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# BREEDERS' UPDATE

April 25, 2020



THE BREEDERS' AND WOODLANDS  
STUD PRESENT **EDITION 82** OF  
THE BREEDERS' UPDATE.

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# BREEDERS' UPDATE

April 25, 2020

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## *Industry support needed for a viable future!*

### **Brad Reid**

The purpose of today's Breeders Update is to inform members and breeders generally on the issues facing the NZSBA and the organisational and financial options for our association going forward that we are considering.

For the NZSBA to survive in a similar structure, we cannot continue to contribute to the industry as we do without the support of the three affiliated associations in the North Island, Canterbury and Southland, HRNZ, studs and members.

We recognise that NZSBA, the national organisation, is not a stand-alone entity.

It is the peak breeding body within our sport built on the foundations of 580 members from three regional breeders' associations in the North Island (130 members), Canterbury (320 members) and Southland (130 members).

These three bodies are the mainstay of engagement with breeders at the local level.

Members are firstly members of the affiliates, and through them they are members of NZSBA.

The Breeders, is therefore a collective response, national and local, that passionately supports the total breeding landscape of standardbreds in this country, and those who bred these fine horses.

The National Executive has reached a consensus that a staffed national organisation is a critical element in implementing an effective programme of activities in support of standardbred breeding.

Stakeholders have a very simple decision: do they see a need for and are they prepared to support a viable and sustainable national breeders' organisation?

When NZBSA was re-established in 2008, HRNZ agreed to provide an annual breeding marketing grant of \$100,000. This has continued until recently. With the dramatic closedown of racing and business in this country, future funding is uncertain until the TAB/RITA provide forward budgets estimates for this season and the next to the racing codes.

This situation will continue for some time. HRNZ has paid NZSBA the annual grant in monthly instalments from August until March '20, but it is unable to do so for the rest of this season. This creates a funding shortfall of \$32,000 this year.



*Breeders Cup Eve Function at the Armstrong Prestige Showroom in Christchurch.*

NZSBA believes that HRNZ has an obligation to support the breeding of standardbred horses, and to do so through NZSBA. We will be advocating for HRNZ to resume its contribution to the association in the coming season and beyond. This funding policy includes provision for a \$30,000 grant payable when HRNZ's funding stream is more reliable, late in the 2020/21 season.

This Policy and Funding Paper being discussed by the Affiliates and submitted to HRNZ and its board proposes an activity and funding framework for the three affiliates, members, studs and sponsors to support NZSBA to maintain a revised program of activities, operate from a cash positive position and return a small surplus in 2020/21.

#### **Implementation requires:**

1. *The national body to work closely with and support the affiliates, and visa versa.*
2. *A sharp focus on a revised core set of activities and outputs.*
3. *For 2019/20 a long overdue capital cash injection of \$20,000 from the Affiliates and for them to fore-go their share of this year's subscription revenue of \$18,500.*
4. *For 2020/21 the proposal is for a small reduction in the affiliates' share of membership fees of \$90 - 30% down from 44%. (Subscription fee to remain at \$90, and a HRNZ contribution of \$30,000*
5. *A temporary reduction in the Executive Manager's salary package of 20% and tight control of costs.*

Beyond next season NZSBA can operate sustainably with the measures put into place and on-going HRNZ support. The short-term support from the affiliates for this financial year is critical.

*Last night the Southern Standardbred Breeders Assn endorsed this framework and made a number of constructive suggestions for the focus of our activities going forward.*

I put the question to you again, do you see the need for and are you prepared to support a viable and sustainable national breeders' organisation?

We welcome your views and feedback regarding our proposal and future funding of this association.

Please do so my emailing myself at: [brad@thebreeders.co.nz](mailto:brad@thebreeders.co.nz) with any questions, queries, critiques and the like. Your views are important to us.

Although we will have to adapt, I give you a personal promise that we will remain vigilant is serving your interests in this sport, and continue to provide a voice for all breeders through our advocacy and range of activities in this challenging environment.

## **Chairman's Comment**

**Colin Hair**

I trust you are all well, and not suffering too much from "cabin fever" in your bubble.

