

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into the Viability of the Victorian Thoroughbred/Standardbred Breeding Industries

Nagambie — 22 June 2005

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Mr T. Breadmore, Paringa Park, Murchison East.

The CHAIR — Welcome, Tim. For the record, I met Tim at the Oakland sales earlier this year, so I have had the chance of meeting him previously.

Tim, I think you heard the introduction before about the way the committee works and submissions and how Hansard records things, and parliamentary privilege so I will not run through it all again. I welcome your being here today and thank you for giving up your time. Can you give us a little bit of background as to your involvement in the industry? I know it is fairly extensive, in different parts of the world, and then we will take it from there.

Mr BREADMORE — I got started in the business about 1983 so I have been in the business for about 22 years. I left school after HSC and three days later I started a job at Lindsay Park. I spent the next seven years basically working in Australia, England and America working at all sorts of stud farms, racing stables and with bloodstock agents. I spent six months at the National Stud farm in England as a student and then six months as a sort of pupil assistant at Sandringham Stud in England where Shirley Heights stood.

I basically spent seven years just travelling around the world gaining as much experience as I possibly could. The last two years I spent riding track work at Flemington for John Meaher. At the great old age of 25 I decided I had enough experience to start my own business and I set up a bloodstock business at Flemington which I ran for about five years. That included some buying and selling of brood mares, racehorses, weanlings and service and nominations and stallions.

I did that for about five years or so and I then decided that there was quite a good niche in the marketplace for a breaking-in and pre-training centre. There were a couple of well-established farms but there are a lot of racehorses being broken in each year and I thought there was an opportunity to develop something in that area and put some of the skills I had learnt in my sort of apprenticeship into practice. So I rented a stable at Seymour and set up a breaking-in business there in conjunction with my bloodstock business in Melbourne. I broke in about 900 horses there over six years, including some successful horses and some not-so-successful horses as is the case with everybody.

It was part of a plan of mine to move up to north-eastern Victoria because, as you will obviously have recognised after having talked to a lot of people, it is a new area that is growing quite quickly and possibly arguably has established itself as the Victorian heart of the thoroughbred industry.

I was looking to expand my business. I spent some time looking at various properties in the north-east and finally settled on a property about 14 kilometres north of Nagambie, actually in Murchison. I was at the stage where I had 40-odd brood mares under my management, and we were turning over about 200 horses a year through the stable. Those horses only stay in the stable for a four to six-week period and then go back out onto other people's farms, so I had a lot of horses scattered around the place — my brood mares and then the racing stock scattered around on other people's farms. I decided that I wanted to consolidate everything under one roof, so I began a search for the right sort of property. Having travelled the world and worked for the very best people all over the globe, I had reasonably high expectations. I had learned about climates and soil types and water articulation and all that type of thing.

Obviously the more that you move, the higher you raise the bar, so we ended up buying quite a big property — 900 acres on the Goulburn River here. We initially set that up to run that as a specialised brood mare farm for my 40-odd brood mares and to develop that further as an agistment business, which we have done over the first few years. I had basically a five-year plan to run a brood mare agistment farm. I am a little bit different than a lot of the other farms because I have a very strong association with the training side of the business as well, so I have a lot of brood mare clients, but 50 per cent of my clientele are various trainers and racehorse owners. They utilise my property to spell horses during the winter. What happens is that the horses go off to the yearling sales, they get purchased by various trainers, broken in and then they need to go out in the paddock for six months or so for the beginning of the two-year-old season. In Victoria, it gets pretty wet and cold on the other side of the Divide, so the trainers think it is an opportunity to get their horses out of the cold weather during the winter months, and that suits us as well.

I had an investment in a stallion, a racehorse at the time, in which I took a 25 per cent interest, and then the whole thing evolved and I ended up buying the remaining 75 per cent. I am going to stand the horse for the first season at the farm this year. So that is three years down the track. I guess in my 10-year business plan I ultimately wanted to

stand stallions. It is just that it has come about a little bit earlier than I thought it was going to. That is basically my story.

The CHAIR — With that breadth of experience and your overview of the breeding industry in Victoria, to the extent that you can summarise it as just a state-based industry where do you think we can do better? What are the obvious weaknesses?

Mr BREADMORE — I think the state is going along exceptionally well at the moment. I think the leading commercial stud farmers in the state are doing a very good job given the market trends and market forces, and on the whole the Victorian industry, much maligned as it is, is run very professionally. I think it has some terrific people involved in it and everybody is trying to raise the bar. We are all aware of the fact that we do run second to New South Wales, and I think everybody is working within their financial capabilities to provide the very best service and level of professionalism they can.

