

Final Turn

MARKET TIMING *By P. Headley Bell*

Asked to comment on the record-breaking Keeneland September yearling sale, my initial impression was: “My God, Lane’s End grossed \$45 million in one day,” followed quickly by the thought of how the Fusaichi Pegasus deal influenced the entire commercial market. What timing for Lane’s End to offer an outstanding group of yearlings both on pedigree and conformation into a market with a newly established high value. Fusaichi Pegasus raised the bar by essentially being auctioned to the highest bidder, Coolmore/Ashford, in a deal rumored at \$65 million.

Is there depth in the market? No doubt at the very top every wealthy buyer, and they are numerous, believes that the yearling they are interested in is the next Fusaichi Pegasus, or has that potential. Reality is, the three best horses in the world, Dubai Millennium, Giant’s Causeway and Lemon Drop Kid, are owned or managed by the three biggest players, the Maktoums, Coolmore/Ashford, and Lane’s End. Not only do they cherish the thrill of racing, and being the best, but their programs are deep enough that they can support these horses at stud with many of their own or clients’ mares without relying entirely on outside breeders. The result is they can justify a value or stud fee that allows them to stand the very best stallion prospects available.

The same theory applies to the yearling sale when the Maktoums spend \$30 million for 40 yearlings, or Coolmore/Ashford spends \$18 million for 12 yearlings. It is their belief that at least one of those yearlings will be the next champion, and thus justify the investment for the whole.

Where does that leave everybody else? Reality is there is a trickle down effect from the tiptop to the next levels, and commercial breeders have benefited—though it is extremely selective. In past years, a horse who was fairly well-bred—let’s say with a \$35,000 stud fee—and a well-conformed, athletic individual might bring at least \$150,000, and possibly up to \$250,000. This year, three out of four of these individuals might bring \$125,000, or not sell at all, with the fourth selling for \$750,000 to \$1 million. Which



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gets me back to my initial impression, “My God, Lane’s End grossed \$45 million in one day.” Their quality sucked a great deal of money away from horses that would have stood out in past years, but unfortunately appeared quite ordinary in comparison to Lane’s End’s select yearlings. The result is consignors will have to scrutinize even more carefully where to place their yearling.

What’s in the future? The second most frequent comment I heard at the sales was, “This sure feels a lot like the ’80s—scary.” It is frightening, especially for the outfits that have overspent slightly on stud fees or mares, or have just a

few ordinary individuals. Like the trickle down of buyers for yearlings, cost of stud fees may have a trickle up effect, sensing a bullish market. I think everyone would caution against this across-the-board increase. Naturally, owners of a hot stallion like Saint Ballado are forced to increase his stud fee substantially, considering his results and demand. However, with so many stallions covering unlimited numbers of mares, offspring become plentiful on the market—and with a select market, the last thing you want is over-supply. The solution to me is to be more critical of your breeding program; today, fewer mares are better for the average guy.

This is not the ’80s, no matter how scary it feels. Though we think it’s thin now, the fact is it was much thinner then, essentially relying on two buying groups and across-the-board expensive stud fees. Today, the foundation for a strong racing industry is nearly built with the National Thoroughbred Racing Association working closely with the Breeders’ Cup and getting the support of The Jockey Club, Keeneland, and others. We are running for real purse money and have grown into a worldwide industry. Racetracks and other organizations are heavily investing in the future and, hopefully, if egos don’t get in the way, we will all work for the common cause: betterment of the Thoroughbred industry.

The ’80s were different: fragmented, self-serving, no foundation from which to build. I am thankful for the ’80s, for without it, we would not be where we are today. Nevertheless, I can understand one’s concern but would suggest we learn from the past and play accordingly...timing! 🐾

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