

6 Strategies for Success

Mastering

With feed and energy costs on the rise, beef producers must be ready to adapt to change.

by **Kindra Gordon**

“What worked for the past 10 years [in the beef industry] will not work for the next 10 years,” predicts Kit Pharo, a Colorado rancher, well-known for his “out-of-the-box” opinions on the beef industry.

Specifically, Pharo says, “Cheap grain and cheap fuel are things

of the past,” and thus, he believes the beef industry is at a tipping point which will require traditional beef producers to make dramatic changes in their operations.

Pharo, his wife, Deanna, and their son, Tyson, raise commercial and registered Hereford, Red Angus, black Angus and composite cattle on their ranch in the high desert, short-grass country near Cheyenne Wells, Colo. Annual precipitation is about 12 in. — but in the past decade of drought, they’ve operated with much less rainfall than that.

To survive and thrive in ranching, Pharo has focused on raising moderate-sized, low-maintenance cattle with strong maternal traits. For the past decade, he has shared his philosophies through a bimonthly

newsletter and as a speaker at beef industry conferences throughout North America. The Pharos sell about 800 bulls each year through sales in April and November. Here, he shares six philosophies that have been core to their ranch entity’s success.

1. Have a positive outlook
Pharo has visited with many ranchers and has found that the common denominator to success is attitude. He’s found that what makes profitable ranchers is the fact that they “expect to make a profit.” Of these ranchers, Pharo says, “They treat the ranch like a business, they expect to make a profit, and they manage accordingly — using visions and goals.”

He likens this positive attitude to business guru Peter Drucker’s quote: “*The best way to predict the future is to create it.*” “That’s an awesome concept,” Pharo says.

2. Understand that production does not equal profit
“Bigger cattle are not always profitable,” points out Pharo. He poses the question: Can a 400-lb. calf be profitable? The answer: It depends on the cost of production. In many cases, a 400-lb. calf will be more profitable than a 600-lb. calf.



Kit, Deanna and Tyson Pharo raise Hereford, Red Angus, black Angus and composite cattle on their ranch near Cheyenne Wells, Colo.

Kit’s ideal cow

Colorado rancher Kit Pharo is often asked what makes the ideal cow. From his more than 20 years of ranching and experimenting with different breeds, he says the focus needs to be on matching cow size and type to the resources on the ranch.

“Cattle should be required to live within their means. They must be able to produce and reproduce with minimum — or no — inputs,” says Pharo. He has three rules of thumb for selecting productive, profitable cows. They include:

1. Raise cows that can survive on forage with minimal supplemental feed.

Pharo says, “Unless I have extremely cheap feed, I can’t afford to feed and maintain cows that weigh over 1,200 lb. Rather than raise big cows that eat more feed, you can run more small cows and get more calves. Smaller cows will always produce more total pounds of beef on the exact same inputs. Instead of chasing bigger calves, chase bigger profits.”

Along with this, Pharo says ranchers need to pay attention to the bulls they are using in the herd and the genetics behind them. He says, “Most ranchers are using bulls produced by 1,400-2,000 lb.

cows, so they aren’t going to produce 1,100-pound females.” Instead, he suggests using bulls that have a maternal side that is similar to the goals of your own herd.

2. Fertility is your most important economic trait — not growth.

“Growth potential means nothing if she doesn’t have a calf,” says Pharo.

To that end, he says the one test that the cows on his ranch must pass every year is the pregnancy exam. Pharo has recognized that not all cows are created equal, and he is adamant about culling those cows that do not rebreed as their failing to rebreed shows they do not fit the environment and management practices of his ranch.

He adds, “We have never fed any grain to our cows, and we only feed hay when the snow is too deep or too crusted for them to get through. We stopped feeding a protein supplement eight years ago. Our cows graze short native grass year-round. This causes our least efficient cows to be open in the fall. This is how we identify our least efficient cows.”

Likewise, Pharo poses the question: “Which is better a 90% herd pregnancy rate or a 98% pregnancy rate?”

Pharo says, "Every farm or ranch is either production driven or profit driven. Production-driven decisions will produce more bragging rights, while profit-driven decisions will produce more profit." Thus, he encourages producers to pay attention to what it is costing them to produce their calves and recognize that being able to manage more cows of moderate size will almost always equal more profit.

