

A Beginner's Guide to Selling Thoroughbred Horses in a Public Auction Setting¹

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Introduction

The Thoroughbred (horse) industry is alive and well in Florida. With over 600 Thoroughbred farms and training centers throughout the state and a \$1 billion impact on the state's economy, the Thoroughbred industry plays a major role in Florida. It has been estimated that Florida Thoroughbred breeders and owners account for an estimated payroll of over \$340 million annually (Florida Thoroughbred Owners' and Breeders' Association 2002).

Thousands of Floridians rely on the Thoroughbred industry for their annual incomes. A major source of revenue in the Thoroughbred industry is the annual auctions where Thoroughbred broodmares, broodmare prospects, weanlings, yearlings, and two-year-olds in training are sold to racing stables across the country. The focus of this article is limited mainly to weanlings and yearlings. Florida is well-represented in these auctions not only locally at the Ocala Breeders' Sales auctions, but also on the national level at auctions such as Keeneland and Fasig-Tipton. *Lightning in a Jar*, a book by Cot Campbell (2000), shows how important Thoroughbred auctions are to the Thoroughbred industry. This book provides valuable insight to anyone new to the industry or anyone who might be considering entering the Thoroughbred industry.



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Many Thoroughbred owners consign horses to sales through popular, well-established agencies, while others prefer to consign their Thoroughbreds to the auctions under their own names. The consignment process can sometimes be difficult for the inexperienced as there are so many conditions of sale. Also, the addition of veterinary repositories has made the process even more difficult. Persons new to the Thoroughbred consignment process might find this document especially helpful.

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Consignment Setup and Appearance

Consignment setup and appearance are very important to the sales process, but even the most attractive and well-organized consignment cannot sell a horse that is not sales-ready. The sales preparation process for any horse should begin at least 60 days prior to the sale date and focus on proper feeding, health care, grooming, and exercise, all designed to bring a horse to its peak at sale time.

An attractive consignment should include a neat and orderly shed row; well-placed, attractive signage; and a staff with a neat and presentable appearance. All these details send a message to potential buyers that this is a professional, well-run consignment focused on raising and selling quality Thoroughbred horses. Several consignors have unique apparel that buyers identify with their respective consignments. It is advisable for new consignors, or even well-established consignors, to develop a look that is recognizable to potential buyers. Examples of certain looks unique to consignors include the light blue shirts and maroon ties of Taylor Made Sales Agency and the colorful pink shirts of Johnson Hollow Farm. These uniforms are well recognized among the industry by most buyers in the sales setting.

Several consignors elect to give away free hats, shirts, key chains, pens, and the like to buyers who inspect horses at the consignments. Other consignors offer free food or drinks to potential buyers. All of this is advisable if one is selling several horses; however, it might not be worth the expense for a one- or two-horse consignment.

A horse consigned to the sale should be bathed daily and groomed throughout the showing in order to present the horse at its best to potential buyers. Extra care must be given to preparing and grooming the horse to look its best before it enters the walking ring to be sold. It is important to note that buyers are extremely attracted to a horse that walks well, and this can have a significant impact on the horse's purchase price. It cannot be emphasized too strongly that a horse should look its best when it enters the walking ring. This is the time when some consignors pay special attention to details (e.g., using talc powder on white spots, shoe polish to cover insignificant blemishes, and baby oil around the eyes and muzzle to enhance the horse's appearance). Some consignors even elect to braid the manes and tails of the horses being sold. All of this can contribute to a successful, profitable sale for the owner.

Repositories and Veterinary Examinations

Without a doubt, dealing with veterinarians is the most stressful part of consigning a Thoroughbred horse at a public auction. In many cases, a veterinarian can make or break a profitable sale. Veterinarian examinations have become the norm at all public auctions, and this trend will not be changing anytime soon. The following information is intended to inform potential consignors of veterinary situations they might face in a sales auction setting.

Several sales companies have implemented radiographic repositories for sales auctions. Consignors can have a horse examined by veterinarians, and radiographs can be placed in a repository for potential buyers and veterinarians to view. Each sale has its own guidelines as to length of time before the sale that the radiographs must be taken. Specifications for which views are required differ between sales companies as well. Generally speaking, the rules about which views must be included are similar among sales companies. Included in the most popular views are various angles of all four ankles, knees, hocks, and stifles. Companies such as Keeneland and Fasig-Tipton that have implemented the radiographic repository do not give bone warranties. Locally, Ocala Breeders' Sales implemented a repository policy, but has since discontinued it; however, all of its Thoroughbreds are sold with a bone warranty, which ensures radiographic soundness. The bone warranty can be viewed in the Conditions of Sale section located in the front of each sales catalogue. Of course, much of the language in a bone warranty is subject to interpretation by individual veterinarians. Veterinarians are looking for such things as bone chips, OCDs (bone cysts), bone spurs, and other disorders that might lead to unsoundness in a potential racehorse.

