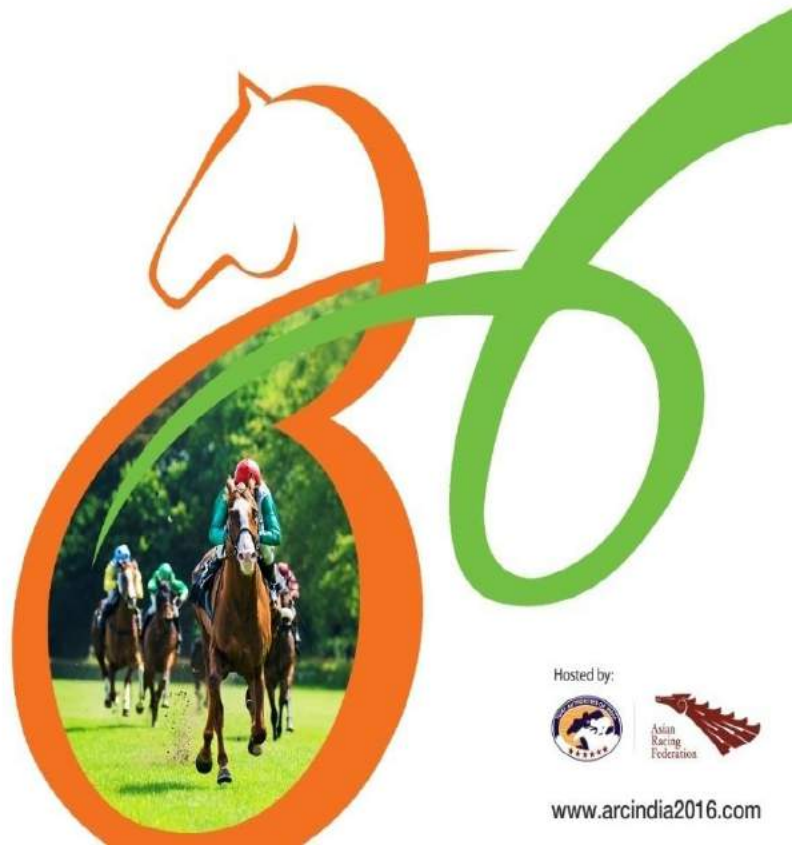




36th **asian**
racing conference
Mumbai India 2016

24TH - 29TH JANUARY 2016, MUMBAI INDIA

GALLOPING AHEAD GLOBALLY



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BREEDING – GLOBAL TRENDS



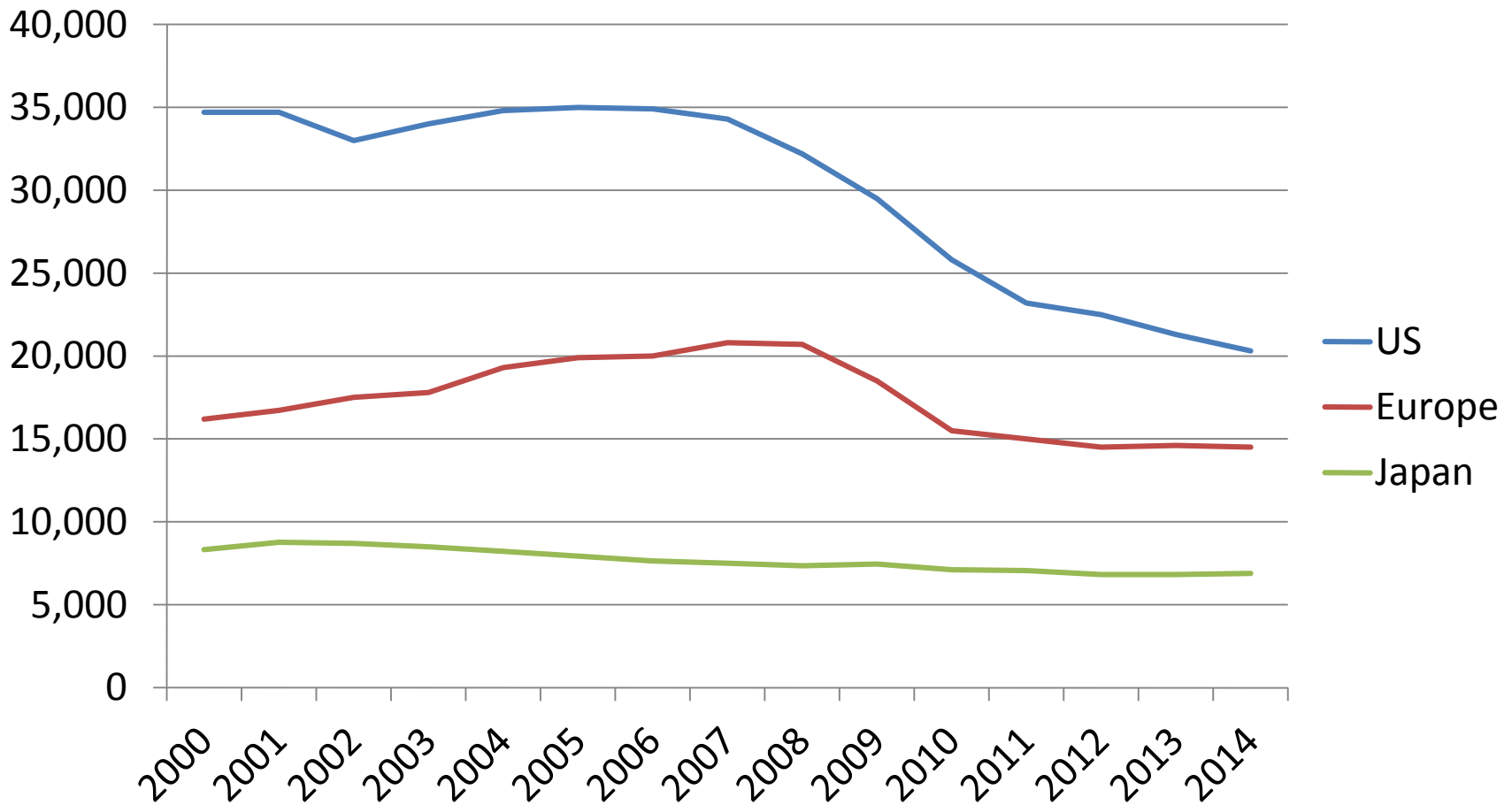
1. Introduction
2. Population trends
3. Market Trends
4. Innovations
5. The Future

