

Is any stud dog worth \$1m?

By

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FIRST it was \$750,000 for Brett Lee, then offers of \$1 million for Elite State and Big Daddy Cool, and now the world has gone crazy for Surf Lorian. The promise of big dollars for greyhounds at stud in Australia has prompted offers for the superstars of previously unheard of levels of cash. Some have gone to stud to start earning the cash, others are building reputations before their own stud careers.

But are they worth it?

Is a greyhound worth \$1 million to go to stud in Australia?

Can he get that back for the people or syndicates that banter about out such astronomical numbers? Not if you take into account common business principals.

The general rule of thumb when buying a business (and let's face it a stud dog is a business just like anything else) is that you should NEVER pay more than two or three times what a business can make in profit a year.

So if you want to buy that local bread shop and it's yearly profit is \$100,000, then you should not pay more than \$200,000 to \$300,000 for it. On today's business practices you must expect to recoup your initial outlay within the first two to three years, depending on the risk involved.

And the bread shop is already up and running ... a proven success.

Let's now look at the earning potential (based on current rules) of a stud dog going to stud.

For our assumption, we will go straight to the dog being one of the most popular ever to go to stud and command a full book every month for his first year at stud.

That gives us 14 matings a month. But from this must come misses and promotional giveaways. No stud dogs gets every bitch in pup. Studmasters and dog owners always succumb to the temptation of attracting for free that super broodbitch to their first season sire.

So for the purpose of our example, we will consider 11 bitches whelping litters per month. This equates to 132 litters on the ground in the first year.

Now comes the second year. No stud dog continues with full books in his second year as breeders, owners and trainers await the first reports on the



Superstar sprinter Surf Lorian ... plenty of huge offers for him to stand at stud.

dog's early progeny to filter back from the breaking in complexes.

There's no reason for this to happen ... but it does and EVERY dog drops in popularity in that second year.

For our example we will grant our stud dog seven litters born (a more than reasonable figure considering some stud dogs get very few at all in their second year). This equates to another 84 litters on the ground.

Which brings us to the third year our dog has been at stud. For our purposes, we will say he is successful (bearing in mind that statistics show 95% of all stud dogs who go to stud are failures).

So we will jump his third year back up to 11 litters whelped, giving him 132 litters on the ground. This is a total in the first three years of 348 litters.

Now for the service fee.

We will start our dog at \$2200, a not unreasonable

fee on today's standards for a first season sire, despite the cry from most hobby breeders that they cannot afford such fees.



Brett Lee

If our dog has produced 348 litters in his first three years at stud, at a service fee of \$2200, that gives a return of \$765,600 which we will all say sounds great ... fantastic even.

How many race dogs earn \$765,600 in three years on the track. None in Australia so far!

But we have costs. The studmaster today does deals to stand the dog. It used to be half the service fee.

Now it is generally a more reasonable 25%. If that's the case with our stud dog, then our studmaster will take \$191,400 for his expertise.

From this, the studmaster will have to accept a number of his own expenses which may include costly progesterone testing, collection and storage of frozen semen etc.

And there is always the promotion of the dog. Once he goes to stud, it's like a race all over again to advertise and promote him.

A full page advertisement in two weekly greyhound publications for a year will cost you another \$28,000 per year or \$86,000 over the three-year period. Advertising can be much more in the first year but obviously less in the second and third.

Which leaves us with a profit for the owner of our stud dog in the first three years of \$487,000. Sounds great, doesn't it!

But if we then look at our rule of thumb that no business should be bought for more than two or three times the profit it generates each year, then our stud dog is only worth about \$240,000.

That's right ... \$240,000.

So why are these offers of \$1 million being made? Obviously the people with the cash are expecting these stud dogs to go on and make huge profits for them in the time after the first three years.

Considering the statistics that show 95% of dogs that go to stud fail, it seems to be folly on their part. For our study, we did not go into such other costs as the collection and storage of frozen semen, fees, vet bills etc that might be incurred.

And that does not even take into account the tax (generally 48%) the owner will have to pay because a stud dog is now a commercial enterprise, not a non-taxable windfall as is the case during its racing career.

But, if our dog is a success, his fee rises and that's great. The figures say you are up against it to be in the 5% of dogs that do reach great heights.

And with all these unproven dogs going to stud at big service fees, is the greyhound breeding game in Australia strong enough to support so many of these high fees?

And what if the dog has fertility problems?

Sure, the rules appear to be ready for change. Frozen semen sales will bring in more cash, specially with splitting soon to be available.

But it hasn't happened yet. And it's sure to bring its own competition and more problems. Try getting insurance for a greyhound stud dog for \$1 million ... it just won't happen, contrary to what some people may proclaim.

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And even with the advent of semen splitting, is it going to double profits ... that's very doubtful. And if it does, that still only makes a potential stud dog worth \$480,000.

Maybe some of these cashed-up buyers should do their sums.

Some it seems have been led up a garden path or two!

And, while our stud dog at the end of three years might be worth virtually nothing if his first progeny are not exceptional, our bread shop is still going and making profits with a value in excess of its purchase price.

As one trainer pointed out, stud dogs are flesh and blood ... here today, gone tomorrow.