

Where are we going? Get out your map!

Looking ahead at the horse industry – we are confronted with good news – news too good to ignore. You have to take an active part to take advantage for yourself. Bring your GPS and your saddlebags.

The first thing we should understand about the "map" is that we have gone from a breed-based industry to an activity-based industry. Whereas, a few years ago, when we explained our horse activity to someone, we might say, "We raise Quarter Horses"; now the comment would be, "We ride reining horses." Or, the statement "We raise Paints" changes to "We team rope." This is a major shift in focus and it is probably not news to anyone here, but it has major implications for the future.

The other major change that we have experienced is that breeding slowed down, way down. This is for one primary reason. There was an oversupply of horses relative to the level of demand our industry created. When folks could not sell their foals they stopped breeding. This began to happen in the American Quarter Horse in 2004. Remember 2004? Before housing and banking and General Motors crashed and before a wave of droughts struck the middle of the country. Back then processing of horses for export was still permitted in the US. Even before these things happened, the industry had started to weaken. We have the data to know that now; maybe we will pay better attention next time.

The change to a mostly activity-based horse industry also has to do with a fundamental change in our relationship with our horses. The hands-on horse enthusiast of today is more inclined to want to build a special relationship with just one or a few horses and put in more effort and training to achieve excellence.

Today I would like to share some ideas that are based on my observations, as I regularly interact with multiple breeds, activities and associations – from reining to racing, and Thoroughbreds to Quarter Horses to Arabians. I also have a fundamental belief that people like horses and horses are good for people. We in the industry forget this faster than anyone.

Other ideas will be based upon actual data -- and still others are based upon trends and projections I have uncovered through research involving futurists and popular literature.

As we will discuss, I believe that you, too, can do the same thing if you have the time and the interest. My hope is that by combining what I believe I have seen, with your first-hand experience and observations, you will be able sort out your own future – and maybe draw your own map to success and enjoyment in the horse industry.

So, where are we now on the map and what is up ahead?

First, a bit of a disclaimer. I will primarily refer to the stock breeds, although certain pieces of advice apply broadly. The reason I use the stock breeds is based upon the economic principle of substitutes. This law applies to all horses to a greater or lesser extent because it influences all of them. It goes something like this: if wheat gets too high, we will substitute corn or barley. If breed X gets too expensive for our tastes, we will buy another breed -- maybe an Appaloosa or a grade horse.

Similarly, we saw this in Colorado in the 1980's when Centennial Racetrack closed literally overnight. We then had Thoroughbreds competing with other breeds as riding horses because they were suddenly so much less expensive.

Also, I believe that the Thoroughbred, although influenced by the law of substitutes, is its own special case. However, my suggestions for your breeding programs apply to Thoroughbreds as well, and I will get to them in a bit.

So here is the next big piece of information for your map.

I believe that we can safely point to the existence of the "Horse Cycle."

Many producers will be familiar with the cattle cycle, which Ag economists have identified as having a duration of 9 to 13 years. Recently, drought has influenced this cycle as producers have been forced to sell off or relocate herds.

However, APHA Executive Director Billy Smith has been a proponent of this theory – in horses no less – for a number of years. He believes that it lasts about 10 years per cycle. Like the cattle cycle – and by the way I have not looked for or observed a relationship between the two – it appears that it may last a bit longer in horses, roughly 9-13 years.

Anecdotally, I had heard stories from breeders, and you probably did, too, that there seemed to be something happening back in 2004. It was as if the market dried up in an instant. Breeders who had been consistently selling foals for years had no buyers. And when breeders can't sell their young horses, they stop breeding. They had no more of a clue as to where the buyers went than where they came from. We actually had the data at AQHA to tell us what was going on, but did not necessarily maximize its usefulness -- although we may not have been able to respond anyway!

Recently, we have absorbed a series of body blows to our industry, and you may believe that these are the source of dropping registrations industry-wide. Actually, they have influenced the slope of the decline, but they aren't completely responsible for the decline itself.

A number of factors that we have all witnessed have smacked our industry. These include hay prices, drought, fuel prices, and the end of horse processing in the U.S. are all among them – and you may have local, more specific issues in your area – but these are the big ones. When the US closed the processing plants, an increased number of US horses were transported to

Canada for processing. This increase in horses lowered the price of meat horses in Canada, which actually lowered the baseline price for all horses in North America. If Canada were to stop processing horses, the baseline price would drop even more. This is a threat to our industry, not only from an economic standpoint, but also for the welfare of the horse. However, the horse cycle data still stands on its own. These make the decline portion of the cycle worse, but they aren't the main cause.

