



## *The Good, the Bad and the Ugly...*

As we begin a new year, I would like to share a few of my thoughts on the state of the beef industry — as well as on the state of the world around us. Although I tend to be an eternal optimist who is always looking for opportunities where others see problems, I am also a realist. Without going into much detail, I will briefly discuss what I see as the good, the bad and the ugly.



**The Good.** It is nearly impossible for me to not be extremely bullish about the cow/calf end of the beef industry. We are enjoying the benefits of the longest cattle cycle in known history. The beef cowherd has declined 13 of the last 15 years — with a calf crop that is now 5.3 million head below the 1995 level. Cow numbers are currently as low as they have been for nearly 50 years and they are expected to decline an additional 250,000 head in 2011. When supplies go down, prices go up — and they should stay up until supplies increase enough to satisfy the demand.

As of January 1<sup>st</sup>, calf prices were up nearly \$150/head from where they were one year ago. Fat cattle prices were up nearly \$250/head from where they were one year ago. The demand for beef, both domestic and international, is expected to hold steady or improve for the next year or two. The fundamentals within the beef industry suggest that we will continue to see record or near record high prices for all classes of cattle for the next two to five years. The fact that cow numbers are still decreasing tells me that prices have the potential to go considerably higher. Folks, these are the good times — and they may become the GREAT times.

However, there is reason for concern. Normally, when calf prices go up, cow/calf producers will begin to increase cow numbers — which will increase supply. As supplies increase, prices begin to decrease. This will eventually complete the cattle cycle. This is NOT happening. As calf prices remain at or near historic highs, the nation's cowherd continues to shrink. I fear that this is NOT sustainable. In the November issue of *The Stockman GrassFarmer*, Allan Nation provided a great commentary on this subject. Allan said, "The American beef industry is continuing its going out of business sale."

**The Bad.** Although the current situation appears to be good news for cow/calf producers, it is bad news for everyone else in the beef production chain. There are fewer and fewer cattle to meet the needs and demands of graziers, feeders and packers. That means that many graziers, feeders and packers will spend most (if not all) of their anticipated profits just to purchase the cattle they need and/or operate substantially below capacity. Others will go out of business because there simply won't be enough cattle to go around. Also, as beef prices continue to increase, more and more consumers will switch to cheaper sources of protein. I'm afraid that if this trend does not get reversed, it will have some long-term negative effects on everyone in the beef industry.

With sustained high calf prices, why isn't the nation's cowherd increasing in size? I believe there are two primary reasons that we are not seeing any increase in the size of the nation's cowherd. First, even with high calf prices, the average (status quo) cow/calf producer is NOT very profitable. Status quo producers continue to work harder and harder for less and less pay. Their inputs are eating up their profits at a rapidly increasing rate. Second, the average age of cow/calf producers is very close to what we commonly refer to as retirement age — and the next generation, for the most part, is NOT interested in taking over the farm and/or ranch.

*Continued on Page 3*

**"If everyone is thinking alike,  
then somebody isn't thinking."**

— George S. Patton (1885—1945) —



***Monday, April 18<sup>th</sup>***

- ◆ Over **350** Bulls — developed *without* Grain
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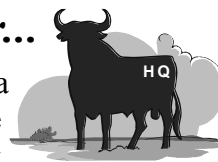
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Our Mission: To help ranchers put more fun and profit into their business.

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## ***You are a Herd Quitter...***



You, my friend, are a Herd Quitter because you have enough courage to break away from the status quo, herd-mentality way of thinking. You are not afraid to think on your own. I have concluded that being a Herd Quitter is more about having the ability to think outside the herd than anything else.

The world we live in is full of status quo herds. Over time, people within these herds all begin to think alike. In other words, each status quo herd develops its own herd-mentality way of thinking. That, in itself, is not always bad. However, if everyone in a status quo herd is thinking alike, then most of the people in that herd are not thinking at all.

I'm convinced that the herd-mentality away of thinking is prevalent in all businesses, including farming and ranching. It is also very prevalent in religion and politics. Thinking outside the herd requires more effort than most people are willing to put forth. It also requires an inordinate amount of courage — because it is never easy to be different.

As long as the status quo herd is headed in the right direction, there isn't a problem with following the herd. However, when the herd is headed in the wrong direction and/or headed for danger, everyone in the herd is in trouble. Unfortunately, they won't know it until it is too late. For this reason, I encourage you to continue to think outside the herd.

