

Rating South Africa's

STALLION POWER

By John Freeman

When discussing stallions, breeding, pedigrees and investments, the immortal words of Claiborne Farm's "Bull" Hancock come to mind, "A GOOD BULL IS HALF THE HERD, A BAD BULL IS THE WHOLE HERD."



Hancock's view is echoed by all of the great breeders the world has known. The great Frederico Tesio held basically the same view, just expressed in different terms. That aside, it does take two to tango and the mare makes a major contribution as well. It's common practice for mare selection to rest first and foremost on pedigree, with conformation following... "rather have a mare with pedigree than a good racemare with none".

Other bits and pieces of advice I've gleaned for myself over the years from many authorities on the various merits of sire and mare selection are best summarized as this: "Gr1 winners are rare, champions rarer still, make these terms of reference vital in your selection process."



TWICE OVER
European Champion - won 4 Gr1 races



PHILANTHROPIST



CAPTAIN AL



JET MASTER

There is no definite way to weight any stallion list in the world for top end success. No matter what we think we can do in our selection processes, achieving the top of the log is as much about good luck as it is superb judgement, passion or hard work. The reality, good or bad, is beyond our control. Even the most magnificently made and well-bred champion racehorse might fail at stud. The time old adage still holds today: best performed, best looking, best bred horses are more likely to get the job done. There are definite guidelines that help us avoid obvious mistakes. As in all instances exceptions allowed.

Any log leader's standing in the chapters of history will always be dependent on the strength of those on the list below him – was he a truly worthy winner or was he just the best of an average bunch? There is always a special one who was properly challenged and succeeded with due respect. There will always be unworthy winners in real terms, albeit the exception. We have had some years in local stats where the top 10 have a well fought battle between balanced adversaries – often the victor simply being the sire with the most runners. It is, after all, a numbers game. How can sire X with 70 runners beat sire Y who has 200? Assuming they both get high calibre runners, sire Y is three times more likely to get more of the big runners most likely to add stakes to his tally – sheer weight of numbers. So we use things like AEPR (average earnings per runner), and Apex Ratings. These level the playing field for our own understanding and help to better assess which of the sires with lower representation might become important.

Breeders in South Africa were spoilt for choice of top stallions about 15 years ago. We had a middle-aged group vying for the top including the likes of Al Mufti, Badger Land and National



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Assembly. These were later challenged by the slightly younger up-and-coming Fort Wood, Jallad and Western Winter. This was all before the new locally-bred superstars were even heard of. Then just 5 years later, like a tidal wave, the new breed emerged. Captain Al and Jet Master added impetus to the top end and it was like manna from heaven for our market. They re-wrote SA stallion record books. Breeders could get their mares to the proven sires much easier than ever before – seasonal waiting lists were easily accommodated – and you actually had choice! Enigmatically the top lads could charge what they wanted. It was all about yearling sales prices; any of the top 10 could challenge long established sales records... and they did.

Things changed virtually overnight. Jet Master suddenly no longer, and all of the other contenders now older or facing reduced books for various reasons. There are a bunch of new sires lurking in the wings and anything is possible. The question on everyone's lips is: "who is the next champ?" I recall being asked by a breeder friend at the Two-Year-Old Sale at Germiston some years ago, in the year that Dynasty had enjoyed his first 2yo winners, who I thought would be the next super sire in SA. I mentioned a few but made a strong case for Dynasty. Hindsight is the only exact science in breeding. I took my own advice seriously and am very happy I did. But the sceptics sharpened their knives; 2 shares were offered and there wasn't a queue for them then. Different story now that he has had so much success.

Around 2006 there were at least 10 top-end sires easily accessible, provided you were willing to pay the price. Fees for the more successful sires at that level ranged from R40,000 to R250,000 - all three of the top boys commanded the new record price. With that said, whether you invested at the low or high end of

the spectrum, all of them were able to deliver a decent yearling sales result and provide a horse that had as good a chance as any of racing well. The new leader emerged: Jet Master, and in a short space of time he became rated one of the best stallions in the world. The new unfailing benchmark of service fee and yearling price, and he delivered on the track abundantly. This scenario seemed set for years... but it wasn't - a cruel fate intervened.

