

# Issues of Importance



Prior to Aug. 16, I was looking forward to writing this editorial which was to hopefully reflect on a successful and historic Del Mar Yearling Sale. With stricter standards for acceptance and a smaller number of yearlings offered, our expectations were high.

Our goal of reaching a \$50,000 average was nearly achieved, as we had numerous horses sell very well. In fact, the \$48,228 average was the highest in the history of the sale. However, the extremely high percentage of buy backs was a major disappointment. It was unexpected that nearly half the horses offered were returned to their owners. (It should be noted that certain yearlings were indeed sold after the sale, with the actual buy back percentage now closer to 40 percent)

The CTBA conducts the Del Mar sale in order for California breeders to market and showcase their prized yearlings. We are not in the sales business to make money, as evident by the low margin on the sale. In fact when looking at the risk to reward ratio associated with hosting such a small venue, it is clear that our purpose is not financially motivated.

In reviewing the results, such a marketplace existed, but unfortunately for only a little more than 50 percent of the yearlings offered. So what was the reason for such a high percentage of RNA's? Were the consignor's expectations in regards to reserve prices too high? And is a select marketplace, with 100 horses or more, obtainable in California? Certain consignors and buyers have provided the following reasons for the high percentage of buy backs:

- 1) The facility (paddock) was beautiful, but not "sale friendly" as it related to both consignors and buyers. The reason for shifting the sale from the Del Mar HorsePark to the racetrack was to provide a more convenient and classy location to show and sell horses. The sales ring set up in the paddock did not provide a viewing or "our back" area for buyers to inspect prior to the yearlings being led into the ring. Also, the lighting was not sufficient as we got later into the evening. Because of these shortcomings, the impulse buyer was inhibited. Furthermore, although the stabling did offer more room to show, many of the stalls were not adequate for Thoroughbred yearlings;

- 2) The yearlings accepted, although better overall than in years past, did not meet the physical requirements for a select sale. The results reveal that a large percentage of the yearlings not reaching their reserves were bought back for \$35,000 or less. The inspection process therefore needs to be reviewed with a possible panel of inspectors evaluating each yearling;

- 3) The sale at Del Mar must be on a dark day and not late in the evening following racing. Many buyers left the sale prior to the last 30 horses going through the ring. A night sale tends to minimize the interest of buyers;

- 4) There were not enough serious buyers at the sale. A small catalogue reduces the interest from out-of-state and local buyers.

All of these points are well and good and should be pursued further. The sale can always be tweaked to address some of these concerns that were stated.

I do believe, however, that we continue to face a bigger problem. As the late Eddie Gregson used to say, "Our biggest obstacle is that California as a whole is not a commercial breeding state." The \$35 million racing and breeding program is a major incentive to purchase California-breds, but it is also a major incentive for breeders to retain and race themselves. This is not a new discovery but one which has hampered the California yearling market for years. This trend has also been present at other regional sales where a state's incentive program is extremely lucrative.

Unlike other states, in which a large percentage of the annual foal crop is pointed toward select sales, California is just the opposite. This year, in fact, only ten percent of the California foal crop was even nominated to the Del Mar sale, with roughly three percent of the crop catalogued.

Selling a horse in training can also be very rewarding. It was noted by consignors as a reason for buying yearlings back and putting them into training themselves.

With that said, there are breeders who need and support a select marketplace, and the CTBA works diligently to make sure that venue exists. In fact, we allocate a substantial amount of time and resources toward the sale. But without a commitment from the majority of California breeders, it will continue to be an uphill battle as we can only showcase the best yearlings who are offered for sale. We provide the marketplace but cannot force buyers to raise their hands.

Another important issue is the overall environment in California as it relates to buying a young horse at auction. Owners and trainers seem more willing to claim horses and receive the immediate return versus developing a yearling, which may or may not make it to the races. This is understandable as the unrealistically low claiming prices which exist today contribute to this anomaly. Also, the proliferation of slot machine gaming both in California and competing racing states, has potential racehorse investors concerned about the future of racing in the Golden State.

These issues, along with those identified by individual consignors and buyers, need to be addressed not only by the CTBA Sales Committee but also by the entire industry when considering the future of a select sale in California.

I would like to personally thank the Del Mar Thoroughbred Club, in particular Joe Harper, Craig Fravel, Tim Read and Robert Sanchez for all of their assistance. Notwithstanding the concerns previously mentioned, there were many positives associated with bringing the sale back to the racetrack.

—Doug Burge