Another factor in this diminished demand is the tendency of owners to keep horses longer. My observation is that each of us has a carrying capacity that we are reluctant to exceed. If we are comfortable owning four or six or 10 horses, then year in and year out, that is about the number we keep. This may be based upon facilities, cash flow, time commitments or other factors, but it seems to be very consistent with owners over time. Until those older horses are flushed out of the system and demand returns, industry growth will be a challenge.

When we look back, we see that the smaller breeds began their decline sooner and they have already begun to recover. The Paints, for example, may begin to recover in 2015 -- while for Quarter Horses; it could be longer, perhaps 2017. So if you are inclined to breed mares, - especially GOOD mares - I would say press on. By the time your young horses are old enough to market, there should be a buyers on hand willing to pay a decent price – simply because there will be fewer good horses available.

The toughest sell, what you might call "raw material" in order of difficulty, is broodmares, weanlings, yearlings and, to a lesser degree two-year olds. We know that these are the stuff horses are made of, but they are hard to put to work or to turn into money. I will also tell you this: having observed the horse market closely, and for a long time, good broke geldings always sell well. .

Here's the good news on the raw material. In one night this past November at the Fasig-Tipton sale in Kentucky 24 broodmares or broodmare prospects sold for \$1,000,000 US or more. Truthfully, I don't think any of us knows how to draw a correlation between the Thoroughbred market and whatever we happen to raise, but I know this, it isn't bad news!

Thoroughbreds

Let's talk about the Thoroughbred industry and its curve. Due to the export market, subsidy from gaming markets, export of racing signals, greater transparency and access to breeding information, and a decidedly non-companion relationship with owners, this portion of the horse industry has a flatter curve. In other words, their participation in the horse cycle is limited, if it exists at all.

The Thoroughbred is the original, locally-sourced product. Due to The Jockey Club's natural service rules, breeding to an out-of-state horse is expensive and can be impractical. If you have a local place to race, then you may not have to worry so much about these inconveniences. If not, you may not have many options.

I foresee that what happened in Ontario will happen elsewhere. That is, the politicians woke up

one day and said, "wait a minute, why are we giving you horse guys all of this money? We need some of it back". The result reduced the number of Thoroughbred mares bred there by 44% from 2012 (1288 mares) to 2013 (728 mares). There was a similar reduction for the Standardbreds as well. This has been threatened in Louisiana, too. If and when it happens in your area, you will need to follow the best advice I can offer.

Some of our states have very restrictive state-bred rules. These have encouraged the breeding of horses that compete in their states but can't compete in open company. When the subsidies go away, it will be tough to compete elsewhere with those state-bred horses.

So here goes, and although I have just referenced Thoroughbreds, I truly believe that these rules of them apply broadly. I will introduce this portion of these comments with a quote from my friend Andy Clark, DVM, MBA: "Hope is not a strategy."

1.) Establish written goals for your horse program. YOUR goals, not someone else's goals. That way, if it works, you will be happy with the results and if it doesn't you won't be a cheap imitation.

2.) Breed to activity. Why do you want this horse? What will you do with this horse? Would you not be better off going to buy one? Study the crosses that work.

3.) Horses as a part of an agricultural operation are a much less risky proposition. Can you integrate them into what you are already doing with cattle, hay or ranching?

4.) Focus on quality. Focus on quality! We have all heard this. How many have HEEDED this? Get a second opinion. Ask your friends or, better yet, a professional without a conflicting interest. Which should I keep, which should I sell? Sell the five average ones and keep or buy one good one to go on with.

5.) Upgrade constantly. The market is moving up all the time. Some of this is due to embryo transfer and market breeding. Upgrade constantly. Breeding to better stallions is not enough. Upgrade your mares at every opportunity.

6.) Do your homework. Pay a little money to The Jockey Club Information Services, AQHA or Robin Glenn and get catalog-style pedigrees on all of your horses. Compare them with what you hope to sell one day or to buy one day. Take the emotion out and look at them on paper. Hire a market leader in your segment to help you analyze them. Are your pedigrees competitive?

7.) Become a student of the game. This is a complex, ever-changing swirl of an industry. It will take all you have to keep up.

8.) Go! We made better mating decisions when we went to look at stallions and met the owners. Attend the events, the shows, the sales, the races, meet the people, hear the stories – and the gossip. Whether your mecca is Lexington, Fort Worth or Scottsdale, you have to be there in person to find out what is really going on.