**Proud to be a  
Herd Quitter**

**Herd Quitter**

**With you in mind...** we have printed some 3 x 8 inch Herd Quitter stickers. These window/bumper stickers are showing up all over the world. They help us recognize others who have enough courage to think outside the herd — and who are proud to be a part of the Herd Quitter movement. Call or email if you would like us to mail a Herd Quitter sticker to you FREE of charge.

## ***The Good, the Bad and the Ugly (continued from page 1)...***

It is becoming more and more obvious that status quo agriculture is no longer profitable, enjoyable or sustainable. Even with high cattle prices, most producers are slowly but surely going out of business. When cattle prices go down (and they will), there will be a HUGE fallout. Folks, it doesn't have to be this way. While calf prices are high, we have a GREAT opportunity to make the necessary changes in our cowherds and our operations. NOW is the time to break away from the high-input, status quo herd and become a low-input, high-profit Herd Quitter.

**The Ugly.** Even though there appears to be good reason to be very bullish about production agriculture, at least for the short term, there is good reason to be very concerned about the state of the world around us. From my vantage point, the world appears to be very fragile. I believe there are many things that could quickly set off a domino effect — with the possibility of drastically changing the world we live in. We could wake up some morning to a completely different set of circumstances than the ones we had when we went to bed the night before. You may think this is unlikely — and I hope you are right. However, I believe we need to acknowledge that it is a possibility.

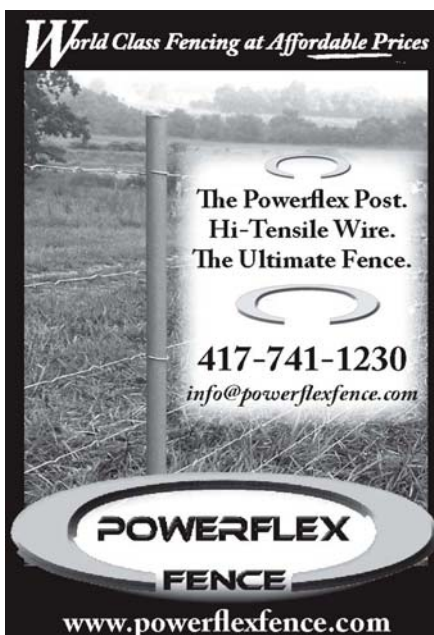
The U.S. economy, like most of the major economies in the world, is nothing more than a BIG wreck just looking for a time and a place to happen. In my opinion, there is absolutely no way we can get out of this mess without some hardships. I am also of the opinion that the longer the powers that be try to postpone the wreck, the worse it is going to be. The good news, if you can call it that, is that when the wheels do fall off the economy, those of us in production agriculture will be affected last and least. Nevertheless, we will still be affected — and NOT in a good way. As I have suggested before, NOW is the time to make preparations. It will be nearly impossible to do much of anything after the wheels fall off.

As far as your family is concerned, I suggest you stock up on food, water and other basic necessities — as well as consider what you will do if you do not have water, electricity and/or fuel for an extended period of time. If nothing out of the ordinary happens, you are no worse off. If something does happen, you are prepared. The only way to ensure that your farm and/or ranch is fail-proof in nearly all circumstances is to make sure it requires almost no outside inputs. Farmers and ranchers are in the unique business of converting FREE solar energy into high-quality food products. All other inputs require money — and may not always be available.

**In Summary.** The fundamentals within the beef industry look better than they have ever looked in my lifetime. Low-input cow/calf producers have been, and will continue to be, extremely profitable. If the world does not fall apart, I believe low-input cow/calf producers will have at least five more very good years. Unfortunately, the average (status quo) cow/calf producer is spending way too much of his income on inputs to be very profitable. Since he is struggling to break even during the best of times, he has little to look forward to.

The fact that cattle numbers continue to decrease is creating hardships for graziers, feeders and packers. They will spend most of their anticipated profits just to purchase the animals they need. Many will be forced out of business because there won't be enough cattle to go around. I'm afraid these losses will eventually have a negative effect on cow/calf producers.

I wish we did not have to concern ourselves with the things going on in the world around us — but we do. Like it or not, we are a part of the world. In addition to an economy that has little hope of survival, there are several powder keg situations around the world that could very quickly change life as we know it. I'm afraid the future might get downright ugly — especially for those who are totally unprepared.



## Wedding Bells...

Deanna and I are pleased to announce the engagement and upcoming marriage of our son, Tyson Pharo, to the love of his life, Sky Bogner.



A May 14<sup>th</sup> wedding is planned. We are very happy and proud to welcome Sky into the Pharo Phamily.

