



Dear

I'm assuming you like I are extremely keen to know now what the next twelve months holds for participants in the Australasian breeding industry. Based on what has been happening at the American and European bloodstock sales, plus to our local economy, share market and currency, right now I am thinking we could see a decline in values somewhere in the order of 25% on 2008 prices. The general consensus amongst most industry people I have been speaking to of late is a decline of between 30-50%. My prediction in relation to the others is on the optimistic side, however, to prove that I am not the eternal optimist, at the start of 2008 I had been slightly pessimistic with a prediction of a 5% decline in values for this year, instead of the across the board increases that occurred.

Contact details

- **Phone**
02 4998 6488
- **Fax**
02 4998 6238
- **Email**
[Email us](#)

In 2008, the Australasian yearling average was \$77,426 (6,239 sold) and the mare average was \$46,418 (2,473 sold). To give these figures some historical perspective, averages over the previous four years were as follows: 2007 (\$71,105 ylg; \$37,628 mare), 2006 (\$61,051 ylg; \$31,352 mare), 2005 (\$54,355.ylg; \$36,324 mare – Vinery Dispersal has distorted this figure).

A 25% decline in 2008 prices would give us the following "2009" figures: \$58,070 ylg; \$34,814 mare. This rate of decline would only take us back to 2005/2006 price levels, which is certainly not as bad as what we're seeing in some other markets. A 50% decline will take us back to around 2002 levels. Just like in the other markets (shares, property, etc), in 2009 there are going to be great many opportunities to pick up undervalued stock.

Fortune favours the brave, is a saying we've been hearing a lot of recently. In the share and property markets, many investors are unsure whether to take advantage of the depressed prices on offer. The safest bet would obviously be to sit on the sidelines and wait until the market volatility subsides and the market begins to move higher. Those players who truly understand what value for money is, eg, Warren Buffett, have been more than happy to take advantage of the prices on offer. If you like Buffett, are prepared to invest in a quality asset and take a long-term view, then I believe you are very unlikely to back a loser. The same principle applies in the bloodstock market.

As an example, if you were to purchase now or in the near future, a quality bred and/or performed mare coming off the track, apart from being able to purchase it at a discounted price, you will also be able to take advantage of the lower stallion service fees which will be on offer in 2009 and for the next following couple of years. The foals resulting from these 2009-2011 matings will not be up for sale until the 2011-2013 yearling sales, by which time (touch wood), the worst should be well and truly behind us. In summary, you'd be buying the factory in a low market, your production costs will also be lower, but then you will be selling the finished products in a better market.

If you are a relatively new player to the breeding game with a long-term view, then hopefully you will still have some cash or access to funding to take advantage of these lower prices. Or if you have been watching from the sidelines waiting to enter the game, then now is probably a good time to dip your toes in the water. Or if you have been in the commercial breeder for a sometime, I would like to imagine you have stashed away some of the profits made during the last five years of record yearling sales prices. Or for those people fortunate enough to live overseas and have seen the AUD and NZD devalue as much as a third against their currency over the past six months, perhaps now is a great time to pick up some quality Australasian bloodstock.

Apart from money there is one other thing at present which you will need as well – confidence.

I trust tomorrow is filled with plenty of fun and laughter (and perhaps an afternoon nap wouldn't go astray either), and for those of you prepared to be brave, but sensible in 2009, I'm certain your actions will be financially rewarded in the years ahead.

Until next time.

Kind Regards,

Brett Howard

P.S. In order to take advantage of the lower USA market, I will be travelling to the States to attend the Keeneland Horses of All Ages Sale on 12-17 January. If you have any interest in trying to pick up some well priced stock, please feel free to contact me at anytime over the next two weeks.

P.S.S. Our "new sales concept" is off and running with ZILZIE and SKY BLESSING the first two mares to grace Randwick Bloodstock's property. Video footage of both mares is available on our web site and via this newsletter by clicking on the "view video" link. If your passing through the lower Hunter Valley at anytime and would like to inspect either mare, please do not hesitate to contact me or Melissa or Rachael, to arrange an appointment.