller cows that started with the publishing of the PCC Newsletter and speaking engagements around the country. As the years rolled by with newsletters going to thousands of people and speaking engagements before hundreds of producers and academics, cow size became something to not only talk about, but to reconsider.

For many years, Kit was the only one speaking out and making waves about cow size. There were others with similar views, but they did not have the platform from which to sway large numbers of producers which eventually encouraged (forced?) academics to take a real-world look at cow size and how it diminishes producer profits both directly and indirectly. This proves that one person with persistence can make a difference. I was prompted to write this article when BEEF magazine, the most improbable of all, published an article on cow size. WOW!



***NOTE:** Chip Hines is a long-time friend, mentor and promoter of the Pharo Cattle Company program. He is one of the beef industry's original Herd Quitters. Chip is the author of three books that I consider to be MUST READS for those who plan to still be in the ranching business ten years from now. I encourage you to visit Chip's website (www.ChipHines.com) and order a book or two. Chip can also be reached by calling 970-630-6982.*

Quote Worth Re-Quoting –

“If you want government to intervene domestically, you're a liberal. If you want government to intervene overseas, you're a conservative. If you want government to intervene everywhere, you're a moderate. If you don't want government to intervene anywhere, you're an extremist.” ~ Joseph Sobran (1946–2010)

Six years ago, I would have questioned and challenged the quote above. I have now come to the conclusion that it is spot on — and I am proud to be considered an “extremist.” I am sick and tired of the federal government’s incessant desire to intervene in everything — both here and abroad. As a result, I have become an avid Ron Paul supporter.

I Challenge You... to read the U.S. Constitution. You will discover that most of the things the federal government spends *our* money on are NOT authorized by the U.S. Constitution. Most of the things the federal government regulates and controls are NOT authorized by the U.S. Constitution. Most of the things the federal government is involved in, both domestically and internationally, are NOT authorized by the U.S. Constitution.

This once great nation of ours would NOT be in the mess it is in had it never strayed so far from the constraints of the U.S. Constitution. Folks, it will be up to common people like you and me to replace the status quo politicians (on both sides of the aisle) with those who are determined to abide by the U.S. Constitution. Let’s roll up our sleeves and get started.

*You know you're broke when
your bologna has no first name.*



Livin’ with a Grandma...

It’s been rumored that before the month is over, I will be livin’ with a grandma. Tyson and Sky will be presenting Deanna and I with our very first grandchild — a little cowgirl named Braylee Mae. Excitement is in the air. I’m sure life will never be the same for any of us.

The Right to Criticize...

Most of the people I visit with are not a bit bashful about criticizing our government’s reckless and wasteful spending of money. I don’t know anyone who was (or is) in favor of all of the government bailouts. I know very few people who aren’t critical of most of the government’s welfare programs. If the U.S. government wasn’t already well over 15 trillion dollars in debt, it might be a different story — but I doubt it.

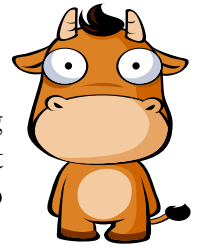
I am as critical of the government’s reckless and wasteful spending as anyone — maybe more so. What always seems to rub me the wrong way, though, is that many of the people who criticize the government are receiving payments of some sort from the government. Doesn’t that seem a bit hypocritical? Believe it or not, total farm subsidies have been averaging over 15 billion dollars per year. In my opinion, those who want to have the right to criticize the government’s wastefulness should be trying to wean themselves from the government’s udder.

I realize that sharing thoughts of this nature may not win me any friends — and I apologize if I upset and/or offended you. I just think it is high time for each and every one of us to assume some responsibility. Everyone wants the government to cut spending — just as long as it doesn’t get personal. It is no wonder our political system is so corrupt and our economy is an absolute mess. As long as over 50% of the voters are receiving some so-called “free” money from the government, there is very little hope of change. Folks, if you’re not part of the solution, there is a high probability that you are part of the problem.



Sweet Heifer Betsy...

By Kevin Pharo



This, my first submission to the PCC newsletter, was inspired by something my brother Kit said the other night. “There’s nothing worse than a cow that doesn’t know how to drive.” Now, out of context, that would certainly give you pause to ponder. But there’s a story behind this...

A couple of guys came in that evening to pick up five cows and take them off to Oregon. They had been doing the pickin’ and shippin’ thing already, all across the country. In a three-compartment trailer, they already had three hogs, three “wild” mares, one young \$5000 filly, and a fat “show heifer” going to various destinations. “Can I let ‘em off to feed and water for a while?” No problem. Well, in the tail end, were the filly and the heifer. They were haltered and tied in, and had traveled who knows how far in that position. That had to have contributed to their attitudes.

It took two guys behind and one on the lead rope to get the filly off. Not used to trailering, I think. Then we led the heifer off, and found pens to feed and water both of them. Next came the three mares, who stayed right next to the loadout. The pigs stayed on the trailer for food and a tub of water, which they just laid down in.

Now, off-halter, this show heifer began to show her true colors. Jumping and running around in every way but where she was supposed to. I finally got her moved into a pen with a water tank and went back to the unloading. In a while, Kit came back and said to just put her in with the older PCC cows and maybe she’d water. “I can’t get her away from the young bulls across the fence, and over to the water tank.” Then he went back to the house. Well, after about four trips around the feed bunks and back to the bulls’ corner, I texted him, “I’m gonna need some help with this goofball heifer.” We finally got her across the way to where the cows were.