I am writing this on ANZAC day in my office at the farm. What I should be doing is travelling back from Auckland with the ANZAC Cup in the bag, with Sundees Son having successfully defended the Cup. Its nice to dream!

The purpose of today's Breeders Update is to inform members and breeders generally on the issues facing the NZSBA and the organisational and financial options for our association going forward.

For the NZSBA to continue to contribute to the industry we need the support of members, sponsors, HRNZ and the studs. The three affiliated associations in the North Island, Canterbury and Southland are currently considering what support they can provide to the National Body.

What you as a current member of NZSB can do, if you support the continued contribution that NZSB makes to the industry, is first & foremost is to renew your subscription when it falls due in July.

Elsewhere in this edition of Breeders Update is further detail on what actions have been taken by NZSBA to adjust its costs to the reduced level of income being received.

With the challenges facing harness racing, now more than ever before in the history of the national body we need a strong functioning national body to do all that it can to support breeders and ensure that our decision to breed in the 20/21 breeding season is a totally logical and rational one.

# Financing the Plan through to July 2021

## Brad Reid

As the editorial says the forward plan is achievable with support from stakeholders.

Primarily, in the first instance we need the financial support of the three Affiliates through a cash injection and being able to retain their share of the 2019/20 subscriptions. This is a total contribution of about \$40,000 of which 50% comes from Canterbury and 25% each from the other two associations.

Capital funds: it is standard practice when a new business entity or activity is set up that the shareholders or owners contribute funds in the form of capital to enable the entity to have a stable financial position.

When the national body was reconstituted over a decade ago, the three affiliates did not contribute any set up capital. Since then National has needed to rely on funding from its share of member subscriptions, plus the HRNZ marketing grant, sponsors and the surplus from publications to finance its activities. This has proven to be difficult with a small surplus each year and a very uneven cashflow.

What is now proposed is the three affiliates capitalise the national body to enable it to operate on a financially stable basis in the future. This is considered prudent in the current environment, when there is considerable uncertainty on the level of membership renewals, sponsors' support, and support from HRNZ. The capitalisation will consist of two parts: they would need to be able to do so," he said.

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1. A cash injection now of \$20,000 - NISBA \$5,000, CSBA \$10,000 & SSBA \$5,000.
2. 19/20 subscriptions donated – the national body has not distributed to the three affiliates their share of these subscriptions.

## To give you an insight on other measures:

- We will be seeking \$30,000 breeding marketing grant from HRNZ for next season.
- Executive Manager has taken an 20% salary reduction.

- NZSBA applied for a received the government wage subsidy. It is retained in a separate bank account and applied fortnight to salary as paid.
- Membership fee retained at \$90.
- Expenses kept to a minimum, travel restricted.
- The budget has been based upon actual costs for the last 12 months. We are seeking to renegotiate the contracts for Vodafone and the office photocopier.
- No rent will be paid to HRNZ.
- We will be asking HRNZ to make the annual payment to the NZ Equine Health Foundation of \$3500. We took over this payment as part of the quid pro quo for the \$100,000 marketing grant.
- Rigorous debtors' management and compliance with statutory requirements for GST, Employment deductions and Government Wage Subsidy.

## We have made some assumptions going forward:

1. Membership for period starting 1 August may reduce by 20% with the NZMTC Breeders Bonus likely not being paid in the coming season.
2. Sires Register revenue could be 20% with a reduced number of stallions available, paper costs will be higher. It remains a significant net positive cash contributor to our funds.
3. Digital media will be a major delivery agent for communications.
4. We will generate all articles internally or from volunteers i.e. no paid contributions. All design work will be done by the Executive Manager.
5. Affiliates agree to reduce their share of subscriptions to 30%.
6. NZSBA trophies will go ahead and either distributed at local functions if Level 2 permits or posted out to breeders. HRNZ'S funded \$6,500 for Life After Racing. We not sure if this will be available going forward. We may need seek alternative funding for Life After Racing support for A&P shows, Horse of the Year and our Royal Agricultural Society subscription. Thanks to Julie De Fillipi and the two bred associations there were 33% more shows for standardbreds than two years ago and we have to maintain this momentum.
7. We obtain a new headline sponsor at a value of \$5,000.

