

## **THOROUGHBRED THOUGHTS**

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What now follows includes thoughts that many readers may already have. But few are saying out loud. David Allan's quite widely circulated letter to Cape Breeders in July 2015 about **Industry Leadership** received many nods of approval. We made proposals. It is a year later now.

**In our view, the South African bloodstock industry at large cannot operate progressively and will be increasingly beleaguered if**

- i) **the 2017 Sales Schedule is the same as 2016;**
- ii) **we do not address the Next Generation issue;**
- iii) **we continue to be inward looking**

### **SALES SCHEDULE**

These are the published year-on-year declines in Median Prices (rounded) at yearling sales in South Africa since January 2016 (starting with CPYS and omitting the Klawervlei Farm Sale):

-6%; -21%; -22%; -25%; -9%; -29%

For the Mare/Fillies etc Sales in the Cape and KZN (excluding the debutant sale)

-20%; -90%

This reads like a struggle and contrasts with most other bloodstock jurisdictions

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Somehow, we have splintered the SA yearling sales schedules into mostly small fragments spread over 7 months excluding ReadytoRuns. We have a large number of small sales.

It would be nonsense to advocate copying certain other countries because of the differing size of markets.

But consider the contrasts. Several thousand yearlings are shifted in UK and Ireland in the space of four weeks, selling around 9 hours per day 4 or 5 days per week with weekends available for viewing which continues throughout each sale. There are one or two important yearling sales either side of this concentrated period, but everything involved is thus seasonal: yearling prep; yearling sales; starting yearlings often a few days after the sales. Then done and dusted. Move on to horses in training and breeding stock sales.

South Africa does not have the same volumes therefore does not have the same layers of professionals undertaking different tasks. Overseas, trainers may or may not go to sales or may go briefly. Some of the top ones are never sighted and even Newmarket trainers go sparingly to Newmarket Yearling Sales.

Some of those overseas selling days are too long. The work is hard. They are not social events.

SA trainers are amazing. They multi-task in finding clients, keeping them happy, reporting on the individualism of each horse, researching multiple catalogues, inspecting large numbers often doing their own spotting, selecting and handling the budgeting/purchasing process and training them, doing their own race planning. Not to mention running satellite yards as well. That is some work load.

With how many sales can they cope? What happens when more and more overseas pedigrees come in?

South African hospitality is legendary and is interwoven into the atmosphere of sales. That also changes the equation. However, sales lasting just a few hours with lavish free food and drink must cost a fortune per horse as well as creating extra “days in the diary”.

Vendors’ costs remain high. Europeans coming into breeding in SA choke on their breakfast, being used to paying 1.5%. (The sales companies charge buyers a premium of 6% as in auction houses everywhere – sometimes 20%+ in antiques). At Tattersalls the buyer’s premium is to sell in Guineas (£+5%) which covers the 5% charge to vendors who thus pay more or less nil in pounds. It is of course true that Australia charges higher commissions.

We know that the history of high commissions in SA is based on the “farmers’ market” concept in BSA of the vendors paying themselves. With arm’s length or financial investors in breeding, that equation changes. Also, the BSA commissions fund the TBA as a TBA including research, Racing South Africa and so on. With the involvement of newer forces (e.g. in the AHS effort) that equation also changes.

Sale dates also sometimes move around. Right now, we can see that the impact on overseas players in the SA game is not a priority for smaller sales and ReadytoRuns.

BSA and CTS have newly scheduled sales to clash with York (as much a “must” as Royal Ascot and Goodwood), also with Tattersalls Yearlings and the biggest “must” of them all, Tattersalls Foals. In reality, the impact is limited to various UK/Irish/USA professionals who have invested at SA yearling sales for resale in (what was) a pre-determined programme. They/we are collateral damage for the moment, but if there is to be growth, this matter increases in importance.

With fewer sales, this particular risk to future expansion of purchasing will diminish.

At sales, the free lunch or party appears to be an important draw, if not going so far as to say that the party tail is wagging the industry dog. But a rugby match can affect a sale: rugby being shown on a big screen outside (during selling) has attracted more people than remain in the arena to listen to the auctioneers and respect vendors’ offerings.

Even at NYS which started with full seats – with no tables – that arena more or less emptied when the restaurant opened. A restaurant that is, if we are correct, supposed to be for Platinum Buyers Card holders and their guests. Our observation was that the full free restaurant was on the whole not taking much notice of the sale.

You are right if you say that northern hemisphere rings are sometimes quite empty. It can seem that way because the agents/consultants/managers/pinhookers etc who drive the sales are out inspecting, researching and networking throughout, going into the ring when they need to. It is packed for the best. Also the swarm of “foal men and women” moving in and out of the ring for this or that lot is notable. But the dynamic is different.