POPULATION TRENDS



- Annual Foal Crop in major Northern Hemisphere breeding centres: North America, Europe, UK, Ireland, France and Germany, and Japan.
- Trend from 2000- 2014

Annual Foal Crop



SIGNIFICANT TRENDS

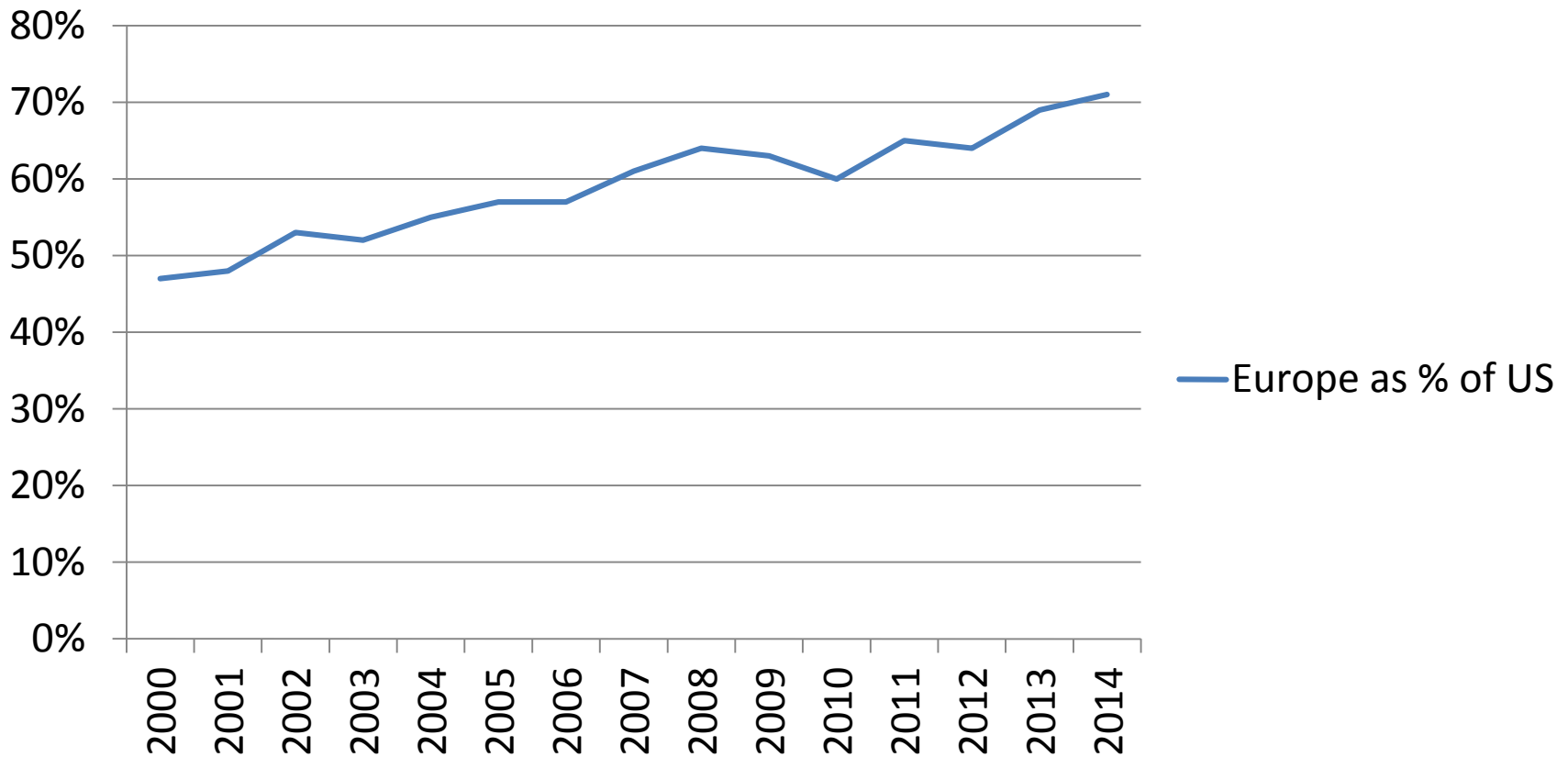


- Static 2000-2007
- Steep fall in numbers from 2007-2014:
 - 33% fewer foals born in 2014 than in 2000
 - German foal crop fell by 46% during this period
 - US foal crop fell by 42%
 - Japanese foal crop fell by 22%

European foal crop as % of US



Europe as % of US



- Centre of gravity of Northern Hemisphere breeding world is moving across the Atlantic.
- In 2000, European foal crop destined for flat racing was less than 50% of North America's.
- In 2014 it was more than 70% of North American total.