With all of these measures in place we estimate that the cash surplus for 20/21 will be about \$5,000.

The 2020/21 model described above is sustainable in the years beyond.



# Why a Breeders Organisation?

By Katrina Price, Southland NZSBA Delegate

Covid-19 is set to herald societal change and financial hardship on a level rarely seen in modern history. Indeed, a pre-Covid world already feels like a distant memory and much different from the reality we are poised to face.

The racing industry, already vulnerable as evidenced by the need for the Messara Report, has some difficult financial and strategic decisions ahead. Speculation that the National Body of the New Zealand Standardbred Breeders Association will lose all / most of its funding from Harness Racing New Zealand, led me to question the value of a national body of breeders. In a nutshell, Is the 'Breeders' worth fighting for? Does it contribute enough value in terms of the greater good of the entire racing industry?

Breeders are 100% in control of the future supply of horse population. Without horses, there is no harness racing for the other sectors of the industry to earn a living from. Breeders are the producers of the product we offer to our customer – the bettor. It is also the sale of horses that earn export dollars. We should be under no illusion that it is the economic benefits arising from horse racing, that is our greatest leverage in currying necessary governmental support for the racing industry.

In any business, it is prudent to nurture the part of the business that one is best at. Fair to say that it is within the breeding segment of harness racing, that New Zealand holds the comparative advantage over its trading partners and other racing jurisdictions.

New Zealand is recognised as one of the best countries in the world to breed racehorses, largely due to natural conditions such as climate, topography and soil types which cannot be replicated in other countries. However, we cannot afford to be complacent, as other jurisdictions are investing at much higher rates to support their breeding programs.

The very nature of breeding differentiates breeders as future-focused. Planning to breed a mare is essentially preparing a three to five year strategic plan, thus breeders have a long-term commitment to the industry. Due to the long-term investment the breeders have already made to produce a horse, they are more likely to retain horses in training during an economic recession, than perhaps a syndicate member with a small short-term stake in a horse.

Obviously as well as horses, the industry needs owners to pay for trainers etc. Note: 50% of horses raced have the breeder in the ownership.

One of the many activities NZSBA has conducted over a number of years has been the analysis of the demographics of New Zealand Standardbred breeders. A perceived 'weaknesses' has been the aging population. However, the demographic of the average breeder may in fact, shelter some of them against some of the economic fallout of Covid-19. Fifty-five percent of breeders are aged >61 years.

Due to age and stage of life, many breeder-owners have already accumulated their cash and assets which allow them to afford to have a racehorse. Unfortunately, other demographics are unlikely to have such a resilient discretionary income in the projected recessionary times ahead. There are commercial advantages and financial incentives to not report a failed service.

Our best (and cheapest) business strategy is to look after the customers we already have, those who have bred their mares in the last two years. Our breeders are amongst the best-positioned to still be able to afford to race horses post-Covid 19 which provides essential income for the other sectors making up the harness racing industry.

However, it is of utmost importance to show these customers they are valued and support their needs so they don't exit the industry.

If breeders are not fully supported this season by the studs, HRNZ and NZSBA there is likely to be a large decrease in mares bred, resulting in a shortage of horses at the very time the economy may be rebounding. If this occurs, a lack of horse numbers will prevent Harness Racing from being able to take advantage of potential opportunities. Due to the time lag in breeding, the short-term decisions made now, will have long-term ramifications.

If harness racing is to survive and thrive it will require contribution from all its sectors. Year on year, breeding participants are major contributors to the funding of racing through sponsorship, stakes payments and financial patronage of other major sponsors such as feed companies. Any reduction in breeding will likely lead to a decrease in the contribution breeders can make to the industry.

The level of support required to prevent a large decrease in mares bred can only be achieved by having a strong national organisation. We need a national presence and voice. A network of regional, volunteer-based groups is simply inadequate as evidenced by our experience pre-2008, and what is happening elsewhere in sport across New Zealand. T

he recent restructuring of HRNZ governance which dis-established direct kindred body representation means that now more than ever, breeders need a strong and organised voice.