Changes in population trends

Let me tell you what else is going on that you should know about and take comfort in. Our countries have become strongly bi-coastal for the past century or more. Much of the population growth, earning power and political might was captured in the "Far East" or Pacific West portions of our continent.

This trend is changing and it will directly affect all of us that live in the middle of the country. Investment advisors have documented these shifts.

The US is projected to add 100 million people in the next 40 years. Although our immigration policies differ somewhat, I would expect that Alberta would get its share.

Why are these people coming? Quite simply, job growth is the driver. Jobs are being created because the states and provinces in the middle of the country have lower tax rates; they are financially stronger and can add manufacturing and distribution capability more efficiently.

Both of our countries will be younger demographically and have higher birth rates than Russia, China or India. I know, it sounds like it will be awfully crowded. Yet we will still be much less crowded than say Germany, even with all of these people.

Singles! (And women)

Futurist Faith Popcorn (yes that is her name) is certainly worth listening to. If you are curious about the future and coming trends, remember that name. Faith Popcorn, look her up.

Who has not seen the tidal wave of women crashing through the horse industry? Judges, veterinarians, trainers, competitors, even farriers, women are taking over many traditional roles and will take more. Students in CSU's equine sciences program are 94% female. Look around, clergy, lawyers, realtors -- any number of professions are dominated by women. We didn't need Faith Popcorn to tell us this. What she has plucked from this data is the growing acceptance of the single as a norm rather than the exception. No more is the single in a socially-complicated position.

I can only make one prediction based upon the rise of the single and the increase of women with greater earning power: many of these ladies are going to want a horse! They always have. Except now they don't have to ask anyone and they can afford this horse on their own.

Associations are changing – rapidly and radically

My friend Dr. Glenn F. "Andy" Anderson is the last person you would expect to be touched by the growth and development of technology. You may remember him as a speaker at this conference back in 2008 and 2012. Although his interests change, his willingness to adopt technology is well behind the typical curve. Dr. Anderson has gone from obsession to obsession ever since I have known him.....bass fishing.....team roping.....reining horses.....making bits.....now woodworking. Until 2010 Dr. Anderson had not sent an email.

Not one. He had an address as he was required to so that he could receive research projects to review for the AQHA Foundation.

Then, he decided to re floor his living room. Dr. Anderson is as handy as he is frugal. He will never buy anything he can make or take something to the repair shop that he can fix. His late father's barn, the one that housed Buzzie Bars and many other horses of note, was more or less surplus -- leaving Andy with a huge amount of good oak and a desire to improve his skills. Along the way someone turned Andy onto a website called Lumberjocks – and thereby created a monster.

Lumberjocks has just shy of 80,000 participants who have made 2,500,000 comments. They share photos of projects, get solutions to problems, share photos of their shops and video of their projects. What is this? It is what we used to call an association but there are no headquarters, no board of directors, no rubber chicken banquet dinner; just folks getting together to share ideas.

Technology has empowered these changes and our time-crazed society fosters them. Beware, our horse world still needs volunteers to open gates and set barrels back up. I have a friend in Idaho who is a retired three-day eventer. In her area, about the time she decided to quit, all the events dried up and she was not willing to travel to California to compete? Why? The retirement of key volunteers caused these changes.

We need to bring along new volunteers carefully and treat the current ones properly. Us "lifers" who have been volunteering for years need to cede some power and be more accepting of new people and new ideas. At a minimum, this means providing volunteers with clearly defined, finite assignments. Today's volunteers are too smart to take on the nebulous, open-ended volunteer assignment.

The Role of the Horse in Society

As horse enthusiasts we have read about or experienced the various roles the horse has shared throughout his interaction with man, from a food source to transportation, to war horse, a beast of burden and recreation. The next future is as a partner in helping humankind heal. Despite some fundamental structural problems with the industry, this segment of the industry, equine assisted activities and therapies of all kinds are growing, spreading and helping people worldwide. This activity needs data from sound scientific studies, a clear scope of practice and a new business model. Regardless of all those problems, and they are not minor, this is the future of the horse and through this service we have a chance for the horse to touch more people than ever and achieve unparalleled popularity and impact. It will also help to position the horse positively in the eyes of the public.

So let's have a look back up the road.....the horse cycle is turning back the right direction. It is not just about having horses; it is about doing with horses. We need programs like Time to Ride to help with the change, but the cycle is a powerful force. Single women are a growing force. The middle of the country will be in good economic shape relative to the coasts. In good times and bad, evaluate and cull, always. Life is short and hay is expensive. The horse, through

various therapies will serve mankind more deeply than ever. Horses and horse people are still fun. You can quote me on that.