The current SA timetable places great strain on breeding farms who are prepping for many small events over many months. Buyers are asked to leave their strings or their desks frequently.

Are some buyers actually attending the sales of only one of the two companies? If so, then that is another form of dilution. Whether the dilution is because there are too many sales or because some go to one company and some to another, the effect is the same.

It all points to the need for fewer sales with either only one company or with a form of cooperation that unifies the effort and removes the personalised competitive elements. Some benefits of competition have been seen, but the market size is the market size.

Our straw poll suggests that there would be a strong vote in favour of the following programme:

- CPYS which is a logistical masterpiece and an unique, expensive event to which people have become accustomed
- CTS March but without the high charges to both seller and buyer for a sales race along with graduates of CPYS. If nil to vendors and voluntary for buyers, as is the case elsewhere, this would be a different matter.

Add those costs to 8% commission, an entry fee that is really a “pay to be inspected fee” (that can be rolled forward if rejected) and an acceptance fee (the real entry fee), all these being common to all SA sales, the cost of selling a horse (that someone actually buys) can be 20-40%.

Some say “don’t breed those horses”. They will always be bred. They will always be buyable by trainers-on-a-budget who thus contribute to race numbers and turnover and employment and bring people into racing or keep them in it. And they will win races. A R50,000 graduate of a “Select” sale recently won well, let alone the cheap good winners coming out of the March Sale.

We maintain that a March sale can still be the most important in South Africa as we have always said.

- ONE sale in Johannesburg. However the parties make that happen, we IMPORE them to do it. Somehow. Surely the results speak for themselves. Tabula Rasa.
- The KZN sale’s earlier revival was admirable, driven by KZN Breeders. But it struggled again recently. Our suggestion for consideration: Combine it with the TBA 2 year Old Sale.
- The two upcoming 2 Year Old Sales are so soon that we should wait and see how many real buyers there are at each.
- ReadytoRuns are a separate matter. To quote one powerful buyer *“I only look at the consigners who have prepped with a view to actually selling”*. So that thins things out even more.

The South African market is just not big enough for all this expansion. It actually causes further shrinkage. Steve Davis – at the sharp end – got that point big time and wrote well.

We looked at the NYS 2015 and 2016 catalogues. 11 vendors in the former did not appear in the latter.

CTS started from a zero position – compared to Tattersalls’ 250 years. Much has been accomplished and the tendency is to get better each time and it is still evolving. No doubt they are focussed on arresting the decline in prices which bucks the international trend, albeit not helped by the economy at the moment. Surely consolidation is the answer.

What of the TBA? What the TBA Council does is done in our name. It is our responsibility.

Many people’s working lives have been terminated in the name of the TBA members. Some after a great many years following orders and dealing with much business on our behalf. Some of those who have gone were hired not all that long ago. It is an uncomfortable feeling.

If the School Board of Governors were to bring in a new Headmaster/mistress twice within a few years and sanction the removal of nearly all the teachers to be replaced by people without teaching experience of whom little is known or explained, the parents would soon take over.

Of course, any Board or Council will have a degree of autonomy within clear business-like guidelines. Boards and Councils the world over know where the line is drawn beyond which shareholder/ stakeholder consultation becomes necessary. That is their professionalism and if they don't practice accordingly, they hear about it. If a Council is very active, the point about them being volunteers becomes irrelevant. Ultimately, it is always a blend of Council/Governors and Chief Executive/Headmaster.

"It can't be done" We hear that in relation to various suggestions.

The anachronistic absence of guaranteed payment is a good example of "it can't be done". That was said by a past chairman and echoed since. Where is the discussion of financial instruments, insurance tools or selling of the book? In the risk analysis, surely only the "worst" 10 or 20% of collections is what needs underwriting.

The TBA was undoubtedly blasted by CTS's entry to the market. But now, the thrust and counter thrust seems to be less about members'/vendors' business than it might be. There is concern amongst some members about the levels of communication.

David Allan's widely circulated letter to the Cape Breeders Chairman in July 2015 was one means by which some TBA members learned of the CTS offer in March 2015 to run all sales, brand them all Bloodstock South Africa, guarantee payments from all sales and work out a revenue stream for the TBA as a TBA. Two AGMs have passed since, as we understand it, the offer was rejected. We do not know if there were other terms that made the offer unworthy of examination by the membership.

We were encouraged to be told two months ago that a TBA/CTS meeting was firmly scheduled. At the mare sale, we were sought out and told that the meeting would not be taking place.

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Our TBA representatives attended the ITBF congress in Ireland in later 2015. AHS does cause us to be more isolated and inward looking, but that makes global input in the form of updating members all the more necessary.