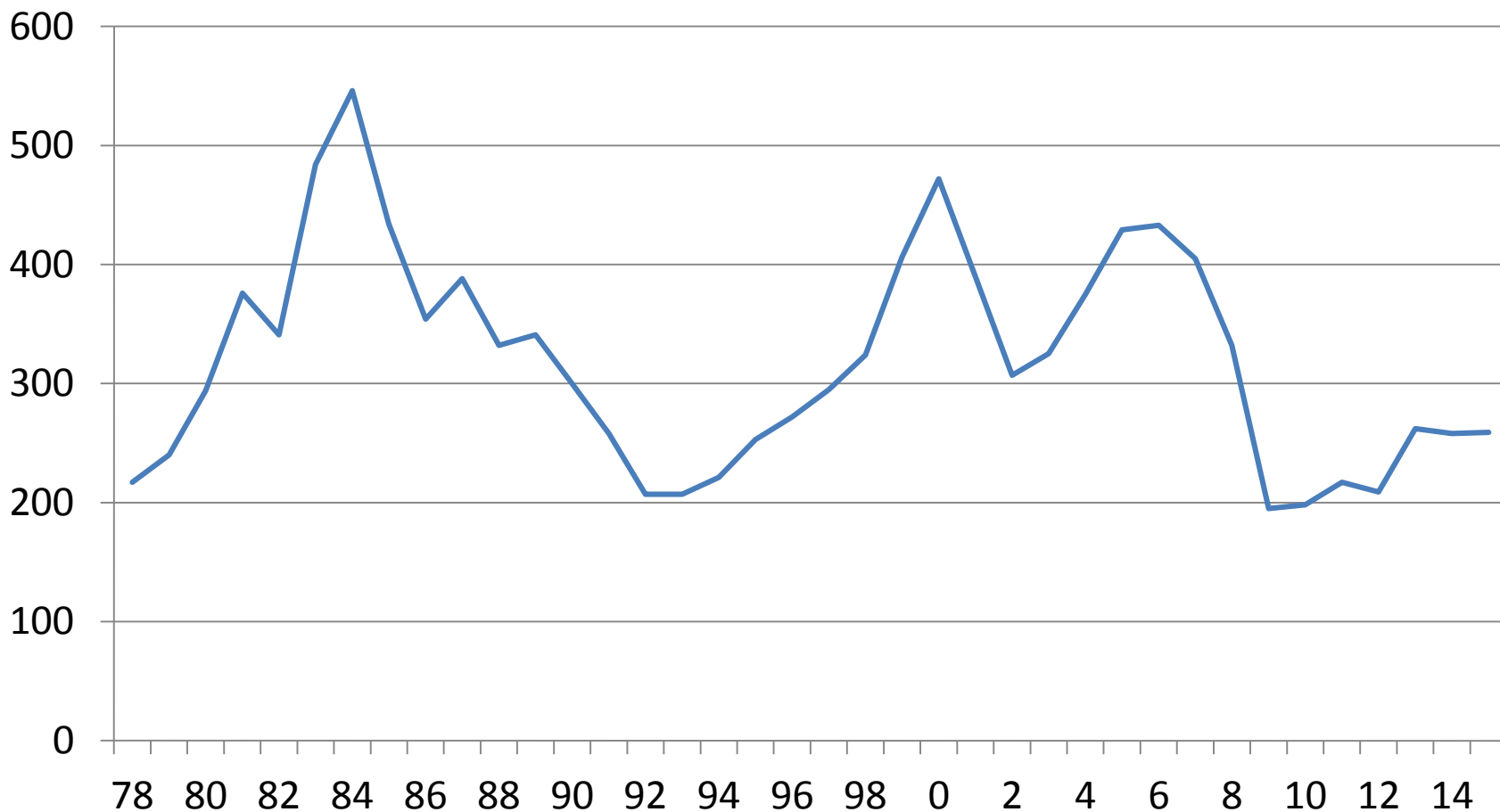
MARKET TRENDS



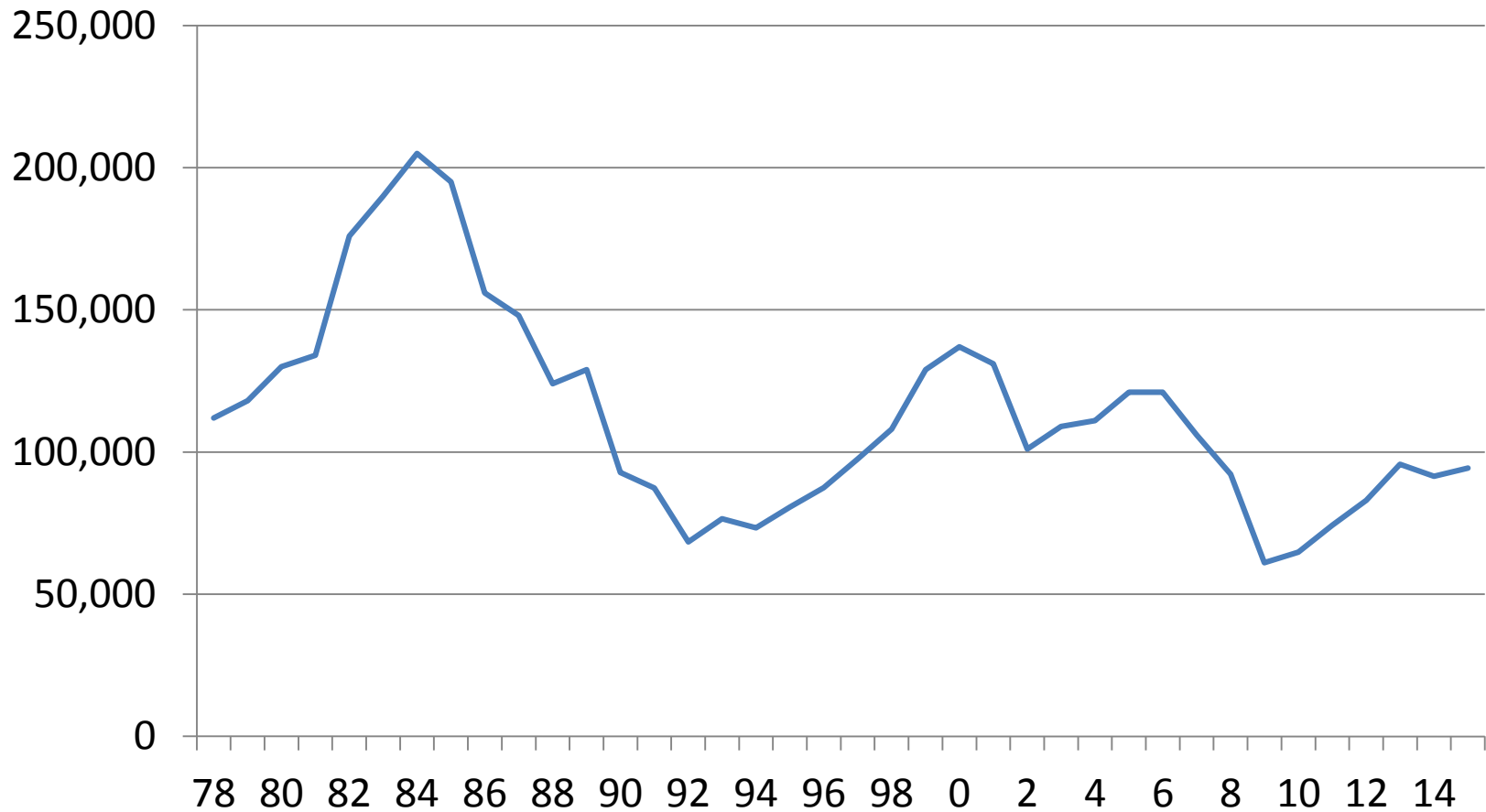
- US – easier to make comparisons, no exchange rate issues and format of yearling sales unchanged since Keeneland abandoned July sale in 2003.
- Keeneland has always accounted for around 85% of North American yearling market.

