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Livestock exports: the role of the thoroughbred

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ABSTRACT

Over the 11-year period 1970/81, the number of thoroughbred mares being bred from approximately doubled (4874 to 9894). This dramatic upsurge in the broodmare population cannot be accounted for by increased fertility, which has remained at approximately 72% since the early 1950s. Rather it reflects the apparent lack of culling taking place of genetically (progeny tested) inferior mares. Unlike other agricultural enterprises, where increased production is dependent upon increased numbers, the thoroughbred industry sells on a 'quality' rather than a 'quantity' image and over-production of inferior grade animals can be harmful.

The success of the 'quality' image can be gauged by an excess of export earnings over imports in the order of \$25m in the year ended 30 June 1982 (\$29m exports, \$4m imports). The exports were achieved by the sale of nearly 1800 thoroughbred stock to 12 overseas countries.

The factors considered important in the production of 'quality' thoroughbred stock are: rigorous culling of non-commercial breeding stock; sound nutrition; yearling preparation techniques; reduction in fertility wastage of genetically superior stock; disease control; overseas promotion.

The development of a New Zealand equine industry with a potential annual export earning capacity in excess of \$100m will depend on these factors together with Government assistance in the area of export incentives, research in mare fertility, nutritional imbalances in young thoroughbreds and pasture management.

INTRODUCTION

The thoroughbred is a breed of horse developed over 300 years in which the most desirable characteristics, and those selectively bred for, are speed, stamina, soundness, and constitution. The formerly sporting pastime of breeding and racing has in the 20th century, given way to a racing industry for which the thoroughbred is the feedstock. Sporting instincts are still very much alive among the racing owners, who must accept a high degree of risk of failure in a sport where only the best are well rewarded. In New Zealand last season, only 9.6% of horses raced achieved a break-even point of \$5000 in stakes or better.¹ All thoroughbreds chased a stakes total of \$9.66m while the public wagered \$359m on their chances of winning.¹ Because of the costs involved in pursuit of the sport, owners usually belong to the middle and upper socio-economic levels of their societies.

Modern communication systems have brought racing to the masses, with emphasis on participation in the sport through the medium of betting. Betting has generated the funds which have been applied to prize money, which in turn has created the demand for more horses and in turn has fostered the growth of breeding and especially, a market-oriented commercial breeding sector.

PRESENT POSITION

New Zealand is the fifth largest producer by foal crop of thoroughbreds in the world after, in descending order, the United States, Australia, Argentina and Japan. The breeding population in New Zealand has more than doubled in a decade to today's peak of more than 12000 registered broodmares and almost 500 registered stallions. The last full year for which figures are available, the matings of 1980 and the foalings of 1981, with comparative data from the 1970/1 season are shown in Table 1. Together with an extraordinarily high number (988) of non-returns to the Stud Book in 1980/1 (for what could be a wide variety of reasons), the number of live foals (5168) being produced annually on what has been a steadily rising plane, indicates a gross surplus for the size of the domestic racing industry. Hence the emergence many years ago, with continued emphasis, of a sector of the breeding industry which is aggressively export-oriented.

In 1981/2 New Zealand racing season, 5935 individual racehorses competed, a more than adequate number for the 332 race days and 3274 races on the calendar, numbers presently regarded as an optimum for our population to support.^{1, 2} Although a significant number of horses bred fail to make the race-track, it is apparent that with an average racing life

TABLE 1 The breeding pattern of New Zealand thoroughbred mares over 10-year period 1970/81 (New Zealand Racing Conference Stud Book returns).

Season	1970/1	1980/1*
Total mares covered	4874 (100)	9894 (203)
Live foals	2690 (100)	5168 (192)
Dead foals	529 (100)	1099 (108)
Mares exported	80 (100)	80 (160)
Mares died	111 (100)	222 (200)
Mares barren	1295 (100)	2337 (180)
Non-returns	199 (100)	988 (497)
Fertility percentage	71.3%	72.8%

* Includes non-stud book mares since 1979.

span of 3 years, the supply of racehorses coming on stream has well and truly reached a saturation point.

The export of thoroughbreds is not a recent phenomenon. New Zealand racehorses were being taken to Australia for richer prizes as early as the late 1800s. As their success and those that followed became widely publicised and appreciated, a demand was created by owners in Australia, and even further afield, to acquire New Zealand bloodstock. As the successes began to escalate, especially after World War II, those breeding horses for all or a significant part of their livelihood emerged, specialising in producing an animal tailored for the requirements of overseas racing systems. Today, with the extremely high capital cost of breeding stock and the development costs associated with the establishment of a modern stud farm, a breeder will barely survive unless he gears his entire operation to this higher return export market. The size and wealth of the New Zealand racing system alone cannot guarantee a sufficient return on investment for the breeding industry as it is today.