3. Manage your expenses
What's the first thing most ranchers do to increase profits? They increase production, says Pharo. But he says, "With every increase in production, there is a cost involved. You can't get something for nothing."

For example, for every increase in weaning weights, there will be a cost involved. But once producers recognize that production does not always equal profit, Pharo says, they should focus on keeping costs low. "Producers can do a better job of increasing their profits by controlling and reducing their expenses," he says.

He adds, "Ben Franklin was right when he said 'A penny saved is a penny earned.'"

4. Use your forage resources efficiently
Pharo says another commonality among profitable ranchers is

that they strive to make the most efficient, year-round use of their available forage resources. This typically involves using some form of rotational grazing, matching cow size to the environment and matching the production cycle of the cow herd to available forage resources.

Most specifically, Pharo suggests that producers mimic Mother Nature with their calving season and grazing plans. He poses the question: When do wildlife have their babies? The answer: They match it to the spring green up, so forages are available. That's what ranchers should do with timing of calving. He adds, "You can fool Mother Nature and calve at a different time, but it's very costly to do."

5. Don't just sell a commodity, sell a product
"The commodity business is a breakeven business. To maximize your profits, you need to get out of the commodity business and sell a product," Pharo says.

He cites grass-fed beef as an example. "When calf prices go down — and I believe they will go down — the price of beef in the grocery store will stay the same. Producing and marketing a product, instead of a commodity, insulates you from the ups and downs of the cattle cycle." But, he also cautions that to produce and market a value-added product, whether it be grass-fed or

branded beef or even seedstock, will require more thinking, more management and more marketing.

6. Be willing to make the changes

Looking ahead at the industry, Pharo says, "Those who are quickest to adapt and change will be in the driver's seat. Those who are slow to adapt and change may get left behind or run over."

He encourages producers to challenge the management traditions that exist on their ranches. Pharo asks, "Have you ever wondered how ranch traditions get started?" He suggests that if you follow those traditions back to their origins, there may no longer be a good reason for continuing to do some of the things the way they have always been done. Instead, change may be beneficial. He encourages ranchers to think "outside the box," and says, "We tend to get trapped in our own boxes."

He concludes, "Profitable ranchers are not afraid to make the necessary changes to keep their ranches profitable. Not many people like change, and profitable ranchers may not either, but they do it anyway." **HW**

Editor's Note: For more about Pharo's ranch operation and to sign-up for his monthly newsletter, visit www.PharoCattle.com or e-mail Kit@PharoCattle.com

He admits that this is a trick question because it depends on what it costs to produce the 98% rate. He says, "Don't ever be deceived into thinking it doesn't cost something to achieve a 98% pregnancy rate, because it does. You cannot get something for nothing."

In his herd, Pharo aims for a 90% goal. He says the reason for this is that as a seedstock producer, he wants to be tougher on his cows than his customers so he can offer genetics that can improve their herds. "By doing this, we can identify and cull the bottom 10% of our cow herd every year."

As an analogy of this, Pharo says, "Assume I'm a school teacher and all the kids aced a test that I gave. You'd say, 'The test was too easy.' Likewise, if 98% of my cows pass the pregnancy exam, the test was too easy."

3. Biological type is important.

As his final rule of thumb, Pharo, who works with four breeds, says, "We don't focus on the breed but, instead, select for biological type — a cow that fits our environment with no inputs.

Pharo seeks a biological type with the following characteristics:

a) Easy fleshing ability: a cow that puts on good body condition and maintains it with minimal feed. Average mature cow

weight of 1,000 to 1,200 lb. in a standard body condition score of 5. "We want well conditioned cows that breed back," says Pharo.

- b) Frame score of 2 to 4: again he reiterates that you can run more smaller cows (than large) and get more calves, which equals more pounds. He admits that frame score scares some people, but Pharo attributes that to the fact that frame score is largely misunderstood. He clarifies that frame score is height in inches adjusted to age. A 4 frame cow is 50 inches (in.) tall and can weigh 1,200 lb. (A 3 frame is 48 in. tall and a 5 frame is 52 in. tall.) A 4 frame bull is 54 in. tall and can weigh more than a ton. "There's nothing small about that," says Pharo.
- c) Large-volumed, high-capacity cow with ample heart girth.

Pharo sums up the ideal cow with this bottom line: "I want a cow that can support the ranch instead of being supported by the ranch." **HW**