- Graphs plot yearling average and aggregate at Keeneland from 1978 to 2015, in real dollars.

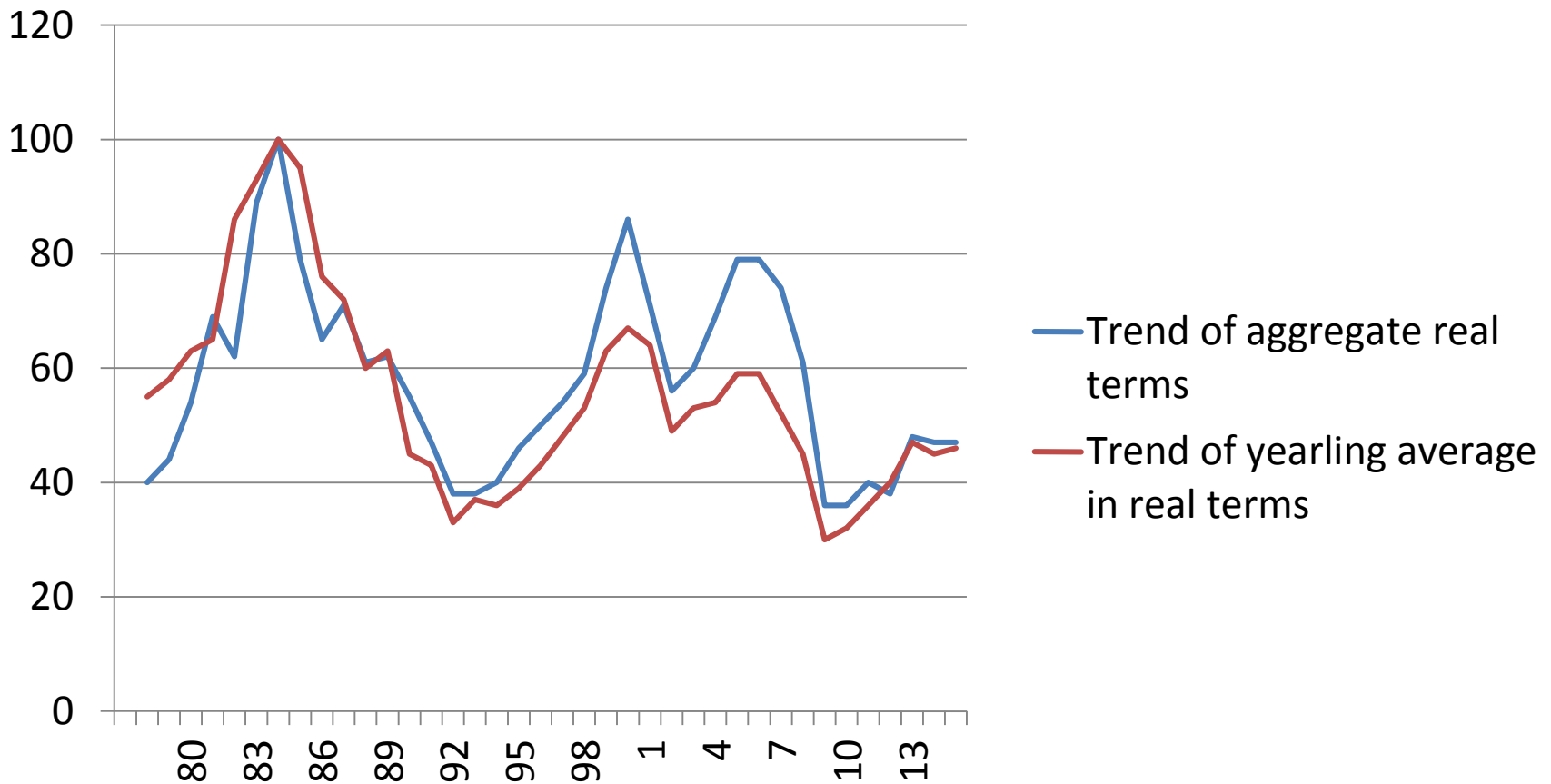
Aggregate at Keeneland yearling sales (in millions of 2010 dollars)



Average price at Keeneland yearling sales (\$2010)



Trend of Keeneland yearling aggregate and average in real terms (1984 = 100)