ITBF 2017 will be held in South Africa. In Cape Town. At L'Ormarins Queen's Plate time. The programme, details of venue, speakers, hosting stud, stud visit days etc is on the ITBF website, not sure where else.

## **INTERNATIONAL STATUS AND "INWARD LOOKING"**

South Africa is currently in Part 1 of the International Cataloguing Standards Code. Meaning that a South African Grade 1, for example, will appear as a **Gr.1** in international catalogues. It is a precious position. It is an SA industry asset.

But we are almost invisible internationally at sales attended by 30-40 nationalities (or consultants working on their behalf). We are forced to be largely invisible on race courses – for the moment. Major South African buyers are making purchases, it is true. Some of them are scouring England, Ireland and France to buy farms or have bought historic properties already.

But Coolmore's huge, pre-eminent global presence doesn't "do the job" for the whole of Ireland. The whole of Ireland does the job.

Form Bloodstock is well known for strong, internationally funded overseas purchasing with a South African core.

AllanBloodlines is honoured to represent first class SA interests and buy fillies and mares for import to SA with fair regularity on careful budgets. Our SA-centric emailings for a non-South African readership confirm that we “have a South African flag on our hat” and we are recognised for it.

Australians Hoover up UK/IRE fillies to take to Australia. They were in the top 2 or 3 buyers at the recent mid-range Tattersalls July Sales in Newmarket and later in the year are always major buyers for breeding and for racing at middle distances Down Under.

*A note here: we in SA are beleaguered by the AHS situation. But we make a rod for our own back with our unique IMPORT quarantines of 30 days (lock down, yuk) after export quarantine (30 days normal farm life). Plus the costly penalty and pain of not seeing your import for a year if she has been put in foal southern time and must foal down elsewhere in South Africa.*

*As Southern Hemisphere players, resentful of Australia’s opposition to us regarding AHS, we not only patronise their sales but handicap ourselves when trading against them. Those fillies bought at the Tattersalls July Sale will be on their Aussie farms by mid August.*

The message is not that SA breeders must suddenly magic up plenty of funds to go shopping all the time, but the important PR exercise that we ourselves undertake informally – constantly - is to try keep South Africa as perceived to be a southern hemisphere force until such time as economies and trading conditions are improved.

The CTS initiative to purchase and import Coolmore mares in foal southern time, take the foals for CPYS and resell the mares in foal to upper end SA stallions is – in our opinion – excellent. So what if some of the mares are “better performed” than others. It is a package and both sides know what they are doing. The bottom line is that those bloodlines are in South Africa.

A positive factor in the market right now is that – at both the Cape mare sales – when worthwhile mares were offered (imported and domestic), there was money in the room, a large amount of it from relatively new sources. The fact that so many drew no bid or 5k underlines thickly the need to refresh the gene pool.

We have been squeezing the same orange for a long time.

But imagine if we lost that cataloguing status. And five minutes later the AHS ban was lifted. Eesh!

Plenty of USA/Canadian black type advertised as Graded is actually Restricted and so shown in overseas catalogues. Many of us rubbish it.

Hong Kong was only promoted to Part 1 last month! Singapore is Part 2 meaning that only their unrestricted/international races are fully accredited internationally. Neither of them breed.

But Turkey breeds, following an active programme of importing black type fillies and mares. A Turkish Gr.2 is worth 5 million Rand to the winner. There are overseas raiders within an easy 3-4 hour flight. But their black type doesn’t cut the mustard. There are parallels with South Africa regarding endemic disease and the EU’s strong resistance to imports from Turkey. At the moment, South Africa is way ahead of Turkey in international cataloguing.

Japan is the example. Back in the early days of The Japan Cup being open to overseas runners, it was a Group 1 in Japan but shown as Listed in international catalogues. Then Japan turned its image round. Brilliant initiatives – this writer was there – brought crowds flocking to courses, and subsidised the breeding industry. 25 years later they are breeding some of the best horses in the world.

The same could surely be tried in South Africa – but starting from a position of being in Part 1.

It was with this overview in mind that we proposed ways and means of industry cooperation to make comparable efforts. So far, our proposals have been resisted due to unwillingness to cooperate with other bodies. We are perhaps losing opportunities arising from one of South Africa's top plus factors: betting and racing are intertwined. Compare with the ridiculous UK battle between bookies and owners, both powerful units, which is at last being dealt with well.

## **THE NEXT GENERATION**

A way forward is to create a next generation of wannabe bloodstock agents / trainers / stud managers/ sales company junior execs / journalists etc. A few extras to add to those exceptions that we have already - with whom we should consult.

For now, we must mix and match and maybe borrow from abroad, something that has been blocked before. Yet foreign nationals take very senior executive positions in thoroughbred jurisdictions around the world – looking for a challenge. Versatility is essential in key roles. Then bring on the youngsters.