The irony of stallions is that time flies as quickly as their fastest runners. Even if they live to ripe old age they only give you a half-dozen years of prime service. Jet Master is a prime example. He was foaled in 1994 and his first crop were born in 2002. His name first appeared on the sires list with Captain Al, who was contending for top freshman sire honours with him in 2005. He first made it to the top of the general log in 2007. He was out of action in 2011 and passed away the same year. That's just 5 years after he firmly established himself. Not a long career at the top is it? Not much opportunity for his owners to capitalise on his success in order to accumulate enough resources to find a suitable young replacement.

One has to understand why the owners of the top stallions need to raise their fees once proven and how difficult it is to find a replacement stallion of that calibre. Both the cost and risk associated with finding champion sires are phenomenal. Sire prospects at Gr1 level from the Northern Hemisphere today start at \$3m – we have scant chance of getting a major classic winner here. If you pitch at the higher end of the market you easily aim in the R30m to R40m bracket and even then you face risks. It's a high risk, high reward business but that's what makes it so attractive. Prof. Brian Kantor helps me explain in the tables set out later in this article.

Like all others, I had to learn the hard way – fortunately my early mistakes weren't too expensive. My career in stallion management began a little over 30 years ago. It was around the time that had I co-founded the Highveld Breeders Club with Reinhardt and Barbara Sanne and Neil and Lyth Orford. We encouraged new investment in an effort to rebuild the breeding industry on The Highveld. The rand-lords had established an industry there which had fizzled out as sheep farmers in the Karoo took over and eventually the wine farmers in the Cape took over from them, helped as they were by industrial money lured to this wonderful lifestyle and the challenge of breeding and owning a champion.

Back then I was asked by the Breedt Brothers to help them import a stallion. We enlisted the assistance of the legendary Keith Freeman (not family). He'd sent many top stallions to South Africa in those days including New South Wales, Mexico II, Joy II, etc. Once we'd found the horse we had to find partners to be able to afford him, and so I learnt about syndication.

A modest stakes winning son of Mummy's Pet was on his way to SA. We thought we'd hit the big time, but I soon discovered that you need more than luck if you start out with the wrong product. Remember that your success is judged by the second hand of a clock. The fraction of a second separates the best from the worst. The thoroughbred is man's finest genetic achievement and not to be taken lightly. Breeding racehorses is an awesome science. Rules and trials and an awesome amount of knowledge can load the dice, the pretenders soon bow out. One thing is for sure: you never stop learning.

Back in those days, we'd appealed to the Transvaal Province to help us promote breeding in the province by providing a Breeders Premium (which they did after Reinhardt and I spent many long hours drafting proposals and formulae). The premium seemed like a great idea, and was only paid out to reward success and only on proof of reinvestment. Hindsight shows that it didn't achieve what it set out to do and was ultimately the master of its own demise several years later. I've since become a strong opponent of "premiums", especially where they reward mediocrity.

The only stallion of any note on the Highveld in my early years there was the Orford's French horse, Hobnob. They'd entrusted me with his syndication and management as an already proven sire, albeit with few runners. A big step-up from my first attempt. Lyth's input as a student of pedigree design ensured that Hobnob would not only succeed as a sire of racehorses but as a broodmare sire as well. His name has become associated with many superb athletes over the years, and more recently appears in the pedigrees of Beach Beauty (2nd damsire) and Variety Club. In fact when I look at Variety Club's incredible colour and soundness I am reminded of his 3rd dam (by Hobnob) who was also an attractive chestnut. Hobnob's influence?