Therefore the New Zealand commercial breeder treads a wary path, wooing and seducing the overseas buyer, whether he be an owner, an agent or a trainer, hoping to sell him his highest quality animals for the highest return. This approach is regarded in some areas as undermining the quality of domestic racing on which the breeder is to some degree at least, dependent.

Australia has always been by far our biggest market. The value of our exports to that country since 1976 is shown in Table 2. Not only has the individual number of horses exported risen but, importantly, the unit value has increased markedly, more than trebling in the last 6 years. With export sales also being made to the United States and United Kingdom, South Africa, Canada, Singapore, Malaysia, Hong Kong, the Philippines, Thailand and French Polynesia, a total of 1796 horses left New Zealand in the 12 months to June 1982 worth \$29,040,288.³

TABLE 2 Trend in export value of thoroughbred bloodstock to Australia since 1976 (New Zealand Department of Statistics, Export receipts).

Year	1976	1979	1982
Total thoroughbreds	1133 (100)	1144 (100)	1410 (124)
Racing males	599	655	811
Racing females	439	408	473
Breeding females	83	71	117
Breeding males	12	10	9
\$NZ value (million)	7.1 (100)	9.3 (131)	24.3 (342)

In the breeding business it is only possible to keep your clientele if the product is good and reliable. Fortunately, and I believe it is more by good management rather than good luck, the New Zealand product has proven versatile and successful virtually wherever it has been sent. In the 1981/2 racing season in Australia, for example, New Zealand-breds comprised numerically only 8% of the 32464 individuals which raced, won 9% of the races run but 17% of the \$62m prize money distributed.⁴ This latter figure provides the reason why the New Zealand horse has a strong market in Australia where there is no shortage of horses anyway. This ability to outperform themselves statistically was dramatically shown also in the 1980/1 racing season when New Zealand-breds won 50% of Australia's Group I stakes races and 25.7% of all stakes races.⁵ These events are so designated by racing authorities as carrying the greatest importance and status, not to mention prize money.

Because a good quality thoroughbred has become an internationally tradeable commodity and because many of those being bred here show international competitiveness, overseas buyers contributed ⅓ of the record \$12m receipts taken at the National Yearling Sale at Trentham in January 1983. The sale of untested yearlings provides in numbers the mainstay of export sales. The balance is made up of tried racing horses, and male and female breeding stock.

PROSPECTS

New Zealand is disadvantaged by its geographical position and the timing of its seasons from making any heavy inroads into markets outside the Southern Hemisphere. The Southern Hemisphere breeding, foaling and racing season commences 1 August; in the Northern Hemisphere, 1 January. Our horses are therefore disadvantaged by birth date as well as distance from the markets of Europe and North America when it comes to competing at an early age. However, the comparatively small numbers of New Zealand-bred horses to race in the Northern Hemisphere have proved that with the necessary maturity they are very competitive. The sales of these animals may never amount to more than 15 or 20% of our

export total by number, but they are likely to continue to be very significant in terms of return to the industry and the country, because of their high unit value.

There has been a limited and largely experimental amount of New Zealand breeding to Northern Hemisphere time in an attempt to break into those markets on an equal footing. However, it has not been well organised nor particularly successful. Most commercial breeders would consider increasing specialisation in this direction, as a means of further market penetration, to contain an unacceptable level of risk. A better and more realistic option for the breeders is to try and encourage Northern Hemisphere owners to extend their racing interests to Australia and New Zealand and therefore their buying habits to New Zealand.

The prestige and value of Australian racing is rapidly gaining Northern Hemisphere interest. Effective promotion by our bloodstock industry is drawing these people to our sales and to our studs and stables in search of horses of quality. These people are potentially a vast source of export revenue to our industry and at the recent Trentham sales paid up to \$700 000 for individual yearlings.

New markets in the thoroughbred business are never easy to establish. The main factors impeding rapid opening-up of new markets include over-production in many of the target countries, trade barriers imposed by governments, protection of the local breeding industries by various governments and racing administrations, the distance and birth factors already referred to and the simple matter of quality of horse. Large-scale culling of poor stock has not taken place, so although we breed many by number, our quality level does not yet run deep enough to fully exploit the export potential of the industry.

In order to market horses outside this country one must offer an animal at least the equal of, if not better than, that which can be acquired by the buyer locally. It is not easy therefore, to convince an American or Englishman as to the merits of a New Zealand horse when the main constituents in the horse's pedigree, especially the sire-line may represent a cull of their own breeding industries. Our breeders have seldom been able to afford anything other than second string horses from abroad. Top European or American performance is usually priced beyond our means and we have had to select either excellent but unfulfilled pedigree or a smattering of both pedigree and performance. Most New Zealand stud owners have high standards when it comes to selection of stallions and generally buy the best horse they can for their money. What they have been able to achieve given these resources is all the more remarkable. But in the commercial reality of the day, if the industry is to expand its horizons in future, it must find the means to continually upgrade the quality of its breeding replacements. This reality is widely acknowledged

and has given rise to the creation of partnerships, groupings of studs and syndicates who are pooling their resources to buy the more desirable breeding animals. This may cause some contraction of the industry although individual investment may increase in number. If we are to continue to have international aspirations this course seems inescapable in the short term.

