

First-season sire watch the bidding go higher,

Second-season sire will find a buyer,
Third-season sire results will be dire,
Fourth-season sire playing with fire!

by Victor Sheehan

ONE OF THE mysteries of the bloodstock markets has to be its infatuation with first-season sires. Inevitably 90 per cent of new sires disappoint, yet buyers still covet to the next big thing. I analysed the commercial returns for the

main UK and Irish stallions, who retired to stud in 2006 and plotted the profitability of their first four crops.

The results are shown in the table below and summarised in my above piece of doggerel. It may not appear in too many poetry anthologies, but I think it gives some useful guidance to commercial breeders when deciding on a mating.

Methodology and findings

My analysis was based on stallions who retired to stud in 2006 and who remained standing at stud in the UK and Ireland for the next four years.

The averages for their yearlings sold at public auction were then plotted from 2008-2011. Stud fees and sales averages were converted to a common unit (in this cases UK guineas) and an amount of 7,000gns was allowed for upkeep.

The average sales price of each crop of yearlings was then divided by the production cost of those yearlings (stud fee+annual upkeep).

The results show that the first crop of foals were the most profitable with an average sale price that was 1.42 times the production cost, while the third crop was the worse achieving only 1.07 times over production cost.

The year three and four results are, of course, influenced by racecourse performance by the first two and three-year-olds for those stallions.

In that respect it is no surprise to see Dubawi and Shamardal show positive results, as amongst the selected stallions they best fit into the 10 per cent category of successful stallions.

Average over production cost for sires retired to stud in 2006

Sire	1st crop	2nd crop	3rd crop	4th crop
Antonius Pius	1.16	0.53	0.27	0.76
Arakan	0.93	0.63	0.55	0.27
Avonbridge	1.26	0.92	0.99	1.15
Azamour	1.85	2.17	2.11	1.60
Camacho	1.52	1.30	1.15	1.27
Chineur	0.70	0.81	0.83	0.63
Dubawi	2.03	1.72	2.67	4.52
Firebreak	0.94	2.89	0.71	1.77
Footstepsinthesand	1.38	1.42	1.16	1.03
Motivator	2.18	2.27	0.99	0.89
Oratorio	2.01	1.27	0.70	0.89
Pastoral Pursuits	1.22	1.32	1.93	1.35
Rakti	1.17	0.53	0.48	0.23
Shamardal	2.15	2.03	1.77	2.99
Trade Fair	0.98	0.61	0.71	0.55
Whipper	1.66	0.92	0.35	0.65
Zafeen	0.95	1.36	0.75	0.30
Average	1.42	1.33	1.07	1.23



The “Keynesian beauty contest” theory was proved at the DBS Premier Sale where a colt by first-season sire Mastercraftsman fetched the top price of £185,000

Weaknesses in methodology

It is acknowledged that there are a number of weaknesses in the above analysis. The sample size is quite small, but reflects the fact that some sires who started covering in 2006 either died, were sold or did not have enough sales horses to provide four years’ results.

In addition, there was considerable movement in the €/\$ exchange rate over the period and this had a significant impact on the results.

Ideally, an adjustment would also be made for the “trend” in the overall yearling markets in those particular years.

The chosen upkeep cost of 7,000gns is also quite arbitrary and does not allow for the depreciation in the value of the mare.

Finally, it would perhaps be worthwhile to also look at medians rather than averages to negate the possibility of associated parties paying very high prices for stallion offspring to achieve headline grabbing top prices that also increase averages.

The Keynesian beauty contest

As far as I am aware the economist John Maynard Keynes did not write about horseracing, but had he done so he would surely have recognised some of his theories in operation in the bloodstock market.

One of his theories became known as the “Keynesian beauty contest”. This described a fictional newspaper contest in which entrants are asked to choose from a set of six photographs of women who are the “most beautiful”. Those who picked the most

“**We have reached the third degree where we devote our intelligences to anticipating what average opinion expects the average opinion to be**”

popular face are then eligible for a prize.

In terms of a winning strategy, Keynes wrote: “It is not a case of choosing those [faces] that, to the best of one’s judgement, are really the prettiest, nor even those that average opinion genuinely thinks the prettiest. We have reached the third degree where we devote our intelligences to anticipating what average opinion expects the average opinion to be”.

Commercial breeders are involved in such a game. They may not particularly really, really like the first-season sires they are using, but their own beliefs don’t matter, it is all about trying to guess what everyone else thinks and what everyone else will think.

They are short-term investors who exit before the fundamental value of the yearling (i.e. its racing merit) is known.

Keynes also wrote: “Successful investing is anticipating the anticipations of others.” When it comes to breeding it seems that people think, that people think it is worth paying more for the latest sires.

All of this irrational behaviour is possibly explained by the prejudices of trainers. As trainers handle more bad horses than good ones and one bad horse can turn them off a sire, then they are likely to dislike a lot of sires!

With new sires, trainers have not had the chance to form such prejudices.

Conclusions

It’s not easy being a commercial breeder. Survival requires profit and that requires suitable stallion selection. The statistics shown can help in that stallion selection.

If breeders are to be tempted to use third and fourth-season sires then breeders should be looking for substantial discounts on the published fees before the use of such stallions becomes attractive.

The continued support of unproven stallions will continue as long as it is profitable. I will leave the final word to the great Keynes, who had sage advice, relevant to any breeders thinking about challenging the madness of the markets preference for unproven sires. He wrote: “The markets can stay irrational, longer than you can stay solvent”. ■