

2018 FLAT YEARLING SALES REVIEWED

By

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This is a brief review of this year's major flat yearling sales in Ireland and the UK. The highlights are dealt with rather than a full forensic analysis.

GOFFS UK PREMIER YEARLING SALE

This sale was mixed and some people may have been disappointed with it. They will point to the Median falling by 5.4% to £35,000. However this was the result of the high point of the sale, i.e the number of lots sold increased by almost eight percent. It is very hard to maintain a median with such an increase in the number sold.

The increase in the numbers sold allowed the clearance rate to increase to 89 percent.

The middle to lower end of the market was robust with the number of yearlings selling for £30,000 to £69,000 increasing from 157 to 175

Part of that growth was due to a decline in the top of the market. The number of lots selling for at least £70K fell from 90 to 78.

This was primarily due to a leading buyer cutting back his spend by £760,000. That figure is greater than the fall in the aggregate for the sale.

It is also worth noting that the number of people spending at least £500,000 fell from 8 to 5.

FAIRYHOUSE SEPTEMBER YEARLING SALE - PART 1

This sale had been getting stronger and stronger and was leaving Goffs Sportsman sale for dead. However last year Tattersalls allowed the catalogue to increase by 73 lots. This was going to put the Median and the Clearance rate under pressure. What made things even worse was the Aggregate fell by 8.4% to slightly under €10.5m.

The fall in the Aggregate is best explained by the number of buyers spending at least €100,000 falling from 29 to 22. Some informed people told me credit was restricted but that is just prudent management.

The extra lots diluted the sale and led to patchy trade. Adding substandard stock to a sale puts buyers in a negative mood as they have to sort out the wheat from the chaff. A fall in demand and an increase in supply saw the Median fall 13 percent to €20,000 and the Clearance rate fall 12 points to 78.1 percent.

The sale's high point was the number of six figure lots increasing from 7 to 10 - a record for the sale.

GOFFS ORBY SALE

The number of yearlings offered fell by almost 15 percent thereby making it likely that the Median and the Clearance rate would improve. This was dependent on demand holding steady but it actually increased by 6.8% to €43.45m. This was due to extra spending by Phoenix Thoroughbreds and Darley.

The Median jumped by 23 percent to €80,000 while the Clearance rate went up by 2.5 points to 88.6 percent. The big story of the sale was the role of well-bred fillies in its success.

The number of yearlings making a six figure sum rose from 121 to 134, an increase of 13.

The number of yearling fillies making a six figure sum rose from 55 to 69, an increase of 14.

This tells us that well-bred fillies accounted for all of the growth in the number of six figure yearlings. Indeed they accounted for nine of the ten lots to make at least €500,000. The number of lots making at least €500,000 was a record for the sale.

From my experience it appears that vendors are more than happy to send really well-bred fillies to Goffs but not top of the range colts.

GOFFS SPORTSMAN SALE

This sale saw modest falls in the Median (6.25%) and the Clearance Rate (1.75%) with four less lots sold. The number of buyers spending at least €100,000 rose from 7 to 9 which would appear odd given that the Aggregate fell by 10.5% to €4,325,000. After some research the latter can be explained by the leading buyer's expenditure. The BBA Ireland was the leading buyer in each of the last two years but its spend last year was down by €405,000. This equates to 80% of the fall in the Aggregate. Maybe some of their clients were Breeze-Up operators?

TATTERSALLS OCTOBER 1 YEARLING SALE

The backdrop to this sale was that in 2017 record figures were recorded for the Aggregate, the Average and the Median. In view of this it was quite an achievement to increase the Aggregate (by 4.1% to 106.5 million guineas) and the Median (by 1.5% to 167,500 guineas).

The Average fell by 7.3% to 271,691 guineas. The substantial fall (a third) in the number of six figure buybacks played a significant role here as it occurred at 200,000 guineas or lower.

The number of yearlings selling for at least 100,000 guineas increased by 21 to 278, that's an increase of 8.2 percent. What is more significant is that the growth was primarily at 200,000 guineas and higher. In this sector the growth rate was 12.2 percent.

The source of the strength shows that the market is heavily reliant on the Maktoum family.

The leading buyer was Stroud Coleman who were acting on behalf of Godolphin. Their spend was 21 million guineas which is a record for a buyer at this sale as far as I can ascertain. If we add in the spending of Shadwell Estates, Rabbah and Blandford Bloodstock (whose spend increased by five million guineas) it appears that the Maktoums accounted for 32 percent of the Aggregate.