Endoscopic examinations are another situation that consignors face. Similar to radiographing, the vast majority of (if not all) sales horses will be subjected to a veterinary endoscopic examination. In an endoscopic examination, the veterinarian is looking for several things, including the size of the horse's airway, the ability of the horse to fully abduct the arytenoids in a synchronous manner, and disorders that might affect a potential racehorse's breathing. Due to the nature of endoscopic examination, it is very difficult to videotape endoscopic examinations and place them in the repository. Endoscopic examinations can be misleading depending on the environment and conditions under which the horse was examined. Also, endoscopic examinations are sometimes very subjective, and veterinarians can have

differing opinions on the same horse. For this reason, some horses can be examined multiple times. The authors know of several cases where sales yearlings have been examined in excess of 20 times.

Features Versus Benefits: Tailoring Your Sales Presentation

In sales class, college students are taught to sell benefits and not features. Applying this to a sales auction would mean that instead of telling the potential buyer that a weanling is by the noted Florida sire Yes It's True, the seller would explain the benefits of owning the weanling. Examples of benefits could include the speed and early two-year-old development of Yes It's True and the strong likelihood that the Thoroughbred would pass that trait onto his progeny. In a Florida setting, speed and early two-year-old development sells well since the majority of buyers in this situation would be pinhooking (buying the horse to resell at a later date). This could be a strong benefit to a buyer with pinhooking in mind. It is important to remember to tailor your benefits to fit each potential buyer. This can sometimes be difficult for newcomers because seasoned consignors already know many of the potential buyers and their intentions. The best way around this is to ask probing questions to gain information on the potential buyer's needs and, if possible, tailor your benefits to those needs. For example, when you meet a buyer for the first time, ask probing questions such as "What sire lines do you like?" and "What are you intending to do with this potential purchase? Racing or pinhooking?"

Price Protection

In an auction, a horse is usually sold to the highest bidder, though there are some methods of protection that are designed to allow consignors to refuse a final bid price. Keeneland, Fasig-Tipton, OBS, and other sales companies offer reserve prices. This allows a consignor to set a reserve price and any bids above that set price will allow that horse to be sold. For example, if a consignor wants to accept no less than \$25,000 for a horse, he will set the reserve at \$24,999. The auctioneer and bid spotters will work the price to \$24,000. At this point, the minimum bid is \$1,000, so the next bid will take the horse past the reserve and allow the horse to be sold. Of course, the bidding could continue far beyond \$25,000.

It is also common practice for the owner or consignor to bid on his own horse himself. The conditions of sale clearly allow for this. This is another way that a consignor can protect the price of his horse in the ring. The consignor simply bids against potential buyers to raise the price

to the desired level. This offers an advantage in that the consignor can help control the pace of the bidding. Another advantage is that interest can be gauged by the consignor and improvises can be made. This may be a disadvantage because some people view consigned bidding as unethical, even though the rules clearly permit it. The method to use is clearly up to the owner/consignor. One word of caution is that if you bid on your own horse and are the final bidder, you will owe commission to the sales company, so be careful. You might still own the horse you intended to sell and owe a commission at the same time.

Many experts in the industry agree that in most cases the hammer price (the final selling price) of an individual Thoroughbred is usually the fair market value of that animal. The reason is that all the major players are present in the sales setting and are usually very astute at determining the true price (accurate appraisal) of that animal. If you elect to buy back your horse, do so knowing that the price you have rejected is quite possibly the fair market value on that individual.

Negotiations

Negotiation most often becomes an issue when there is no repository policy at the sale. Consequently, there is a bone warranty on all horses sold. The purchased horse is subject to return after a post-sale veterinary examination. If the horse does not pass the post-sale veterinary examination, the horse can be returned to the consignor (turnback). Many times, agreements can be made in order to prevent a turnback. Such strategies can be as simple as reducing the price of the horse or offering to pay for surgery if the problem is operable. For example, if a horse is sold for \$25,000 at an auction where a bone warranty and a post-veterinary examination reveals a minor chip, the consignor might offer to pay for the surgery or reduce the selling price by the cost of the surgery plus compensation for the risk of surgery.

Remember that when negotiating, it is important to create a win-win situation for both parties. Failure to do so could result in strained business relations between the parties in the future. You always want to leave every sale/business deal with a positive commitment and a positive impression.

Conclusions

The Thoroughbred breeding and sales business is exciting, complex, interesting, and vital to Florida's economy. This paper examined some of the aspects vital to beginning the consignment process (e.g., the importance of consignment

appearance, how to deal with veterinarians and repository situations, tailoring your sales presentation to each potential buyer, and the importance of price protection and negotiations). The Thoroughbred business is a complex business that can take years to understand. However, with these simple guidelines, your first sales experiences can go much more smoothly. Good luck, and hope springs eternal!

References

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