In most of the global club of first class bloodstock nations, squads of young people do their seasonal tours abroad, learning as they go as stud staff, foal and yearling preppers, young vets, aspiring jockeys and so on. There are lead-up people who travel from sale to sale, country to country, leading up horses at sales, so many of which are sold by consignment companies.

Let us gather the few young bloodstock South Africans who have studied or worked overseas and let them contribute to our THOROUGHBRED THOUGHTS. They are the people who could tell us how to do this.

In our formal suggestions for an overview-based way forward, we proposed to submerge the betting aspect (in publicity) only to an extent and appeal to the sporting nation that is South Africa. Star horses. Star jockeys. Great Days Out.

There is a debate in the UK at the moment as to whether or not there should be ANY betting content in terrestrial TV broadcasting of racing, leaving that to the two satellite/cable channels.

Terrestrial broadcasting (ITV taking over with an exciting new expert team from Channel 4) will show 93 days live racing in 12 months in addition to the satellite/cable 7 days a week. Terrestrial (free to air) broadcasting is responsible for bringing more people to racecourses than anything else, showing equine athletes, their people and happy crowds having a great time.

Of course betting is a major part of racing's fabric, but only a percentage of people on busy racecourses have a bet. The dedicated punters can bet from anywhere, hence empty (free entry) racecourses in USA, France, South Africa. It is not necessarily betting, or certainly not betting alone, that fills racecourses and creates the sporting experience.

Our sport and its stars need to flourish.

Good Luck to Us All

NOTE 1

### **Inward Looking – a direct experience**

A few years ago David Allan was head-hunted (and thus applied for) a position at the TBA with a CEO job description.

After a few weeks of process, he was placed on a “short short list”. David and his wife were asked to research life in Johannesburg in detail which they did, wondering how the end game would work out.

He was then declined as an applicant. The Joburg head hunter – annoyed at having wasted time on ten original overseas candidates - explained “They want to employ a South African born”. Who knew if finalisation would have happened in the end? That's not the point - this is a piece of illustrative history.

**NOTE 2**

**THOROUGHBRED THOUGHTS CONTRIBUTORS**

**David Allan (Principal Contributor)**

- Racing: Owner in UK (also Ireland and USA) and in South Africa of 80+ horses in training over time  
Racing Manager for these and many others under management contracts.  
Originator and manager of Racing Clubs/Groups/Syndicates as well as equity partnerships  
Introducer of new owners to SA racing from overseas
- Breeding: Breeder from many mares also manager of structured financial broodmare investments in UK, Ireland and USA. Breeder in South Africa (13 mares 100% owned; plus 3 partnership mares);  
Breeding Manager of other SA broodmare bands and consultant for more  
Stallion (Syndicate) Manager / Promoter of currently 7 SA Stallions and Profiling some farms and their consignments under retainer  
Responsible for the import of 80+ fillies and mares to South Africa with a complete through service  
Introducer of overseas people to breeding investment in SA
- Bloodstock Agent/Consultant  
Widespread working relationship with Northern Hemisphere Sales companies. Purchaser of hundreds of Lots thereat for various different countries and purposes.  
Purchaser of many Lots in South Africa (yearlings and mares) including one NYS Sale topper, CPYS Lots and many “value” purchases  
High winner rate (racing) and winner production rate (breeding).  
Pinhooker for own and investor account.  
Experienced consignor / vendor especially in sales placement and ring strategy.  
Known for providing extended “after care” management for buyers plus financial management
- Pedigree Analysis: Offering as a bolt-on service and employing to support racing and breeding selections
- Administration: Managing the registration of horses and humans within several thoroughbred jurisdictions.
- Communication and PR: a speciality;

**Judy Brannigan (Specialist Contributor)**

Having grown up in South Africa, Judy is a passionate supporter of the South African breeding and racing industry and has a specific interest in pedigrees. She has vast experience and deep knowledge of stud books internationally and related systems worldwide.

Now based in Newmarket, England, Judy has been responsible for many years for the creation and upkeep of a globally used database of stallions, broodmares, racehorses, yearlings and foals. She also has extensive experience in the registrations of large numbers of thoroughbreds in various jurisdictions.

Judy is an expert on the quality of pedigrees, achieved through working directly with many of the world's finest bloodlines, as well as identifying the less obvious upside within filly and mare pedigrees.

Personally, from a small band of broodmares in South Africa, she has bred several yearlings that have made R1,000,000 and upwards at auction and/or have achieved black type.

Although a mainly breed to sell producer, she has had several horses in training and currently has a filly out of her best broodmare in training with Vaughan Marshall. Judy has owned in England in the past.