*"The PCC way of ranching is enjoyable and profitable. Having efficient cows that graze year-round and calve in sync with nature does awesome things for the bottom line. We only wish we would have started sooner."*

Henry Meyer — North Dakota

## 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 range-ready 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? Where else can you find bulls that are guaranteed for calving ease? Where else can you find bulls that were bred and developed with *your* long-term interests and profits in mind?

Our bull sale is scheduled for **Monday, April 18<sup>th</sup>**. Call or email for a catalog.

*"The 12 bulls we purchased from you were very aggressive breeders — and they held their condition better than our older bulls."*


Ed Weppner — Wyoming

## Kit's Speaking Engagements

- ◆ February 3 — Odon, Indiana  
Phone 812-254-4780 extension 3
- ◆ March 22 — Hettinger, North Dakota  
Phone 605-564-2161
- ◆ March 23 — Medora, North Dakota  
Phone 701-872-4557 extension 112
- ◆ March 24 — Billings, Montana  
— PENDING —
- ◆ April 1 — Gladwin, Michigan  
Phone 989-426-7741 (ask for Kable)

Other speaking engagements and Herd Quitter meetings will be announced in our weekly emails. If you are not receiving our weekly emails, you are missing out on a lot.

## Scattered My Chickens...

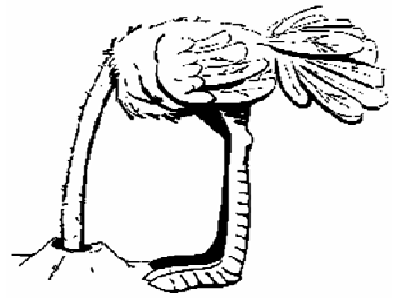
If you're receiving our weekly emails, you know that I had my chickens scattered in mid December when a  bull ran over me. I was knocked unconscious and taken to the local hospital. I shared all the details (humorous and not so humorous) in our weekly emails.

I am happy to report that I am feeling much better. However, I'm afraid that I am still missing a couple of chickens. There are several things that happened before and after that event that I don't remember. I often have to be reminded of the same thing more than once — and I seem to be having more trouble than usual remembering names.

This newsletter has proven to be quite a challenge for me to complete. I am having trouble staying focused, and I am finding it difficult to put my thoughts into words. If you happen to see my chickens, let me know.

## *The Normalcy Bias...*

Even though the normalcy bias is a condition that we seldom hear people talk about, it's a condition that affects millions of people. In fact, I believe most people will suffer from this condition to a certain extent at one time or another. Throughout history, thousands of people have died because of the normalcy bias. For this reason, I think we should take time to briefly discuss this condition.



**What is the normalcy bias?** The normalcy bias refers to a mental condition people enter when facing a crisis. The normalcy bias will cause even the most intelligent of people to underestimate the possibility of disaster and its effects. It causes people to believe that everything will be okay — no matter what is going on around them. The normalcy bias causes people to figuratively stick their heads in the sand in an attempt to ignore the catastrophic circumstances at hand. The normalcy bias is the refusal to plan for, or react to, a disaster that we have never experienced before. We mistakenly believe that since something has never happened before, it never will. The normalcy bias, for some reason, seems to be a part of our human nature.

This phenomenon explains why so many Jews continued to live in Germany, even after they were forced to wear identifying yellow stars and discriminatory laws had been passed against them. Life had been so good for so long that they mistakenly believed the situation would get better. Jews who could have easily afforded to move out of the country stayed — and perished. Likewise, when Hurricane Katrina was headed straight toward New Orleans, thousands of residents refused to leave the city — and city officials did very little to evacuate them. Consequently, over 1800 people lost their lives. Even though our brains have the ability to process billions of bits of information, there seem to be a few things that are too terrible to fully comprehend.

It is possible to overcome the normalcy bias by developing what I refer to as “situational awareness.” By definition, situational awareness is being acutely aware of everything that impacts your current situation — and being able to anticipate, and prepare for, future problems based on the information you have. Some people, for example, are able to see potential trouble long before it becomes trouble. They are, therefore, able to make preparations, mental and physical, to get ready for the anticipated trouble. In my opinion, most people in today's world have almost zero situational awareness. It is not something that comes easily or naturally. It requires considerable effort. Ironically, the normalcy bias will cause most people to view those who possess excellent situational awareness as being paranoid — and to ridicule them for their seemingly obsessive behavior.

**So what does this have to do with you and me?** For the past three years, we have been sharing some concerns with you. There continues to be more uncertainty in the world today than I have ever seen in my lifetime. To begin with, it doesn't take a genius to realize that many of the world's economies, including our own, are in BIG trouble. When warned about the possibility of a major deflationary depression or hyperinflation, the normalcy bias causes most people to completely ignore what others consider to be obvious. Because of this, most people are rendered incapable of thinking and planning ahead. Also, as stated in the lead-off article of this newsletter, there are several powder keg situations around the world that could very quickly change life as we know it. Are you thinking and planning ahead? Are you prepared?