This girl just didn’t know how to drive. Haltered and pampered most of her life, she didn’t even know how to look for food and water. “That’s the trouble with leading cows with a bucket... They don’t know how to be driven.” I’ve been watching a video Kit gave me by Bud Williams on livestock behavior. This guy can move any critter that needs to be moved. “Read your animals,” he says. “Just *let* them do what you want them to do.” Well, this heifer read in Farsi... I’m not fluent.

So, back to the big picture... I don’t know what this hauler had in mind, and I missed his attempted finagling in the trailer, while pushing the heifer (like pushing water uphill), but somehow he was gonna keep the hogs in the center section of the trailer while inserting the five cows and the loony heifer into the front section. “It didn’t work,” he said. So, the hogs were partitioned off in half of the front section, sharing it with the filly and the goofball heifer. No halters or tie-offs now — good choice. The five cows loaded up with minimal fuss — pushing the trailer forward 4 to 5 feet. “Set the parking brake!” Then it was time for the “wild” horses. They were the first to be delivered. The driver was a little skittish of them. He’d asked me, “Are you a ‘horse man’?”. Not particularly. Kit said, “Just hold the gate open from outside the fence... I’ll get ‘em in.” They were no problem, that I saw. Not like that hoo-daw heifer. Just gentle pressure and sweet-talkin’. Once they were facing the right way, they loaded with no problem.

“Good job” the driver said. “It’s good to have an old hand around who knows how to get these things done... I do goats.”

And so, another diverse load hit the road, headed west — and we called it another day at the Pharo Phunny Pharm...

*Oh don’t you remember Sweet Betsy from Pike,
Who crossed the wide prairie with her lover Ike,
With two yoke of oxen, a big yeller dog,
A tall Shanghai rooster, and a one-spotted hog*

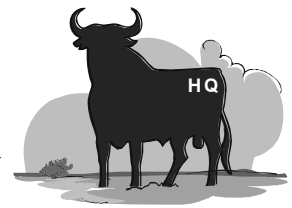
Chores:

Singing too-ra-li-oo-ra-li-oo-ra-li-ay.

NOTE: Brother Kevin has been hangin’ around the Pharo Phunny Pharm for just over a year. As you might suspect, some days are much phunnier than others — especially when viewed in hindsight.

Herd Quitter Quote...

“Here’s to the crazy ones. The misfits. The rebels. The trouble-makers. The round pegs in the square holes — the ones who see things differently. They’re not fond of rules and they have no respect for the status quo. You can praise them, disagree with them, quote them, disbelieve them, glorify or vilify them. About the only thing that you can’t do is ignore them — because they change things. They push the human race forward. And while some may see them as the crazy ones, we see genius. Because the people who are crazy enough to think they can change the world, are the ones who do.” ~ Jack Kerouac (1922–1969)



This quote does an excellent job of describing what a **Herd Quitter** is. When someone notices the **Herd Quitter** sticker on your pickup and wants to know what it means, I suggest you hand him a copy of this quote. You are changing the world and making it a better place to live.

www.PharoCattle.com

Really BIG Opportunity...

As we shared in our *Sept./Oct. 2011 Newsletter*, there are many opportunities out there for those who are paying attention. If you are a low-input producer, you are ranching in the very best of times. If you are not a low-input producer, you need to move in that direction as soon as possible. The cost of inputs have gone up five times faster than cattle prices for the past 40 years — and it appears that this trend will continue indefinitely.

The really BIG opportunity, as I see it, is in producing and marketing easy-fleshing, moderate-sized, low-maintenance replacement females. This is the type of cow that everyone needs now, as well as in the future. Heifer calves, of the right size and type, are selling for unbelievable prices. A set of 530-pound heifer calves sold for an amazing \$1550 per head in early January. WOW! We all know this is ridiculous — but I think it is a good indication of what lies ahead.

Corner on the market. Since most cows in most cowherds are too big and inefficient, it won’t be difficult to get the corner on this market. The demand for efficient, grass-based, low-maintenance females will far exceed the supply for many, many years. I think it is safe to say we are in the beginning stages of rebuilding the nation’s cowherd. NOW is the time to set yourself up to take advantage of this unique opportunity.

The Religious Majority...

Charlie Daniels sings a song called *God Save Us All From Religion*. Although it is not 100% truth, it makes some excellent points.

The religious majority makes me more than just a little nervous. I’m not sure it is anchored to God’s Word. There are way too many man-made traditions and doctrines. They seem to teach that *GOING* to the so-called “right” church is more important than *BEING* the church.

See to it that no one takes you captive through hollow and deceptive philosophy, which depends on human tradition and the basic principles of this world rather than on Christ. (Colossians 2:8)

Speaking of the religious majority, we are in the middle of a very challenging and controversial series on **What the Church is NOT**. If you are not already receiving our weekly email devotions, send your request to **Kit@PharoCattle.com**.

Worth the Wait...

Our Spring Bull Sale will be one of the last bull sales of the season — but we think it will be well worth the wait.

Where else can you find such a large selection of bulls that were developed without grain? Where else can you find bulls that were produced by efficient, easy-fleshing, moderate-sized momma cows that have never been pampered?

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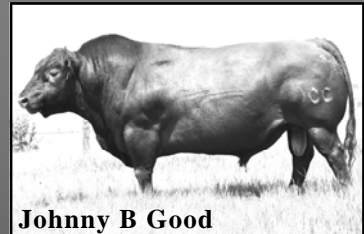
*Cowboy Logic: "The sooner you fall behind,
the more time you will have to catch up."*

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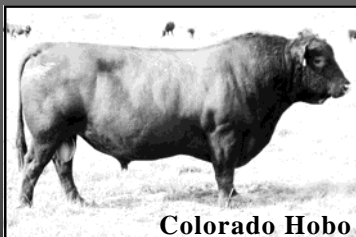
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Pledge



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