Beyond the criteria one applies to sire selection, there are



DYNASTY

Photo credit: Tracy Robertson

other elements that ultimately influence success: management and the gravitas of those that support him. The right horse and the right team. You have to have the best possible gene pool and support from people who raise horses in the best possible way and send them to the best possible care in training in order to have a real chance. Even then you can fail but you drastically cut the risk factor. Proper marketing helps but only affects the bottom line, it doesn't determine success.

A good team of shareholders is vital. You need people that are not afraid to invest. I wonder if breeders that buy nominations to stallions really realise how much investment goes into proving stallions. Consider this example: the shareholder buys a share in a stallion for R800,000. Let's assume that the nomination fee might be R100,000 – generally broken into a deposit of around R30,000 and a balance of R70,000 due on the birth of a live foal. Cost of holding that share for a year amounts to interest plus insurance and write off.

Insurance is around 4%, and if you buy into a new horse one would have to take first season fertility cover at an additional 5%. If you use the nomination yourself you're obviously aiming at selling a yearling to make a profit, but even though the service fee may be advertised at only R100,000 it costs R160,000 in interest and insurance alone in the first year... so you make a loss of R60,000 if you let someone else use the nomination. That is unless the syndicate is managed properly and shareholders enjoy dividends from additional nominations sales to balance the books.

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Photo credit: Tracy Robertson

Stallions are generally syndicated between 40 and 45 shares. A full book of mares nowadays is about 100 mares, but can go as high as 120 mares at a push. This is a local phenomenon, because in the Northern Hemisphere (where the season is a month longer) the top stallions manage to cover up to 200 mares in a season. In the olden days a full book of mares worked out to a nomination per shareholder, with five or six to the stud master as a reward for his care and costs, and a few extra nominations sold for profit and to cover advertising, admin costs etc. A really full book of mares in those days was capped at 60.

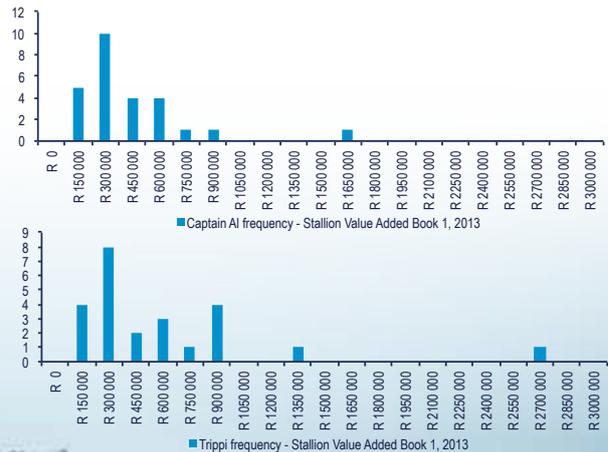
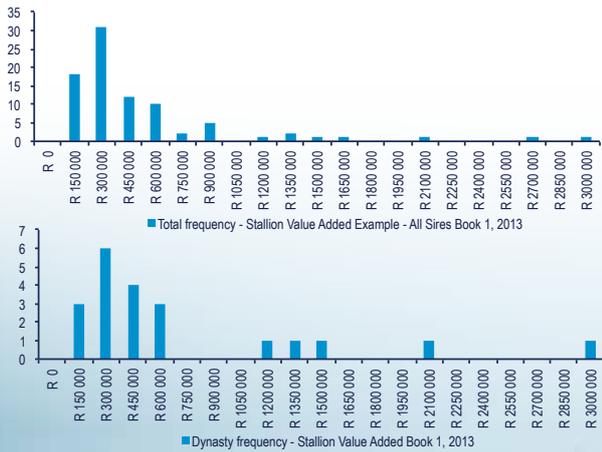
Syndicates like to attract the best mares from non-shareholders so they set their service fees at competitive levels. But in doing so they allow non-shareholders to get access to the horse at well below cost. This is true of 90% of the new stallions at stud. The ultimate prize is, when the stallion is proven, to be able to increase his fee and recoup some of the losses made on those that did not work and to be able to reinvest.