The general graph or the trend of the Victorian breeding industry is going in a very healthy direction. You have obviously heard about the north-eastern alliance, which Adam has been fundamentally very involved in. I think that is a terrific concept and full of all the right intentions with the right people involved. We obviously need to continue those sorts of practices and ideas and get together and collaborate our ideas and work together to achieve the best result. I do not think there is anybody that does not understand where we would like to be; it is just the question of working within your financial capabilities. I would like to say one thing, if I could, about that.

The CHAIR — Sure.

Mr BREADMORE — I think the industry is underselling itself; the Victorian industry is seriously underselling itself. I am going to speak of the north-east because I moved up here after 10 years of looking for a farm. I chose this area because I thought it was the best area, and if you look around the stud farms here — Chatswood, Ealing Park, Independent Stallion Station, Collingrove — they are exceptionally well-appointed studs that are in the right location. We are an hour and a half out of Melbourne. It is geographically a far better place to be than the Hunter Valley is to Sydney. We have the climate here; we have the soil types; we have the knowledge and the experience to really represent ourselves in an equally good market or ways that the people in New South Wales do.

You talk about working within our financial capabilities. On the whole we are charging across the board \$14 to \$16 a day to have horses on our property. That is an absurd rate in comparison to New South Wales where they are charging \$21 and \$24. Those of us who are running our businesses need to be working on our businesses, not in our businesses, and when you are charging \$14 to \$16 a day you cannot do that. We are competing in an international global market, and you cannot expect people to be competitive if they are not at the coalface, and this industry is about physically attending and looking at horses. That is how a real estate agent buys and sells houses. He has to go and physically inspect the house, see the cracks, if the paint is falling off or whatever. It is very similar, and I see a sort of common theme here that unfortunately so many people are so busy working in their businesses on marginal returns that they cannot then be away attending sales and talking to an international thoroughbred industry. I could go on and on.

Mr DELAHUNTY — You have been very extensive, but what do you think are the limiting factors to growing the industry in Victoria, because from all our benchmarks we are the leading state in a lot of areas, but we do lose a lot of leakage of dollars to other states? What do you think is the limiting factor to greater use here in Victoria?

Mr BREADMORE — It is very difficult; it is a catch-22-type scenario. I do not think there are too many limiting factors other than that basic agistment cost. I see that as the underlying issue that we should perhaps be addressing. It is a matter of collaboration and discussion with the industry leaders, the five or six more commercial stud farms and brood mare operators. We need to band together and look at our cost structure and our fee structure. I think the other things will grow from there.

It has been proved that we can produce a stallion. The three best things — and I forget the third one — that happened in Victoria in the last 10 years are, firstly, the establishment of Eliza Park, because 20 years ago when I grew up through the industry it was always incredibly difficult for new people to come in and get established. It is just one of those things. There seems to be a degree of market resistance. So to see someone come in and establish

themselves as one of the leading stud farms with a very high profile and a high degree of professionalism and excellence is a terrific thing. It shows that other people can do it.

Secondly, Encosta de Lago has arisen — maybe not at the moment — but for two years he was being acclaimed as the best sire in Australasia, and there are numerous examples of that including Danehill Dancer, General Nediym and Flying Spur. So there is no question that we can produce the thoroughbreds.

Mr DELAHUNTY — Tim, we have been told that one of the limiting factors is capital — finance.

Mr BREADMORE — Yes.

Mr DELAHUNTY — Have you got any comment on that?

Mr BREADMORE — Not really. I think that is enterprise. I would like an interest-free loan on the farm and if anyone is offering it — —

The CHAIR — It was put to us in terms of banks in Ireland and America lending up to 50 per cent of the value of the horses that you have, but in Australia they just laugh at you; they would not lend on any part of the value of the horses you have. That is something we have to look at further because it seems to us to be a really inhibiting factor. In the horse business you are going to have horses, and they have intrinsic worth for the sake of insurance. Why not for the bank? It is a bit strange.

Mr BREADMORE — I think that would be outstanding. That would really catapult things. That would be an enormous help because let's face it, it is such a marginal industry. It is impossible to build resources out of the businesses that we run. Most of us break even or derive a small amount of income, which is absurd for the amount of time, effort and dedication that we apply to our businesses. So I think that would be outstanding.

Mr DELAHUNTY — Just one more quick question: you talked about the right area of Victoria to buy a property, and you expanded on that. But one thing you missed was talking about equine practitioners. Are they of benefit to this region, or could they be down in Mornington or any other area?

Mr BREADMORE — I think the general standard of veterinarian — is that what you are talking about?

Mr DELAHUNTY — And veterinary nurses.

Mr BREADMORE — And farriers, and people like that, I think the general standard across the state is very good; I really do. There are two very good practices up here, but I am sure there are some very good practices on the Mornington and Bellarine peninsulas.

Mr PULLEN — Tim, we hear a lot about the effect of Coolmore and Darley on Victoria. Have you any ideas how that could be combated?