What if the banking system collapses? What if you can no longer purchase gasoline, diesel and/or propane? What if the electrical grid goes down for an extended period of time? What if you can no longer purchase groceries and other basic necessities at the local supermarket? What if your state and/or federal government go completely broke? What if there is a civil uprising? What if there is a pandemic of some sort? I could go on — but I think you get the picture. I'm NOT suggesting you run around in a panic worrying about every little thing that might go wrong. I am simply suggesting you work on your situational awareness and think ahead. When something of a catastrophic nature does happen, everyone will be thrown into a BIG panic — with the exception of the few who are prepared. Folks, it is much better to be prepared years too early than a day too late. Sticking your head in the sand is NOT a legitimate preparation strategy.

## Weekly Updates...

We send a PCC Update every week to well over 12,000 people. These email updates allow us to share news, information and ideas in a very timely manner. If you would like to receive our FREE weekly emails, send your email address (along with your name) to Kit@PharoCattle.com.



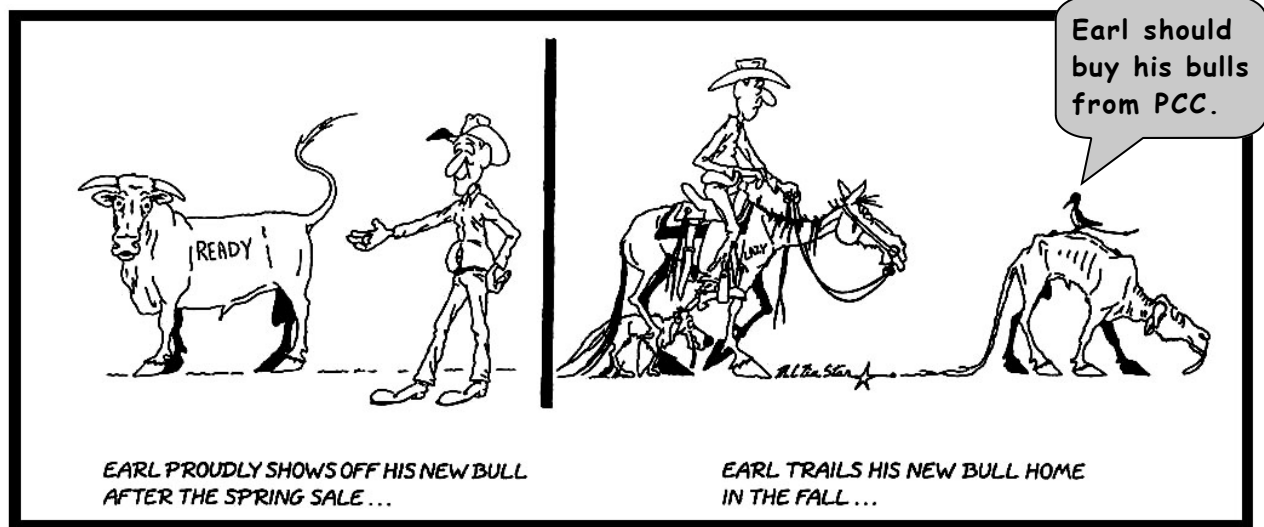
*"I have a BIG problem with my Pharo bulls. They are too thick and wide to fit down my working alley!"*

Gail Nason — Nebraska

## 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.

**NOTE:** There is absolutely no doubt in my mind that cattlemen who have and use email have a distinct advantage over those who don't have email and/or don't use it.



## Not as Small as I Thought They Would Be...

For over twenty years, Pharo Cattle Company has been promoting cattle and philosophies that differ substantially from the status quo. We maintain that your profit is much more important than your production. It doesn't really matter how big your cattle are if they're not profitable. We have demonstrated that smaller cows will always be more efficient and more profitable than bigger cows. This is nothing more than old-fashioned common sense backed by scientific research.

Because our message and our cattle differ substantially from other seedstock producers, we have people stop by our ranch on a regular basis to visit and to take a look at our cattle. A few years ago, it dawned on me that nearly all of our visitors were making the exact same statement when they saw our cattle. With a sense of surprise and amazement, they'd say, *"They're not as small as I thought they would be."* I have never known exactly what they expected our cattle to look like. Maybe they thought they would be waist-high miniature cattle or dwarfs.

