Transcript of

John Fulton presenting –

'Challenges and Opportunities in South America' (slide 1)

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I would like to thank Kirsten Rausing and the team of the ITBF for giving me the opportunity to talk about the region of South America and also thank Pedro Hurtado for suggesting that I handle that task. I came to South America 36 years ago, while training in California, through an invitation by Andrés Vial who is the President of the Stud Book in Chile, director of the Club Hípico race track and is a fourth generation horseman. There is a GR1 named for his grandfather and we were fortunate to win that race with a horse that we had in partnership. Andres knows both Johnny Weatherby and Simon Cooper and he sends them his regards. When I asked Andrés about the strength of the sales in Chile he answered with his standard quote: La Pasión gana sobre la razón. The passion wins over reason. That sentiment is the basis of our industry especially in South America where the economics are not at all beneficial. The attraction for buying racehorses in South America was that we could get a proven, sound horse for much less than what we would have to pay for a similar horse in the northern hemisphere.

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I work in the five countries of the southern cone. Those being Argentina, where I live, Chile, Brazil, Uruguay and Peru. For the most part the economies of the region have been struggling since even before the pandemic and the lockdown has made things even worse. The marginals have had to leave the industry but the strong have survived. There are new people entering but only those who have the economic stability to bear the cost and probable losses. The industry continues to move to higher quality and opportunities abound in each and every one of these countries. Uruguay, for example, has a stable economy and infrastructure in place to handle considerable growth. All of the countries have a long tradition with race horses and have the people and land to deal with breeding and racing at the highest level

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The total annual foal production in the region is around 12,500 which is down from a high of around 16,000.

The owner's share for winning a two year old maiden race will cover expenses of training for around 4 months in Argentina, Peru and Brazil, 9 months in Uruguay and close to one year in Chile. If racing without public continues much longer those ratios will change due to purse reductions. But, at the same time the cost of maintaining a horse in training is less than $1,000 dollars per month throughout the region.

Sales evolution-Despite the economic situation the auction prices have been fairly strong. The pandemic has made it necessary to adapt new systems for viewing and bidding.

This has been a positive addition to the sales procedure and will continue to be a part of the sales presentations. Some of the breeders are going to total online sales with the horses remaining on the farm. They schedule regular visits by agents, trainers and owners to see the horses beforehand. Others are going to continue to use the digital bidding system but the horses will go to the sales grounds and the auction will be live. The fact that owners, who might not be able to attend the sale, are more involved in the bidding process in real time creates a situation where he might go higher than the price he might have left with his representative.

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Breeding-Going back several generations a good percentage of the breeding stock was brought in from Europe. The imports included stallions and mares and gave this region a good foundation of durability and stamina . In more recent years there has been an introduction of speed and that has come from the USA. Fortunately the mixture has resulted in a gene pool of horses known for being tough, sound and very high class. The list of top horses who have gone on to do very well in other parts of the world is long and includes such performers as Invasor, Candy Ride, Paseana, Bayakoa, Forli. From Chile Cocoa Beach, Cougar, Tizna and Dacita. Dacita earned 1.6 million dollars and sold in auction for 1.85 million. From Brazil Bal A Bali, Ivar, Siphon, Riboletta and Leroidesanimaux whose dam was purchased at Tattersalls for 3000 guineas.

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One of the most important factors in breeding and racing is soundness. The Japanese have recognized that the mares in South America give them not only soundness but also high quality runners. I believe that there are around 13-15 thousand mares in Japan and not more than 50 from South America. Even so, over the last 8 years the South American mares have produced many top runners. Multiple GR1 winner Satono Diamond is out of Malpensa who is a mare from the same farm that produced Invasor. The last three years, in the GR1 Hanshin Juvenile Fillies, the Argentine mares have produced two winners and a second place finisher. Just this past Sunday in Japan there was another stakes winner out of Malacostumbrada, a mare bred by Haras La Pasion. Over the years the breeders from this region have been reluctant to sell the females and, consequently, have stock from the most wonderful families. This is true in all five of the countries that I have mentioned. At times it makes sense to sell some of the top fillies to maintain their operations. By doing that it gives the breeders the opportunity to refresh the bloodlines and most are swinging back to the racing countries on the other side of the Atlantic. This is due to the medication issue and to bring a bit of stamina back into the gene pool. We are already starting to see more South American owners, or their representatives, going to such sales as Tattersalls December where there are so many top pedigrees being offered. We can't buy the high priced fillies and mares that are offered but we can get into some wonderful families at a very reasonable price. One myth that has been debunked is that the cost of horse transport from that part of the world was too expensive. What we have found is that it is only around slightly more expensive than bringing stock from the USA so that is no longer an issue. Another way for owners and breeders to get into the great families in South America is to buy all, or part of, yearling fillies to be proven in the country of origin

with the idea of taking the best ones to the northern hemisphere to continue racing. The entry cost is very low, 100-150 thousand dollars for the top of the market, and the cost of proving the fillies in these countries is also very low.

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I receive at least 50-60 offers of stallion prospects during the year as there is no market for those horses in the Northern Hemisphere. Due to the contraction in breeding worldwide, and increasing book sizes for stallions, the quality of those being offered has risen dramatically over the years. I remember back in the 70's when there was demand for unraced horses with good pedigrees. Now I'm being sent very interesting horses, excellent pedigrees and very good race records. The bottle neck comes from the price that the seller is asking but there is a very good option that I think should be considered by the owner who really believes in his horse. Some South American breeders have joined with a Northern Hemisphere breeding operation to purchase a stallion prospect that is going to shuttle. Due to the economic differences between northern and southern hemisphere the ratio is 25% for the southern hemisphere rights and 75% for the northern hemisphere. Each owner retains all of the proceeds from their Hemisphere. Every year it becomes more difficult to find the northern partner. The opportunity that I see is for the owner of the stallion prospect to sell the southern hemisphere rights for 25% of the value of the horse and stay involved in case the stallion is successful. This is a win-win situation as the owner of the stallion puts some money in his pocket and allows others to prove his horse. The horse will get very good mares and every chance to make it if he is going to get it done. If the stallion hits the seller still has 75% of the horse and he can go to shuttle to his place of choice and he hasn't had to invest any more to get to that point. This opens the door to more opportunities to place a horse. There are many breeders, with very good mares, who could afford to buy into a prospect at a more reasonable price. A perfect example is Haras Dadinco in Chile. The third generation is involved operating this farm and they are very good at what they do and have a fantastic broodmare band. An arrangement such as this would give them the chance to bring a higher quality prospect than if they had to pay for 100 % of the horse. There are many others like Haras Dadinco in the region.

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South America has good land, low cost, top professionals and toughness in a gene pool that produces top quality racehorses. I truly believe that there is much more to do between this region and the rest of the world. We just need to think outside of the box.