Mr BREADMORE — No, I do not, unless we can put some oil wells in the ground here in Victoria. They are just too big and too powerful; they have too much money. There is nothing to say that we cannot still develop our industry in terms of our profile, and attract more and more Victorian mares or have fewer mares in Victoria going to New South Wales stallions. The Arabs have been in business since 1980 — —

The CHAIR — It seems a lot longer than that though, does it not?

Mr BREADMORE — Yes. The Arabs have been in business since 1980 and they must have had 60 classic winners, or possibly even more. I do not know the figure but it would be somewhere around that. They have only really managed to produce one successful stallion, and yet the Irish have been in that market with Adam and so forth for the same period and they have produced 10 to 15 top line stallions. We just have to keep putting our hat in the ring. Encosta de Lago stood at \$8000, Danehill Dancer stood at \$8000 and General Nekiym stood for \$7000. It is a very big industry. At this stage there is no reason why we should feel threatened. Sure, we need to consider the danger of Coolmore or Darley coming into the state. I should not say 'Coolmore', it is more directed at Darley. I have no gripes with Coolmore; they run an enterprise. They risk their lifestyles and their capital every day of the week. They have been very good at what they do, and it is an absolute credit to them. If Darley was to come to Victoria it would be disappointing because it is a false economy, and you cannot compete in a false economy.

The CHAIR — Do you think they are likely to? Is it something that you have heard suggested that they are thinking about?

Mr BREADMORE — I think they may if the Victorian industry continues to work aggressively. I have never been involved with initiatives like Super VOBIS, other than getting the prize money and things like that. I am not even sure how that works; it was really before my time. But those types of initiatives, including the VRC carnival, are second to none. It is the best racing carnival in the world, and it is the best kept thoroughbred secret in the world. This type of inquiry gives people the opportunity to discuss these things, and hopefully you can grab different bits of information from the people you speak to and help us collaborate together a little bit.

The CHAIR — One of the conundrums we have is that we can look at the statistics, and TBV has produced some really good statistics on the leakage out of the state of dollars, and the Victorian mares serviced by Hunter Valley stallions at more than \$15,000 — and there were some 738 last year.

Mr BREADMORE — Sorry, 738 — —

The CHAIR — Victorian mares went to the Hunter Valley. That is \$22 million in service fees. I imagine if you add to that the agistment for the brood mares who have stayed up there for a couple of months — —

Mr BREADMORE — I am just surprised at the figure because I keep asking people and they only ever say it is 200 mares.

The CHAIR — No, we will get you a copy; it is a staggering number. To a large extent we understand that that is because the better-known stallions are up in the Hunter Valley, and that is probably an entree to the sales ring in Sydney, more so than if they were serviced in Victoria.

We understand that there is an issue there about the reputation of stallions, and we accept that to a large extent we need try to do more to have better-priced and better-known stallions in Victoria. The conundrum is that ultimately when those stallions are in private ownership, if it is a very, very successful stallion, someone is going to come and dangle a cheque in front of you and say, 'I want it'. We were having a discussion last night as to how we would all individually react if the big cheque was put in front of us and we would probably sell. These opportunities do not come along very often.

We were wrestling with, just amongst ourselves, how you secure better stallions to stop the leakage, but also try to ensure that if they become very, very successful the ownership can stay here for a protracted period of time. It is not something we have got an answer on.

Mr BREADMORE — Sometimes it is all in the skill of the negotiation, is it not? For example, I bought a horse recently that I had to pay for more than anyone else was willing to pay — because I was a nobody in the stud world — a little bit more to secure the horse, and they are just things that we need to address. Perhaps there is some sort of assistance from TBV; I guess that is where it has to start so that when these stallion syndication agreements are put in place a lot more consideration is given to how the contracts are structured in terms of keeping the horse.

Mr DELAHUNTY — I am surprised Tony did not ask the question. I have got two questions: one is about bad debts. Is that how it is with your business? The other one has come to us from left field and is about the use of IT or broadband, the Internet, web sites and that type of thing for the selling of brood mares and also stallions. Have you got any comments on those things.

Mr BREADMORE — Can you just repeat the second one?

Mr DELAHUNTY — The use of webpages, IT, for selling of yearlings.

The CHAIR — Or non-sales-ring sales techniques — non-auction.

Mr BREADMORE — I think it is an outstanding tool. When you think about it I guess that TBV, through extra funding, may be able to assist the Victorian operators better in the IT industry. The IT industry is changing the rule of thoroughbreds. I looked at a horse yesterday, a \$300,000 horse that one of my clients had been offered in Melbourne by a trainer, and he sent some images to me on the computer — three or four of them with the horse running around. I had an amazing ability to actually make some sort of assessment on the horse. The

horse is up in Queensland and I have to go up and look at it for him. In the old days you just could not determine anything from one photograph which you got in the mail and things like that.