This market's reliance on the Maktoums makes it extremely vulnerable. Then again we have seen an influx of billionaires in recent years so maybe we shouldn't be unduly concerned.

TATTERSALLS OCTOBER 2 YEARLING SALE

2017 saw records set for the Aggregate, the Average and the Median so it was going to be a tall order for last year's sale to match it.

Amazingly 2018 saw an increase in the Aggregate (almost one percent to 48.458 million guineas) while the Median was unchanged at 55,000 guineas.

The Average fell by 2 percent to 76,796 guineas but this was due to the numbers sold increasing by almost 3 percent.

The Clearance rate improved by 3.2 points to 85.7 percent.

In view of the success of the 2017 sale this was a pretty good set of results. When you think of people worrying about the possible effect of Brexit and the cutback by Breeze-Up operators it was a very good sale.

The Median is a basic indicator of a sale but it can miss out on a lot. Here are some facts of the sale not explained by the Median.

The number of lots making at least 100,000 guineas or more fell from 145 to 144. When you consider that the corresponding numbers for 2016 and 2015 were 117 and 121 respectively it was quite an achievement to almost maintain the number this year.

The number of lots selling for 75,000gns to 99,000gns inclusive rose from 72 to 80.

The number of lots selling for 50,000gns to 74,000gns inclusive rose from 145 to 150.

However an in-depth look at the top of the market is revealing.

In 2017, 44 yearlings made at least 200,000 guineas at this sale. Shadwell and Godolphin accounted for eleven of them.

This year 45 yearlings made at least 200,000 guineas. Shadwell and Godolphin (acting via Stroud Coleman) accounted for 21 of them.

This shows how central the Maktoums were to the top end of the market in 2018.

Shadwell Estates were the leading buyer with a spend of 6,870,000 guineas on 40 yearlings. I can't find any leading buyer at this sale spending as much. Shadwell accounted for 14.2 percent of the Aggregate.

Stroud Coleman (presumably acting for Godolphin) spent 4,440,000 guineas which is the highest I can find for any second leading buyer. It works out at 9.2 percent of the Aggregate.

For such a large sale – in terms of numbers – it was heavily reliant on two players.

YEARLING MARKETS GOING FORWARD – POSSIBLE GAME CHANGERS

- Shadwell Est. – will they maintain their boycott of the progeny of Coolmore sires ?
A change in policy would give the market a boost.
- High Stallions fees – people who over-covered their mares have cause for concern
- The Breeze-Up sales – Corrective action by Breeze-Up players should see an improvement in their fortunes and hence they will play a bigger role at the 2019 yearling sales
- The Euro – Pound Sterling exchange rate – If sterling weakens that will adversely affect the profitability of people who sell in the UK
- How Brexit affects the UK economy. A recession will hit demand at some levels
- The problem of overproduction won't go away. If the market is continually ignoring your produce then you face a choice: Retire the mare and buy a better prospect OR continue as a hobby breeder.

TATTERSALLS FOAL SALE

The Aggregate increased by almost seven percent to almost 35 million guineas. This was down to the growth at the top of the market with the number of six figure lots increasing by seven to 82. There was great depth to demand at that level as the number of players increased from 33 to 44.

The Average also rose by 16.5 percent to 51,285 guineas.

The Median was unchanged at 25,000 guineas which implies stability. **This is highly misleading.** The reason for this is an eight point drop in the Clearance rate to 70 percent.

In fact the Clearance rate was the third lowest this Century. If the vendors of the unsold lots had accepted what was offered then the Median would have fallen substantially.

Analysis of the middle market (50,000gns to 99,000gns inclusive) showed a slight weakness with the number of lots sold in this price segment falling from 128 to 121. Admittedly this is

still higher than the 2016 figure of 117. Pin-hookers were being very particular after a difficult year at the yearling sales.

POLARIZATION

People frequently refer to Polarization in the bloodstock markets and I came across a great example at the Newmarket December Mare Sale. The case of Polarization is this year but the stats for the preceding years show how things have developed.

YEAR	Percentage of lots making at least 100,000 guineas	Percentage of lots making 5,000 guineas or less
2018	20% (147/728)	25% (186/728)
2017	20.4% (138/675)	19.26% (130/675)
2016	16.2% (110/681)	17.9% (122/681)
2015	16.2% (110/680)	16.5% (112/680)

Basically there was no market for the lowest quality lots. The market is saying you were wasting your time bringing the filly or mare to the sale.