My favorite cows are in the 2 to 4 frame range and weigh 1000 to 1250 pounds. That may sound small compared to the status quo's 5 to 7 frame cows — but it's really not that small. Most people think they know what a 6-frame cow looks like. Therefore, they subconsciously think a 3-frame cow will be half as tall. Folks, that is NOT true! A 3-frame cow will measure only six inches shorter than a 6-frame cow. Because our 3-frame cows have some bred-in thickness and fleshing ability, they will often weigh more than the most people's long-legged, hard-keeping, pencil-gutted, 6-frame cows.

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



**\$smaller Cows = Bigger Profit\$**

### ***NO Grain Required...***

Our program is one of very few that does NOT use grain to develop bulls. As far as we are concerned, grain should only be fed to animals that are destined for slaughter. It should NEVER be fed to breeding animals.

Research has shown that feeding grain to bulls has a negative effect on sperm quality and production. It also negatively affects foot soundness and longevity. So why do most seedstock producers develop their bulls on grain? Because grain does an excellent job of making mediocre bulls look good.

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

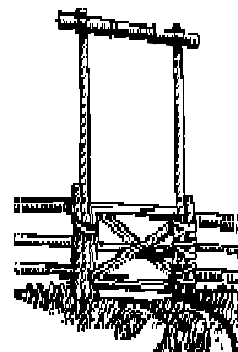
Our yearling bulls are fed a grain-free, high-roughage ration (mostly hay) for very moderate gains of only 2 pounds per day. If young bulls are pushed any harder than this, it will negatively affect their fertility, soundness and longevity.

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 other programs.

Pharo Cattle Company is looking out for *your* best interests. We have the philosophies and the genetics you will need to prosper in the 21<sup>st</sup> Century. To request a catalog for our Spring Bull Sale call **1-800-311-0995** or send an email to **Bulls@PharoCattle.com**.

### ***The Narrow Gate...***

Imagine, if you will, that you are riding along a trail when all at once it separates at two gates. One gate is wide, while the other is quite narrow. Do you ride through the wide gate or the narrow gate?



The wide gate is swung open and the trail going through it looks very well traveled. In contrast, you will have to dismount to open the narrow gate and its trail is somewhat grown over with vegetation. As you study the two trails, you notice that the wide one looks smooth and easy to travel, while the narrow trail appears to be very steep and rough in places.

As you ponder your situation, several people ride around you to go through the wide gate. They are laughing and visiting, and don't even slow down to consider opening the narrow gate. Finally an old timer pauses to visit with you. Understanding your dilemma, he tries to tell you what he believes will be found at the end of both trails. He believes the wide gate and the wide trail eventually lead to a terrible place. A place so bad that you wouldn't even wish it on your worst enemy. Conversely, he has been led to believe the narrow gate leads to a place that is so great and so beautiful that it is totally beyond human comprehension.

As the old man unlatches the narrow gate and leads his horse through, he pleads with you to ride with him. He promises that you won't ever be sorry. You are still unsure, so you turn down his invitation. Once again, you are left alone to consider your decision. If you could see the end of both trails, then you would know which gate to go through. Unfortunately, you can't see the end of either trail. Like the old man, you will have to make your decision based on nothing but faith.

In Matthew 7:13-14, Jesus said, ***“Enter through the narrow gate. For wide is the gate and broad is the road that leads to destruction, and many enter through it. But small is the gate and narrow the road that leads to life, and only a few find it.”*** Folks, there are only two places where we can spend eternity. Let's meet up and ride together on the other side of the narrow gate.

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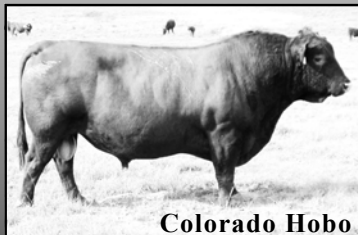
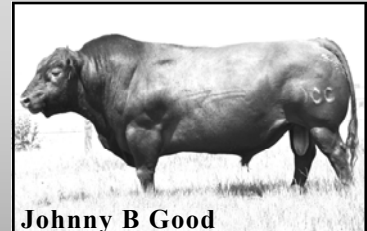
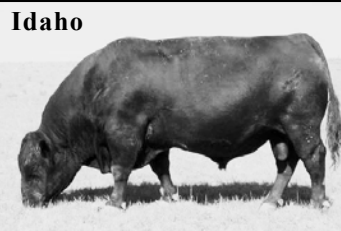


*Cowboy Logic: "Silence is often misinterpreted,  
but it is never misquoted."*

## PHARO CATTLE COMPANY

Your source for efficient,  
easy-fleshing, moderate-  
sized, grass-based genetics

— with calving ease —



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