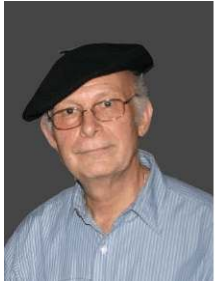


AND IN THIS CORNER, 2-YEAR-OLD SALES



op/ed
by bob fierro

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Immediately following the Keeneland April this year, Jay Kilgore and I, who are partners in a company that offers selection services at the two-year-old sales, decided to take a look at the rationale, market and schedule for these venues. We sensed something was in the air, and no one was really addressing some issues that needed to be discussed.

We outlined our thoughts in a letter to *TDN* which was designed to spur discussion, but not necessarily to make recommendations. The letter was never published because, quite frankly, so much more was on the plate of the industry at that time, ranging from the Triple Crown to the subsequent events and controversies involving Eight Belles, Big Brown, steroids, and then the yearling sales season began.

Ironically, we're glad the letter never made it into print because in the interim not only has *TDN* issued an invitation to me to become an Op-Ed contributor, but also with the two-year-old season right around the corner (yes, it is, the first sales close in mid-October), the points we wanted to make in the spring seem to us to be more salient to set forth in the fall. Indeed, timing is everything.

The Background

Despite what might be charitably called a positive spin about the relative acceptance, let alone success, of some of the 2008 two-year-old sales, this segment of the Thoroughbred market is in the throes of one of the great watershed years in the history of the industry, and this happened before the 2008 yearling market tanked.

This watershed is not limited to this industry, of course--2008 is already proving to be one of the potentially historic breakthrough (or, some cynics would say, breakdown) years in recent history in a wide variety of industries. Many of those who invest in Thoroughbreds make their livings in those industries, so we aren't telling tales out of school here.

What is affecting the Thoroughbred two-year-old market is intimately tied to the economic, cultural and even political upheavals that are affecting all segments of the world's societies. It's crystallized in the United States where major problems are often given 15 minutes of talking-head television time and deeper analysis only on op-ed pages or, if you're lucky, magazines.

Those factors include:

- a) The extraordinarily high cost of doing business these days in industries where transportation and food supply are critical.
- b) A stratification of the economic system that has driven the divisions deeper between high-end consumers and the middle market.
- c) The turmoil in the financial and credit markets.
- d) The necessity to improve safety conditions for man and beast alike.
- e) The increased stress on families and communities where 24/7 workdays are commonplace.

These, and other factors such as the usual short-sightedness and greed, have combined to create the beginnings of a dialogue in the two-year-old sales market that is bubbling beneath the surface. It needs to be brought out into the open and put on the table for discussion so that market leaders can assess, and address, trends and concerns that threaten to open wide fissures next year.

The purpose of this treatise is to begin that dialogue, not because we want to lead it or even be part of it--we are more like catalysts, and everyone knows that catalysts sink to the bottom of the test tube. However, it is necessary for those who are leaders in the marketplace--consignors, sales companies, buyers and their agents, and veterinarians--to start to plan and coordinate a little better for the benefit of all, beginning with the horse and ending with the consumer.

Here are what we consider to be the major factors that are reshaping the way the two-year-old marketplace is going to be positioned in the very near future, and questions that need to be asked (and answers found) to deal with them.

Breeze Show Surface vs. Racing Surface

The decision by Ocala Breeders' Sales Company (OBS) to install a synthetic racetrack this year for its four sales sent shockwaves through all segments of the industry for several reasons. Although only anecdotal evidence has surfaced, it seems that horses came out of their breezes with fewer aches and pains and injuries than on dirt tracks, which was one of the effects some consignors and buyers noticed last year when Keeneland switched over to its synthetic surface.

Secondly, not only have the breeze times been faster across the board on synthetic tracks, but also it is apparent from the internal figures that DataTrack compiles that many horses are able to stretch out more efficiently on synthetic surfaces--average stride lengths in our system have risen across the board at OBS and Keeneland.

This brings up a parallel factor--of the seven major sales, four are now on synthetic surfaces (OBSFEB, OBSMAR, OPSAPR, KEEAPR) and three on completely different dirt surfaces (FTFFEB, BARMAR, EASMAY). The latter are not likely to go over to synthetic soon and that means the market must make a judgment as to whether breeze show surface matters in regions where the racing is mostly on synthetic--and vice-versa.

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One of the most ironic upshots of the 2008 season is that not a single horse breezed on the turf at these sales.

One Breeze Show vs. Two

The move to one breeze show at FTFEB and KEEAPR, and the abbreviated second breeze show at OBSMAR because of threatening weather, has brought into question the viability of two breeze shows at OBSFEB, OBSMAR and BARMAR. Indeed, there was immediate jabber at the OBSMAR sale this year that it might not be a bad idea to restructure the sale, which was an astounding success despite a lack of horses that breezed back, in this manner.

The argument for reducing OBSFEB to one breeze show is stronger--very few horses come back at a quarter mile in the second show, and rarely, if ever, do horses do better on average at the second breeze show than at the first. Two breeze shows tend to increase the chances for injury, of course, but the system also exposes consignors and buyers to one of the major problems in the market that is perhaps stronger than all the others.

Reducing Costs and the Stress

One key to creating a more efficient two-year-old market is to recognize the horrendous scheduling problem that exists over the confluence of the timing of FTFEB, BARMAR and OBSMAR which was crystallized once again this year, mostly due to the fact that BARMAR and OBSMAR had overlapping breeze shows. (In the past, this has also happened with FTFEB and BARMAR). In our opinion, it must be addressed because soon one of these sales will probably suffer.

Just look at the tentative schedule for the 2009 FTFEB, BARMAR and OBSMAR sales. Fasig-Tipton is looking to hold its only breeze show on Feb. 27 (Friday), and Barretts want to hold its first breeze show on Mar. 2 (Sunday)--a day before Fasig-Tipton begins selling. Oh, it gets better. While not set in stone, the first OBSMAR breeze will probably be either on Friday/Saturday (Mar. 6-7) or Saturday/Sunday (Mar. 7-8). Barretts has its second breeze show listed for that Sunday.

The exercise riders, the consignors and quite a few buyers and agents will have to miss part of the breezes in Miami, Los Angeles and Ocala just to make airline schedules in an era of flight cutbacks and at a time of the year when flight paths often head into bad weather over the Midwest. Barretts' auction begins on Tuesday, which gives everyone just a couple of days to go back to Ocala for the second OBSMAR breeze show.

One way to start sorting this out is for OBS to consider eliminating its first breeze show and just have one on the weekend before the sale. Can any person (or company) do a reasonably complete job at all three sales for clients in these conditions? Those who will suffer the most, in the end, will be consignors and the sales companies.

Consignors, buyers, agents, advisors and stable personnel who are forced to make increasingly difficult travel connections and deal with rising travel costs in the short period of time linking these three sales is not something to be met with the "business as usual" dismissal. It is a conflict that affects efficiency as well as well-being of the individuals involved, to say nothing of the stress on family life.

These sales, which are immediately followed by Keeneland's, wreak havoc with families trying to plan for spring breaks, Easter holidays, and various other events that take place at this time of the year. To us, that is the bottom line in this business--an industry that is constantly trying to replenish itself with younger talent cannot afford to overlook the socio-economic strains of its way of doing business just for the sake of conducting business as usual. Let the dialogue begin.

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