



Randwick Bloodstock's Fillies and Mares For Sale

Dear Melissa,

Earlier this year in February, I had suggested that Australian and NZ stallion masters look at lowering their 2009 fees somewhere in the region of 40-50% to help alleviate some of the pain many yearling vendors had been suffering at this year's sales. Three months down the track and quite a few yearling sales later, we have continued to see a steady decline in yearling sale prices and more financial pain for the greater majority of commercial breeders. Here is a list of the major Australasian yearling sales conducted this year:

2009 Sales (2009 vs 2008 clearance rate = 76% v 81%)

Magic Millions - average down 16%
NZB Premier - average down 27%
NZB Select - average down 37%
Inglis Premier - average down 34%
Inglis Classic - average down 17%
MM Perth - average down 24%
MM Adelaide - average down 23%
Inglis Easter - average down 36%

The aggregate from these sales is down 36% (\$430m to \$276m) which I believe is a telling figure, as this means that "on paper" yearling vendor's receipts are down significantly. I have "on paper" in inverted commas, as this year we have seen in my opinion a large increase in yearling vendors prepared to keep part ownership in their sales horses to help get them sold. If you take phenomenon into consideration, we have probably witnessed a decline more in the region of 40-45% in overall receipts.

We are now also privy to the 2009 service fees. Working from a list of fees that we have acquired to date, here is a quick comparison of 2008 versus 2009 fees:

2008 Season

\$ 5,500 and above (262 stallions)
\$10,000 and above (139)
\$20,000 and above (66)

2009 Season

\$ 5,500 and above (228) - down 13%
\$10,000 and above (120) - down 14%
\$20,000 and above (57) - down 14%

2008 Season

\$ 5,500 and above - average fee \$18,500
\$10,000 and above - average fee \$29,200
\$20,000 and above - average fee \$47,800

2009 Season

\$ 5,500 and above - average fee \$17,400 - down 6%
\$10,000 and above - average fee \$27,300 - down 7%
\$20,000 and above - average fee \$43,300 - down 9%

Stallions that stood in both seasons

\$ 5,500 and above (203 stallions) - average fee is down 21%
\$10,000 and above (123) - average fee is down 23%
\$20,000 and above (61) - average fee is down 23%

Each season your average commercial breeder might use a cross section of stallions from the different price brackets above. This being the case the figures most pertinent are the fourth set which show the average price of service fees you will be paying in 2009 will be between 6-9% lower than 2008. That's assuming that you will want to continue to support stallions in the same price bracket as you did last season, which I firmly believe is the case. Breeders want to give their mares the best possible chance, so they will be very reluctant to breed their mares to "lesser" stallions in the lower price brackets. Available funds will be a determining factor for many, but judging by the number of stallions that

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are already fully booked or close to being fully booked, there still appears to be quite a bit of money about.

So in summary, fees have not really fallen the 40-50% which I felt they needed to in order to help sustain a large percentage of broodmare owners around Australia and NZ, whether they be hobby breeders or even the full time commercial broodmare operators. In the USA earlier this year, many of the studs had to revise their fees down not once, but twice in some instances, as broodmare owners far and wide kept saying no - it's too much. I cannot see this happening here in Australia in 2009. Hopefully the GFC doesn't deepen any further and we can pull out of it quite quickly and therefore the returns breeders get from the 2009 coverings and the 2012 yearling sales are strong again.

I am not about discouraging people from breeding this season - I just would have liked to see broodmare owners given a better opportunity by the stallion masters to make a buck! Trying to weigh it all up, I don't think you've really been afforded that opportunity to date. For now it might be prudent to tread carefully, at least until the figures start to stack up. I know that my sentiments regarding service fees being too high are shared by many. We all know that even in the best of times, it can still be challenging to turn a profit. Right at present, that challenge is looking very onerous.

At this moment I know many of you will be flat out trying to keep your businesses in the black. If you don't have the time to focus or are totally confused on what to do with your mares for the coming season, then please consider giving us a try in respect of guiding or assisting you with your stallion selections. We are constantly doing our home work on the market and logically I'm sure that some well researched independent advice can only improve your chances of success in these difficult times. For reasons as mentioned above, I believe stallion fees don't offer much real value at present, but your mares will still need to be serviced. Via our research and market instincts, we have come up with a number of stallions in all price ranges that in our opinion, relative to the current market, give you the best chances of showing a profit. If you would like to take advantage of this offer, please call, email or see me at next week's Magic Millions sales.

Until next time.

Best Regards

Brett Howard

P.S. Please don't forget to have a scroll down our listings of mares. I feel pound for pound, many of these mares would stack up very well against some of the better quality mares in next week's MM sale. And better still, you might even find them better buying. Don't be afraid to make us an offer - you could get a pleasant surprise.