The speed of information flow is something that Victorian businesses and industries, with assistance from TBV or government assistance, could perhaps really capitalise on. The better set up we are in terms of our IT capabilities, the more the amount of information that is going to flow through to our desks and so forth. I guess that is another area. I have got broadband, and after three years I have got it reasonably well set up. I have got a good network at the farm and things like that. But they are the types of things I am sure the government or TBV would be able to offer assistance on and make sure that we bring everybody up to speed on the benefits of doing that. The amount of business that we can do now offshore with the Internet is just staggering. I am so excited about the prospects of the sorts of business information that is globally disseminated; it is really exciting.

The CHAIR — Yet the one that that stood out to me at the sales early this year, after going through and collecting the brochures at the front door on the way out, was the number of brochures advertising stallions with just a mobile phone number on the brochure and no Internet address, which in this day and age I found extraordinary because there were buyers there from around the world — and to go chasing someone on a mobile phone number! I would have thought as a minimum what we would really want participants in our industry to do is to have a Web presence, whether that is through a joint effort or not, but I do not think it is good enough to just have a mobile phone number these days.

Mr BREADMORE — The other thing is industry marketing funds. I have got no idea of the financials of the TBV. I am a member and I get given the financials, but I have to claim ignorance to that. I hear from time to time that there is not much funding. Surely, with a horse like Encosta de Lago the Victorian industry should be telling the world that he was ours, but he is gone, and so was Danehill Dancer, Flying Spur, Danzero and General Nediym. Really I do not understand why, when it comes down to it, we do not have ads on Sky channel, or TVN and 2KY in Sydney and Queensland. I am spending \$40,000 on marketing my stallion and I will get some good national coverage. Surely for \$40,000 we can promote the Victorian breeding industry in print media advertising?

The CHAIR — We have looked at this and, on what has been presented to us today, are very interested in the stud book, because we think that everyone participates in the stud book and it is just the basis of the industry. Someone presented us with some figures yesterday that something like 26,000 mares were covered, so there were a few more that were not covered I suppose, that retained an entry. That is \$110 a pop and then the stallions have a pro rata fee. You start multiplying that out and there is a huge amount of revenue going into the stud book, which, by its very nature, really everyone has an interest in. That seems to us to be the logical source of generating marketing funds, but it is tied up in the ownership of two race clubs so we are going to look at that further.

Ultimately we agree with you that we need to identify and develop a capacity for the breeding industry to generate its own marketing funds. It is not just a question of the government doing that repeatedly, but the actual way in which that is done is something that a lot of people have to talk about. We think the stud book has got to be a part of that. That is our thinking at this stage.

Mr BREADMORE — That type of thing is just going to create better morale amongst the Victorian breeders, because we do have something to sell; there is no question or doubt about that. I think that the Victorian breeding industry is a sleeping giant. We should be standing on the rooftops right now and making the most of the successes that we have had with the stallions. It is just ridiculous that we don't.

I was speaking to a bloke in Queensland yesterday who wants to send mares to Victoria because he thinks the Victorian stallions have been terrific value and have been very successful. There is no doubt about it. There is no question about that, but are we advertising that nationally or globally? No! It will be gone in two or three years time if we do not have another horse that fires; the opportunity will be missed.

The CHAIR — Talking about exports, are you involved in the export of horses at all to Asia or anywhere?

Mr BREADMORE — Yes. I concentrated my business for a period, three or years or so, on export, selling horses to Asia. I actually went to Malaysia on a consignment for somebody else and established the first equine exhibition — which Kevin attended.

Mr KURREL — Yes, very successful it was too.

Mr BREADMORE — Yes, it was. I do not know whether it is still going. I spend a fair bit of time trying to develop my export market.

The CHAIR — We get the sense the export side of things is something that Victoria could do better in but at the moment it is an ad hoc effort; it is an effort made by a whole group of individuals who have their own connections but it is not something that the state or the industry has formally been involved in. We work on the understanding that there is a continuing demand in Asia for Australian horses — for yearlings and older racehorses. That would be a fair estimation?

Mr BREADMORE — Absolutely. There is a terrific growth market there, and I guess another area that we could develop with the burgeoning market of China is that we establish ourselves as a presence up there, as a consortium or a group that is able to deliver technology whether it be horses or racetrack technology, totalisator technology, administrative technology or training youth technology. That is another area we could be united on so that obviously when these racetracks eventually get established, we will have a very strong presence there and hopefully the supplier will be channelled back towards Victoria.

The CHAIR — Tim, thanks very much for your time this morning. It has been terrific. We have learnt a lot. We will send you a copy of the transcript in a couple of weeks, but we also might tick-tack with you informally in the coming months if we want to go over anything and pick your brain about other things.

Witness withdrew.