



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

Where Will It End?

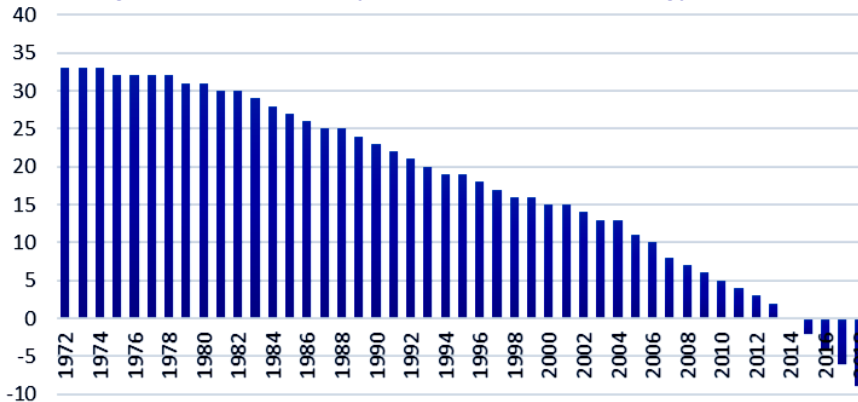
Are you paying attention? Can you see what has been going on within the status quo beef industry? I believe the trends have gone pretty much unnoticed by most cow-calf producers because they are suffering from the Boiling Frog Syndrome. If you place a frog in a pot of boiling water, it will immediately jump out. However, if you place the same frog in a pot of tepid water which is slowly being brought to a boil, it will not perceive the danger and will be slowly cooked to death.



As a result of the beef industry's unyielding focus on increasing production per animal for the past 50 years, cow size has increased by about 400 pounds during that time period. Ironically, weaning weights have not shown any increase for the past 15 years. Because of reduced stocking rate, total pounds weaned will decrease as cow size increases. A herd of 1000-pound cows can wean 40% more beef than a herd of 1400-pound cows — on the exact same acres.

As you would expect, the amount of energy (feed) required for maintenance will increase as cow size increases. Maintenance requirements *must* be met *before* any growth or reproduction can take place. Angus cows of the 1970s had very low maintenance requirements, as shown by the high \$EN values in the chart below. As cow size increased, the \$EN values steadily decreased. This trend has gone unnoticed by most cow-calf producers. Where will it end?

Angus Genetic Trend by Birth Year for Cow Energy Value (\$EN)

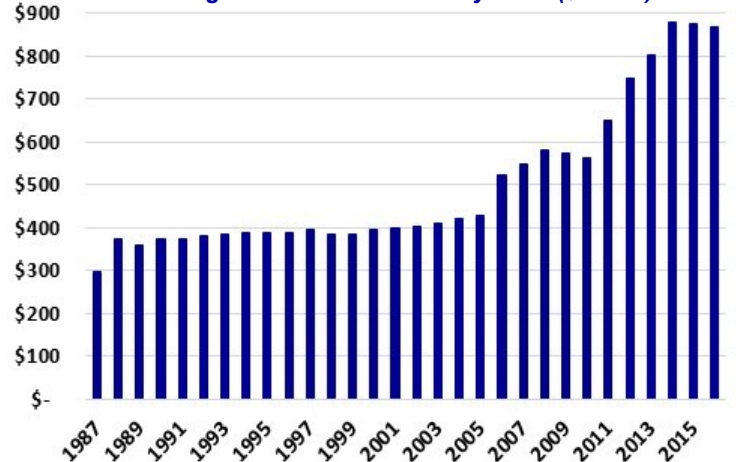


It stands to reason that as cow size and maintenance requirement's increase, the cost to produce a calf will increase. The chart below shows a trend-line for average annual cow cost. Can you see why most cow-calf producers are struggling to make a decent living? It was much easier to be profitable 30 to 50 years ago than it is today. Where will it end?

Where will it end? The status quo beef industry is clearly on a course for self-destruction. If something doesn't change, many of today's cow-calf producers won't have much to pass on to the next generation. Their kids and grandkids will be forced to get jobs in the city.

If you are like most cow-calf producers, you have been unaware of the dangers facing the beef industry. Consequently, you are unknowingly being slowly cooked to death. The sooner you get out of the status quo herd (boiling water), the sooner you'll be able to put your business on the right course.

Average Annual Cow Cost by Year (\$/head)



*"A man is not old until regrets
take the place of dreams."*

~ John Barrymore ~

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Proprietary Indexes...

By Tim Goodnight

At Pharo Cattle Company, we're always looking for innovative ways to enhance genetic evaluation. One way we have accomplished this is through the development of proprietary indexes. These indexes are developed with the customer in mind and designed to increase production and profit per acre.