US Market



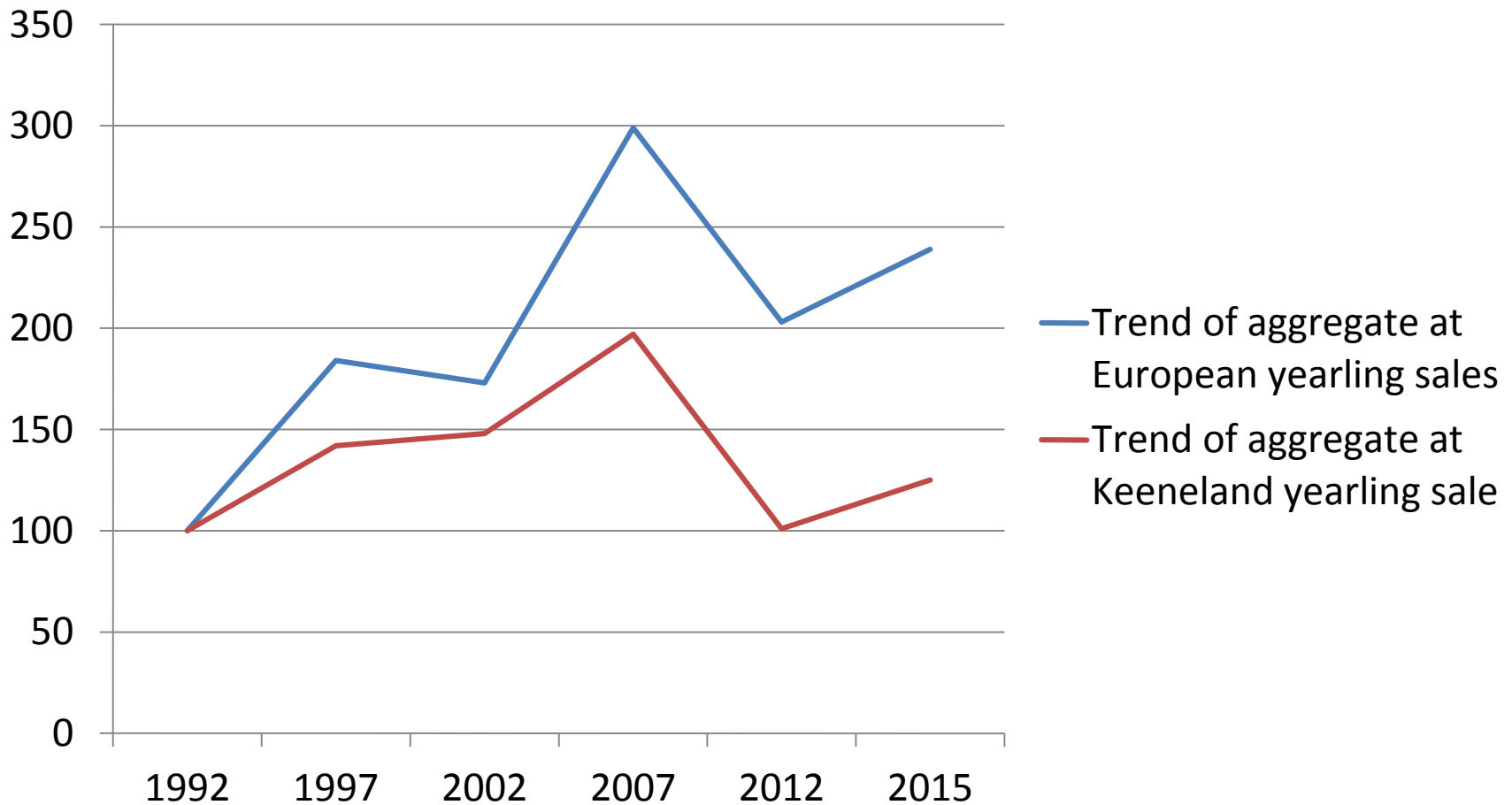
- 1. US foal crop has fallen from more than 50.000 in 1980s to just 20.000.
- 2. Despite this fall in production the aggregate and average price for yearlings have fallen in real terms.
- 3. Values fell steeply from 1985 to 1992 (year of the first Gulf War when Maktoum family withdrew from market).
- 4. Recovery to reach new peaks in 2000 and 2006, before falling again after financial crisis of 2008.