Recent survey results of NZSBA members showed a high rate of satisfaction in the organisation:



# Our Core Activities

Brad Reid

Myself and the Executive are passionate about the standardbred breeding and racing and are fully committed to providing a range of targeted, quality services that encourage and support standardbred breeding in New Zealand.

Our Core Values below are our DNA. They set the foundation for everything we do. They guide behaviour and influence decisions:

- *We need to be passionate about breeding and our sport. It is sometimes very hard in the face of troubles such as COVID 19, but passion motivates harness racing.*
- *We will be obsessive about serving our members. Being obsessive demands high standards of implementation and service delivery.*
- *We will be vigilant, nimble and adaptive in observing influences and changes that affect our sport, seeking evidence to drive new solutions and approaches and encouraging adaptation.*

Under this new framework NZSBA's focus will be on communications, rewards and recognition for breeders and advocacy. We have had to cut out some activities such as funding the NZ Oaks (unless we get supporting sponsorship), the Cup Eve function and support for some industry organisations.

## Communications

### Communications tailored to our audience

- *Personal touch.*
- *Breeder recognition – love me love my horse, small breeders come first.*
- *High quality visuals, infographics and data visualisation.*
- *We want to inspire, educate and the constantly reinforce these messages.*
- *Timely, accurate information to all stakeholders.*
- *Close coordination with studs to market the breeding seasons.*

### Digital focus!

- *Website*
- *Facebook*
- *Twitter*
- *Instagram*
- *Foal Alert*

### Publications

- *Sires Register – 98% members approval rating*
- *Breeding Matters (3) – 88% approval rating*

- *75% of NZSBA members feel strongly connected to and well informed about the Standardbred breeding industry. Governing bodies such as HRNZ and RITA are able to immediately connect with its breeders through NZSBA. Establishing their own methods to connect with breeders is likely to be costly and timely.*
- *NZSBA has achieved or is on target to achieve the KPIs set for the year.*
- *NZSBA publications are highly valued with Breeding Matters and the Breeders' Update scoring 85 percent high satisfaction ratings and the Sires book an exceptional 96% approval rating.*
- *NZSBA produces the only regular print magazine devoted to harness racing stories. The recent breeder survey indicated that recognition of achievements was an area of great importance to participants. People want their story told and want to read of other's stories. It is of utmost importance that we balance the current and potential narrative of doom and gloom with stories of the passion, dreams and hope that fuel the racing bug.*
- *NZSBA produces a high output of recognised and valued promotion, advocacy and education in the harness racing community. This has been achieved with minimal funding when compared to other racing jurisdictions, thus offering good value for money.*
- *NZSBA has implemented strong financial systems and checks to ensure correct financial procedures are adhered to.*

It is vital that the regional affiliates and HRNZ immediately support NZSBA's work to get the 2020 Stallion Register published and ready for the 2020/21 breeding season. This is one of the most important resources available for breeders and studs. Failure to produce the register could be catastrophic in relation to breeding numbers. As previously stated, once these mares are not bred, there is no way to recapture these numbers.

We must do everything we can to encourage breeders to breed their mares in the coming season, and the next. NZSBA's programme of activities and suite of outputs reassure breeders that they are part of a viable sport/industry. It recognises their efforts, and advocates on their behalf.

For the greater good of the entire New Zealand harness racing industry/sport, it is imperative that its breeders are well-supported so they have the confidence to breed their mares.

The racing industry is reliant on all its 'spokes' being strong enough to support the wheel to keep turning. Quite simply, we cannot afford to neglect breeders, despite the temptation to prioritise the short-term needs of the industry.

By choosing to breed a mare, each breeder makes a commitment to the future of the racing industry.

This commitment needs to be reciprocated if there is to be an optimistic future for harness racing in New Zealand.