The bloodstock market is possibly the last true free market in New Zealand—no SMPs, no floor prices, no subsidies, no Board acquisitions—strictly supply and demand—yet it has shown it can flourish. Taxation advantages implicit in the ownership of bloodstock, possibly not widely appreciated in the community at large, provide a reasonably good climate in which the industry operates. But if the Government is interested in seeing the industry expand as an export earner, it may in future have to consider some forms of special financial assistance to tackle the problem of improving our genetic quality, so necessary to break further into the international mainstream. Up till quite recent times, Government and the Ministry of Agriculture and Fisheries had a fairly indulgent attitude to horse breeders, not really taking the industry seriously. Thankfully this is changing as the evidence of increasing land use for this purpose, good yields, employment and revenue earning potential and the investment in the industry itself has been put before them.

Differing markets have differing requirements in the animals they seek but giving the buyer what he is looking for is the best formula for continuing trade. This involves research and understanding of the various markets, which the industry does, seldom on an organised basis but on an individual *ad hoc* basis. For instance, at one time horses sought by buyers in Singapore/Malaysia for racing were our most inexpensive types. Just a few years later their buying preferences changed noticeably and as we saw at the recent sales, their trainers pay upwards of \$100 000 for good yearlings.

Overseas buyers often prefer bloodlines with which they are familiar and they place a premium on performance in the immediate female line, especially if that performance has been established in their own environment. New Zealand is well endowed with long established female lines, many of which have outstanding winning performers in Australia and further afield, although we have so far failed to develop any lasting male lines which could be regarded as native or predominantly so. Breeders have tended to value their fillies rather more highly than their colts, being willing to sell the latter off (often to the benefit of the breeding industry of another country) and keep good fillies at home as the basis of the breeding stock. This is changing now. The stallion is such a valuable commodity today (with world prices upwards of \$40m for a champion, \$1m a share or \$300,000 a service) that

the New Zealand breeder is having to look much more closely at his policy regarding desirable colts.

A feature of international thoroughbred breeding today is the genetic cross-flow of horses between countries, whereby most recent 'classic' winners overseas are the result of a blend of international bloodlines. The restrictions placed on the importation of pregnant mares because of contagious equine metritis (*Haemophilus equigenitalis*) means the importation of stallions probably attracts more attention and certainly they have a greater impact on the breed because of the male's sire capability. This situation reinforces the importance to New Zealand in being able to continue introducing vigorous new lines from overseas.

Management on the stud and the husbandry associated with the rearing of horses are part and parcel of the successful marketing of thoroughbreds. Infertility in mares (on which too much research cannot be undertaken) is a major problem for any stud. The loss of potential income from top mares can be very damaging. A commercial breeder can ill-afford to keep breeding stock no longer admired by buyers. He must keep a dispassionate eye on the performance of his mares and stallions. If they are producing poor individuals, or some with serious faults or which over a period fail to perform, in his own interests the breeder must cull and upgrade. It is an unfortunate feature of New Zealand breeding, but not exclusive to it, that too many horses come on to the market from backgrounds of racing and breeding failure. This more than anything, is a reflection of the relatively low costs faced by some breeders in producing an animal, although the same is not true for those concentrating on the export-oriented commercial sector. By international standards our costs may still be low, but relative to returns presently being received on average, even some commercial breeders may produce at a loss.

Every stage in a horse's development from the moment of conception is vital if its ultimate potential is to be realised. Nutrition must take pride of place, both for the mare when she is carrying and for the foal on the ground. Soil and feed analyses are essential so that the correct mineral balances for good skeletal

and muscular growth are present. However there are still considerable gaps in our knowledge on the nutrient requirements of the young horse. Correct pasture management and adequate parasite control are also vital factors in rearing. We are fortunate that the lack of severe extremes of climate allows horses access to the outdoors 365 days a year, but no young racehorse will get enough out of grass and hay alone to fit him for the task ahead.

If a breeder is marketing horses at the major yearling sales, the whole programme of his horses' development has to be geared to having the horse at absolute peak of well-being on that sale day. Early handling, weaning, feeding, attention to the feet and other conformation aspects, a regime of exercise and confinement and a scientifically balanced nutrition programme are essential tools in this preparation. Obviously there is a research requirement in many of these aspects and hopefully this paper will stimulate sufficient interest amongst members of the Society that many more papers will follow in future.

In conclusion, the thoroughbred breeding industry has shown an ability to market successfully in a highly competitive sphere. Greater all-round recognition of the activity as a valid contributor to the agricultural framework of this country will encourage and enable the industry to outstrip its present levels in the immediate years ahead.

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