EUROPEAN MARKET

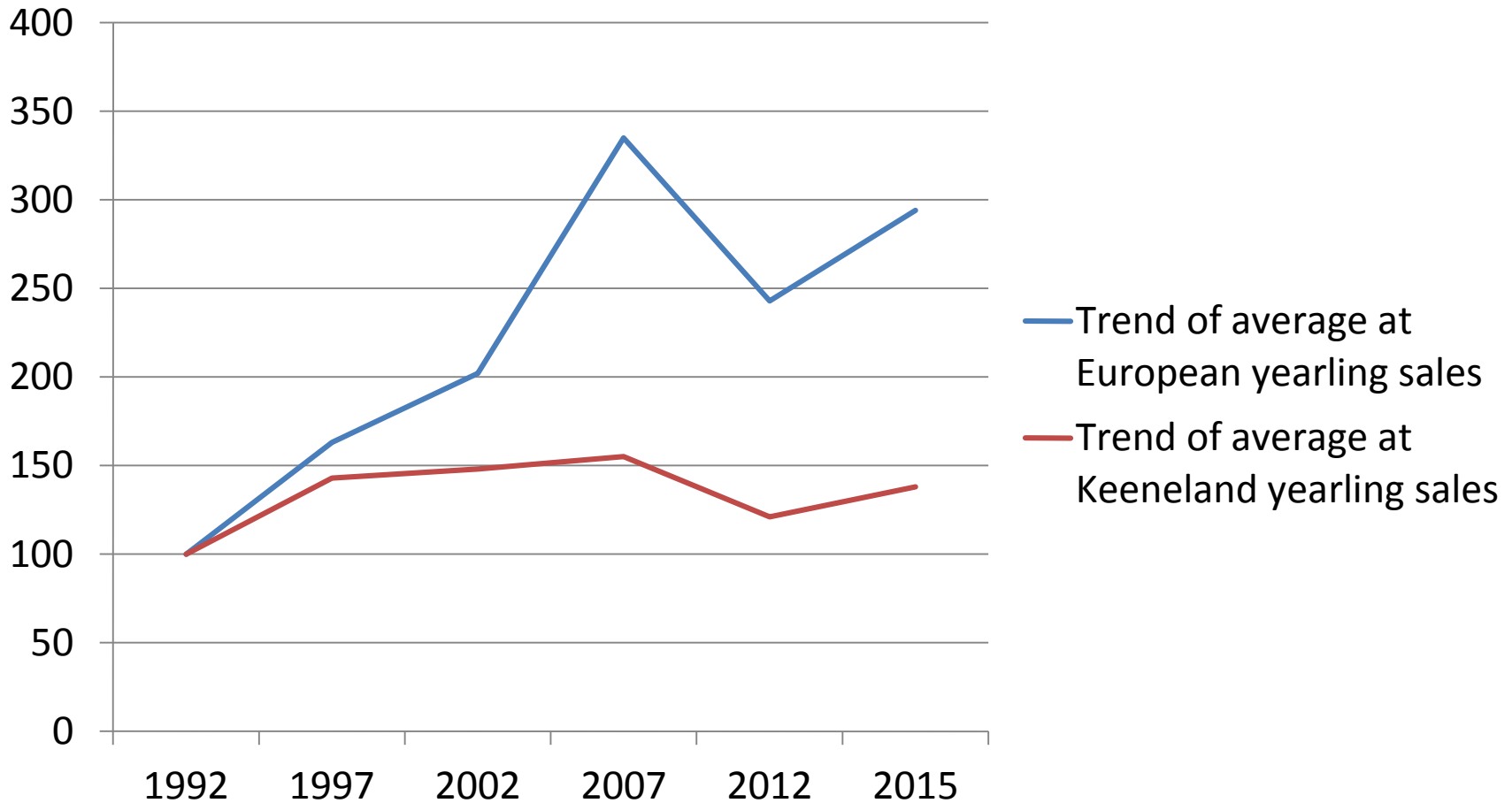


- 1. The European market has followed a different trend, and this century has overtaken the US market in aggregate and average in real dollars.
- 2. Currency fluctuations of huge importance in bloodstock sales, few of those buying at top end of European market are looking at local currency when bidding. All prices put into dollars and then put into 2010 dollars to take account of inflation.

Trend of aggregate at US / European yearling sales 1992-2015 in millions of \$2010

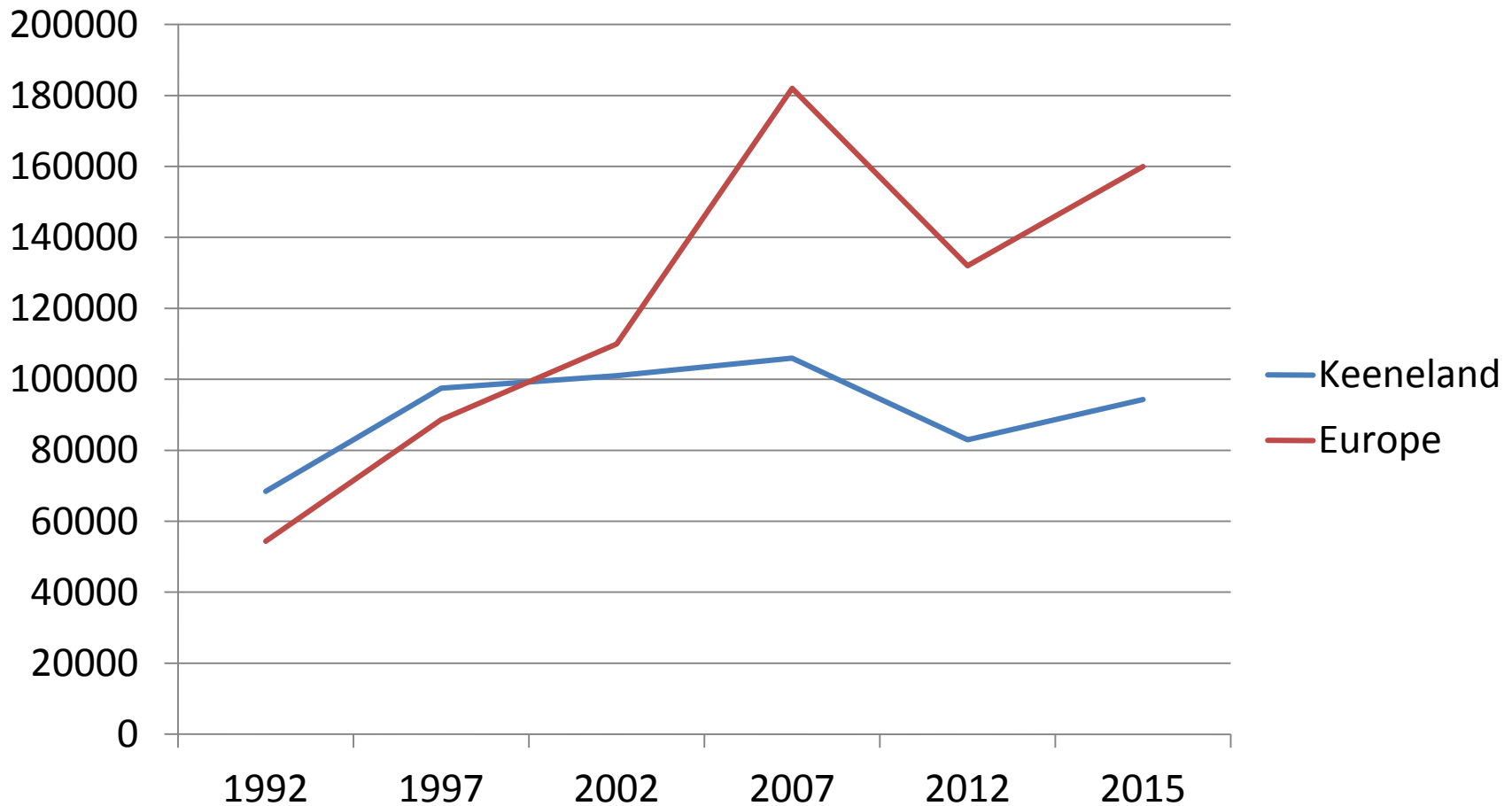


Trend of average prices at yearling sales (000's of 2010\$'s)

