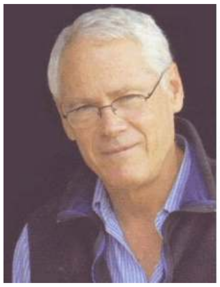

op/ed
by rob whiteley

Two worlds. Two realities.

We currently are experiencing "a jobless recovery" in the broader world where contraction and consolidation places greater wealth and power in the hands of fewer people, and drives a stock market that churns along on corporate earnings while long unemployment lines remain unchanged. The gap between rich and poor grows daily as more people on the bottom drop below the poverty line, while the rich get richer and many corporations sit on a hoard of cash.

We have an analogous situation in our horse business, whereby contraction and consolidation creates similar disparities in the production chain.

Language that describes the "tremendous" Fasig-Tipton October sale that exceeded "high expectations," the "vibrant" Keeneland September sale, or Saratoga's "buoyant" performance, is similar to the language on CNBC's Squawk Box coverage of stock market issues and events.

As encouraging as the description may sound, it only portrays a partial reality and narrowly represents the power base and the big money.

In both worlds, the little guy gets the shaft. In the stock market, the individual investor often becomes a pawn in the manipulations of hedge funds and major investment houses. In the horse production world, breeders inhabit the disenfranchised underbelly where profits are largely wisps of fantasy.

Encouraging as it is to see that the horse market has stopped its precipitous drop for the moment, two differing realities are still in play. Sales companies and consignors make more money because they work off of commissions based on gross. Stallion owners in turn benefit and make more money because they are handed largely illusory rationales for raising stud fees. Breeders, on the other hand, continue to lose large amounts of money. In the end, this disparity and the steady attrition of breeders and related falling dominoes cannot possibly lead to a stronger and more important industry.

Fasig-Tipton October, bolstered by fewer horses on offer, more sire power, and defections from Keeneland's cataloguing of quality horses in the latter part of its September sale, produced a welcome across-the-board increase in Gross (81.4%), Mean Average (76.3%), and Median (140%). This had to make sales companies and consignors euphoric, as their revenues surged without having to bear the expenses of production.

These percentage increases, however, remind me of a recent letter I received from my local bank offering me an 88% increase in the interest rate on my savings account (from 0.45% to 0.70%), if I will only deposit and maintain an additional $50,000 in my account.

No matter what language is used, yearling sales results for July, August, September, and October have little positive overall effect on the devastated landscape for breeders.

It's hard to see how a sale can be "healthy," either in the short term or the long term, when all participants are connected and mutually dependent, and only 7% of the yearlings that went through the ring in October broke even or were profitable for breeders. (A $20,000 stud fee + 6% Ky. tax requires a return of approximately $60,000+ at sales time to break even, accounting for breeding and carrying the pregnant mare, raising the foal and yearling, and paying for nominations, sales fees and expenses, commissions, and misc. *For more detail, see TDN, October 8, 2010, Stud Fees and Profitability).*

Fasig-Tipton October Sale Profitability Summary

#Through Ring	#Sold	#Not Sold	%Break Even or Profitable Through Ring	%Break Even or Profitable Sold
885	710	175	63 (7.1%)	63 (8.9%)

For breeders, these stark numbers and this harsh reality can hardly be termed "tremendous."

And this sale is not unique. Results for this year's Keeneland September Books 4-6 are similar. Even the clearance rate at both sales is not something to celebrate, as much of the improvement is explained by stressed breeders simply not being able to take their yearlings home and often having to send them through the ring unprotected with no reserve or ultra-low reserves.

Statistics can be manipulated, but these facts are straight forward and compelling. Breeders provide the foundation for the industry and, by producing each annual crop, they feed every other entity up the production chain. Yet mare owners continue to lose large amounts of money. Those up the chain who profit and who control the health of the equine garden need to take better care of the vines upon which their champagnes grow. Significantly lowering stud fees, sales fees, and vet fees from present levels is essential in order to provide breeders with a sustainable production platform during these tough times. Failure to do so will eventually leave the presently powerful playing with themselves in a small arena.

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