There are a growing number of new tools available to help cow-calf producers select for more so-called "efficiency." Unfortunately, most of the selection tools are geared towards traits that benefit feedyards and packers at the ranch's expense. One look at the genetic trend for maintenance energy along with the rising costs to produce a calf (see page 1) and you can see the available tools have taken producers down a very costly path.

The Grass Efficiency Index is one example of PCC's commitment to developing tools that focus on increasing animal efficiency, ranch production and ranch profit. This exciting new index levels the playing field and identifies the most efficient cattle regardless of absolute intake, gain or frame size.

In addition to the grass efficiency index, we are now using DNA to develop genomic profiles on the bulls we use and sell. Genomic-enhanced EPDs that incorporate DNA, pedigree and phenotype are growing in popularity. Here at Pharo Cattle Company, we are taking this technology a step further.

While developing DNA indexes for our recent Australian bull sale, we saw firsthand the importance of comparing the genetic potential for individual traits such as fertility, calving ease, longevity, maintenance requirements and carcass characteristics.

With nearly two years of development and over 1500 genomic profiles, we are very excited about the future role these indexes will play in increasing ranch profit.

***Fathers, do not embitter
your children, or they will
become discouraged.***

Colossians 3:21

The New Frontier...

Throughout history, the most ambitious and adventurous of people have constantly yearned to leave old, overcrowded territories in search of new frontiers. These are trailblazers, frontiersmen and pioneers. They quickly tire of the status quo. They are anxious to take control of their lives and make things happen.

You will find old territories everywhere you look. For example, when an industry stops being innovative, it reaches a point of stagnation and becomes an old, overcrowded territory. Everyone in that industry is essentially doing the same thing — and has been doing the same thing for many years. The productivity of that industry has long since peaked and is declining. There is no room for advancement and no chance to get ahead.

Today's status quo beef industry is a perfect example of an old, stagnant and overcrowded territory — and most beef producers don't know it. The status quo beef industry is a result of a time when land was unbelievably cheap — at least by today's standards. It is also a result of cheap feed and cheap fuel. Labor was cheap, and equipment was cheap. The status quo way of doing things made sense 50 years ago. Unfortunately, that era is over — and it isn't coming back.

For many reasons, it is becoming more and more difficult to make a decent living in the status quo beef industry. Most cow-calf producers do good to break even. There are no chances for advancement. Consequently, many family farms and ranches will not be passed on to the next generation. That's a tragedy — but that's the way it has always been. The only beef producers who will advance and prosper will be those who are not afraid to venture into new frontiers.

Entering the New Frontier in Beef Production is not as scary or as risky as most producers think it is. Yes, it will be different and yes, it will require some change — but it is *not* totally uncharted territory. Many PCC customers are already there. They are two to four times more profitable than status quo producers. They have substantially improved their lifestyle. Consequently, they have an operation the next generation is excited to become a part of.



False Claims about Feed Efficiency...

By Kit Pharo

The next time I hear a seedstock producer or a university guy tout the benefits of testing maternal bulls for feed efficiency, I am going to SCREAM! More and more seedstock producers think they are doing the world a favor by using the GrowSafe system to test their bulls for feed efficiency. In truth, they are doing more harm than good.

The GrowSafe system does a great job of identifying the bulls that can gain the most on the least amount of high-energy feed. That sounds like a good thing — until you realize not all gain is created equal. It takes **2.5 times more energy** (feed) to create a pound of fat than it does to create a pound of muscle or bone. Therefore, when you select for so-called “feed efficiency,” you are inadvertently selecting for tall, lean, late-maturing animals that do not have the propensity for fat deposition.

Daughters of the so-called “feed efficient” bulls will be tall, late-maturing, hard-keeping and very difficult to get bred. Fertility is more a function of fleshing ability than of anything else. Cows must be storing up energy in the form of fat before reproduction is possible. Therefore, if you produce your own replacement heifers and if you are going to purchase bulls that have been tested for feed efficiency, we urge you to select for bulls that performed the worst in the feed efficiency test. Yes, I said select for the ones that performed *the worst*.

Understandably... feedlots love cattle that have been bred and selected for feed efficiency because they will grow and grow before they start finishing. Therefore, I have no problem with testing terminal bulls for feed efficiency because no heifers will be retained for replacements. I also have no problem with testing so-called “maternal” breeds like Angus, Red Angus and Hereford for feed efficiency as long as the bulls are promoted as terminal bulls — *NOT* maternal bulls. No matter what someone says, you simply *CANNOT* have it both ways!

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