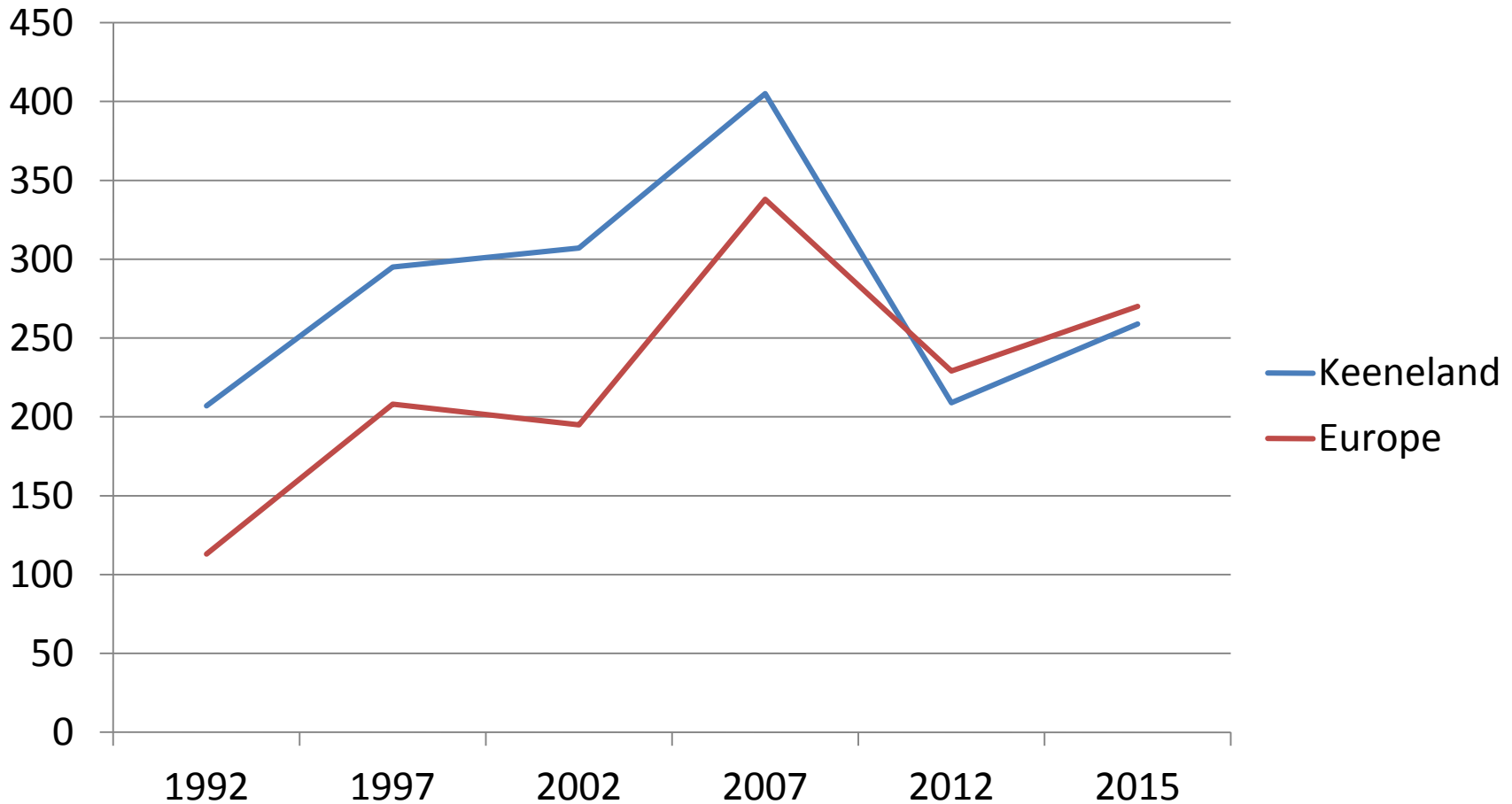


- Not quite comparing like with like. 3000 yearlings at Keeneland September, compared with around 2000 at Tattersalls October 1 and 2, Goffs Million/Orby, Deauville August.
- Trend clear nevertheless and in recent years European market has overtaken US market in real terms.

Average price at Keeneland and European yearling sales (\$2010)



Aggregate at US/European yearling sales (millions of 2010\$)



Future market trends



- Is European market due for correction ?
- European bloodstock close to all-time high. However depends upon currency movements and then new interest, e.g. from China and South Africa, makes demand at top more competitive.
- US market has more obvious potential for further growth.

INNOVATIONS



- 1. Big books for stallions.
- 2. Dual Hemisphere covering
- 3. All weather racing and other changes to racing programme.

BIG BOOKS FOR STALLIONS



- In 1980s average number of coverings for pregnancy was more than 3. Today the average is less than 1.5 coverings per pregnancy.
- Northern Dancer, Shirley Heights, Kris and other stallion stars of 1980s covered fewer than 50 mares. Today's popular sires cover at least 150 mares every year.