# Our Core Activities continued..

- *Breeders Update (at least one per week) – 87% approval rating, with a typical content of a breeder profile, On this Day (profile a horse from past achievement), Affiliate News, small breeder stories, Life After Racing, science/feed/vet content and Twitter chatter*
- *Website: new and improved and a learning resource as well as news source.*

## Rewards and recognition

### Personal touch

- *Breeders Update & Breeding Matters breeders' stories, NZ bred's successes*
- *Personalised contact by Executive Manager and Affiliates – the later can ring all members in July prior to membership renewal with a standard sheet of guidance and two or three questions e.g. breeding intentions 20/21?*
- *Personal contact: breeders who bred a foal in 2018 and not in 2019*
- *Affiliate events when the permitted again*

### Recognition

- *Stories*
- *Emails after Race Wins: Auto generated, script written already in Infohorse*
- *National annual group/listed trophies*
- *Affiliates awards*

## Advocacy

### Restructuring of racing

- *HRNZ race programming | Support for lesser pacing stallions*
- *F&M fair share; trotting F&M and trotting as a whole*
- *NZ Sires Stakes – this is breeders, owners and stud's money*

### Taxation Reform

- *High priority to rejuvenate the industry*

### Research

- *Survey breeding sector to assist HRNZ and breeding community and forecast future focus with real data.*
- *Continue to build upon our forecast model with foal crop data and future racing stock and fertility.*



Annual Register of Standardbred Stallions



Regional Stallion Seminars



Recognition of breeding excellence



# Member Satisfaction Survey Summary

## Please tell us how you think the NZSBA rates in the following areas:

	POOR	UNSATISFACTORY	NEUTRAL	SATISFIED	EXCELLENT	TOTAL	WEIGHTED AVERAGE
Breeder Advocacy	0.70% 1	2.80% 4	16.08% 23	58.04% 83	22.38% 32	143	3.99
Breeder Recognition	1.40% 2	4.90% 7	14.69% 21	50.35% 72	28.67% 41	143	4.00
Membership Benefits	0.70% 1	4.20% 6	25.87% 37	45.45% 65	23.78% 34	143	3.87
Information to Breeders	0.00% 0	1.40% 2	11.19% 16	53.15% 76	34.27% 49	143	4.20

## Please tell us what you think of the following services and activities:

	POOR	UNSATISFACTORY	NEUTRAL	SATISFIED	EXCELLENT	TOTAL	WEIGHTED AVERAGE
Sires Register	0.00% 0	0.00% 0	2.11% 3	28.17% 40	69.72% 99	142	4.68
Website	2.86% 4	8.57% 12	24.29% 34	43.57% 61	20.71% 29	140	3.71
Breeding Matters (Print)	0.70% 1	1.41% 2	10.56% 15	43.66% 62	43.66% 62	142	4.28
Breeders Update (Email)	0.00% 0	2.08% 3	11.11% 16	50.69% 73	36.11% 52	144	4.21
Breeder Bonus'	2.10% 3	4.90% 7	23.08% 33	29.37% 42	40.56% 58	143	4.01
Members Calendar	2.86% 4	2.14% 3	26.43% 37	43.57% 61	25.00% 35	140	3.86
Winter Lecture Series	1.45% 2	2.17% 3	42.03% 58	34.06% 47	20.29% 28	138	3.70
Foal Alert Service	1.41% 2	0.00% 0	26.06% 37	33.10% 47	39.44% 56	142	4.09
Yearling Sales Promotion	0.00% 0	4.96% 7	14.18% 20	43.97% 62	36.88% 52	141	4.13

## Regarding the membership fee, do you think the \$89.95 is value for money?

ANSWER CHOICES	RESPONSES
Yes	93.71% 134
No	6.29% 9
<b>TOTAL</b>	<b>143</b>

## How do you react to the Statement : "Through my membership of NZSBA I feel strongly connected to and well-informed about standardbred breeding in NZ."

ANSWER CHOICES	RESPONSES
Strongly agree	18.44% 26
Agree	56.74% 80
Neutral	20.57% 29
Disagree	2.84% 4
Strongly disagree	1.42% 2
<b>TOTAL</b>	<b>141</b>