The international strike rate for stallion success is as low as 3%. Ninety-seven out of every 100 horses that retire to stud do not make the grade! An astonishing fact, but in my view this statistic is skewed by the fact that it includes entires that are sent to stud for emotional reasons by people with too much money, simply because they want to give their beloved horse a chance of being a daddy (even though basic stallion selection criteria absolutely shriek against it). The odds of success can be increased considerably if one applies a few

well established golden rules: parentage, performance and looks. These rules do not guarantee success, but they certainly load the dice. For me the term “champion”, or at least the term “Gr1”, is a base requirement. Every now and then one steps out of that comfort zone, for whatever reason, and you never know... until you have made a significant investment in the outcome.

You don't have to follow fashion. As long as the key ingredients are there. I often think of Royal Prerogative as an example of a horse that bucked the fashion trend and did so astonishingly well. Standing 16.3hh he was a big attractive horse. A stakes placed son of Relko who was a versatile champion racehorse but he hadn't produced any sire sons at the time that Royal Prerogative was bought for stud (and, like Royal Prerogative, subsequently became a better damsire than he was a sire of sires). Royal Prerogative was a consistent racehorse from 2 to 5 years. Endowed with his father's good looks and a regal female line, he relied largely on his sire's fantastic race record and his dam's superior breeding and her performance at stud. They took a calculated risk and it paid off handsomely.

Throughout this article I have referred to success. What is success in a stallion – how do we define it, what is the gauge? Does success mean that the stallion has had to achieve the ultimate; hit the top of the log with at least a brace of Gr1 winners and at least one champion from his first crop? Did he fail if he only came 2nd on the log? In my view it is a combination of a whole range of things.



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Conformation aside (because they run in all shapes and sizes) a proper sire that was a serious racehorse himself must produce a horse as good as himself to be considered truly successful. That's a very tall order but it is about as good a measure as I can suggest. Of course there are varying degrees of that level of success but that is the ultimate.

Prof. Brian Kantor, senior analyst and a keen racehorse enthusiast, did some research to understand why anyone would invest in such a high risk industry. The answer was simple: "it's not about averages, it's all about the big prize". I share his view that the same applies to stallions.

Prof Brian decided to work out how much certain sire's added value to outcome in the auction ring and used three of our top chaps to illustrate the point. He used the results of the recent Cape Premier Sale Book I to illustrate what he called Stallion Value Added – SVA. His note to me covering the graphs provided is self-explanatory:

"The more skewness – the more right tailed event – the more excitement – the more appeal to long shot bias. With skewness the average exceeds the median – the midpoint where equal number of observations are to be found on both sides of the median. As I said before the SVA appears very and encouragingly high – indicating high rewards for breeding horses in SA. Maybe a case for raising those stallion fees?"

Stallion Value Added - Example - Cape Sale Book 1, 2013

	Captain AI	Dynasty	Trippi
Mean	374,423	627,857	530,417
Median	300,000	335,000	325,000
Maximum	1,600,000	2,960,000	2,600,000
Minimum	10,000	85,000	80,000
Std. Dev.	313,574	730,930	533,210
Skewness	2.40	1.95	2.64
Kurtosis	10	6	11
Jarque-Bera	79	22	86
Probability	-	0	-
Sum	9,735,000	13,185,000	12,730,000
Sum Sq. Dev.	2,460,000,000,000	10,700,000,000,000	6,540,000,000,000
Observations	26	21	24

My reply: 'for sure Prof – if only the question of raising service fees could be calculated on a scientific basis'.

What's that old Jonathan Reedes adage; "something is only worth what someone is willing to pay for it".

In our continuing quest to find the next champion sire we enjoy the support of a wonderful group of breeders who bring incredible skills and loads of experience to each of our syndicates. They are the true heroes that test and prove the stallions that we have been so incredibly fortunate to assemble in our portfolio. We all keep re-investing not only in our quest to find even better future champions but because, as I've explained earlier, they get old before you want them to.