Most popular sires in UK/Ireland 2006



	2006 fee £	Sire	Stud	Country	n of mares
Rock of Gibraltar	31000	Danehill	Coolmore	Ireland	197
One Cool Cat	10000	Storm Cat	Coolmore	Ireland	196
Galileo	26000	Sadlers Wells	Coolmore	Ireland	195
Danehill Dancer	51000	Danehill	Coolmore	Ireland	184
Antonius Puis	5500	Danzig	Coolmore	Ireland	177
Captain Rio	3500	Pivotal	Ballyhane	Ireland	177
Invinicble Spirit	7000	Green Desert	National Stud	Ireland	163
Hawk Wing	15000	Woodman	Coolmore	Ireland	160
High Chaparral	17000	Sadlers Wells	Coolmore	Ireland	160
Catcher in the Rye	2700	Danehill	Coolmore	Ireland	159
Avonbridge	4500	Averti	Whitsbury Manor	GB	153

Most popular sires in GB/Ireland 2015



Sire	Fee 2015 £'s	Sire	Stud	Country	2015
Kodiac	17000	Danehill	Tally Ho	Ireland	232
Dark Angel	19000	Acclamation	Morristown Lattin	Ireland	225
Zoffany	8500	Dansili	Coolmore	Ireland	220
Camelot	17000	Montjeu	Coolmore	Ireland	198
Dandy Man	4500	Mozart	Ballyhane	Ireland	192
Lope de Vega	27000	Shamardal	Ballylinch	Ireland	187
Zebedee	6800	Invincible Spirit	Tally Ho	Ireland	182
Born To Sea	6800	Invincible Spirit	Rathasker	Ireland	182
Galileo	Private	Sadler's Wells	Coolmore	Ireland	181
Australia	34000	Galileo	Coolmore	Ireland	178
Alhebayeb	3500	Dark Angel	Tara	Ireland	176

Most popular sires in 2015 compared with list from 2006



- 1. Popular sires are not all successful in the long run.
- 2. Popular sires produce ever greater proportion of the total. In 2007 these popular sires produced 32% of total number of foals. This year the figure will rise to 40%.
- 3. Proportion of unproven popular sires has fallen from 72% in 2006 to 58% in 2015.
- 4. Split between fast sires and those who stayed 2000 metres or further unchanged 75%/25%.
- 5. Almost no middle market. Stallions are either very good, unproven or unpopular.

OTHER CONSEQUENCES



- 1. Statistics used by professionals have yet to adapt to new situation. Averages irrelevant when popular sires have 150+ foals a year. Gross earnings reflect popularity rather than ability.
- 2. Elite stallions generate huge income, and stallion owners play ever more important role in market.
- 3. For stallion owners risks have diminished, unproven sires generate far more income than was case in 1980s.
- 4. For mare owners risks have increased, harder than ever to select stallion knowing there will be 40 or 50 by same sire in select sales.

Does it matter if breed uses ever fewer stallions?



- Too soon to say, but if elite are going to produce 40-50% of breed, better surely if at least half of them are already proven.
- Breeding thoroughbreds is always a question of balance and diversity, and once you have lost this diversity you can't get it back.
- Brilliant, Intermediate, Classic, Solid, Professional - old fashioned but the point is there.
- Logic of European Classic programme, best horses have speed and stamina, and not just one or the other.

DUAL HEMISPHERE COVERING



- Boom period has come and gone.
- 2016 Magic Millions sale on Gold Coast 25 sires whose progeny sold for \$AUS 1 million or more, accounting for 87% of total.
- Only 2 not Southern Hemisphere bred, US sires Street Cry and More Than Ready.
- Southern Hemisphere sires more popular in Europe than other way round. At October 1 2015 4 of top 22 sires by aggregate were Australian bred; Redoute's Choice, Sepoy, Fastnet Rock and Exceed And Excel.

- Racing program and mare population so different Danehill exception which proved the rule. Every stallion is better in one hemisphere than the other.
- Dual hemisphere covering very profitable for stallion owners.

Racing Programme



- Future trends in breeding depend upon programme for best races.
- Major changes in Europe over last thirty years. 60% of all pattern races restricted to two and three year olds, and 40% over 1600 or less.
- 40% of all races now run on all weather tracks.

- All weather has less immediate effect. Not races which define value and so not target for breeders. (Danzig and Danehill line sires love the all weather).
- The 75/25 split among stallions for speed/stamina is entirely logical, given racing programme in Britain and Ireland.

Other influences



- Individuals can change the breed.
 1. Sunday Silence changed Japanese breeding ?
 2. Northern Dancer changed American and above all European breeding. Produced horses who combined precocity with ability to win middle distance Classics at three. Galileo does too, but breed appears to be splitting into speed and precocity/stamina categories

- 3. Outcrosses appear unheralded. Monsoon would have changed German breeding if he had lived longer. Dubawi and Shamardal in England and Ireland and then Le Havre and Kendargent in France, all free of Sadler's Wells, Danzig and Danehill, Europe's dominant stallion lines.

FUTURE TRENDS



- 1. Technology and market suggest foal crop will continue to fall and top of market produced for relatively small group of international owners. Some in Hong Kong or China Horse Club looking to race, but majority stallion owners looking for next potential stallion.

- 2. Still regional markets but smaller and further than ever removed from international market. In Europe domestic market is more than ever for jump racing. Domestic market for flat horses in France, Germany very small indeed.
- 3. Genetic base smaller than ever, no producer likely to resist covering an extra 100 mares financial incentives just too strong. However outcrosses have yet to work as racing programme so different even from Germany to Britain, let alone South America or Australia or Japan.

- 4. Key to all future developments is racing programme. If you change elite races and programme the breed will follow, and as several different parts of the world have discovered once you have lost an aptitude it is gone for ever.
- 5. Important part of elite are major international festivals in Australia, Hong Kong, England or France. Royal Ascot has ever greater effect on breeding in Europe, and then Australian and Japanese demand for German horses has saved its breeding industry.

Decline ?



- Hard to maintain breed in terminal decline with horses like Frankel, Treve and American Pharoah born between 2008-2012.
- Worth bearing in mind that as yearlings none of these three were considered to be elite. Treve and American Pharoah not sold, and even Frankel was not among the top two picks of the Galileos bred in 2008 by Juddmonte and Coolmore.
-
- We still don't know why one horse runs faster than another.