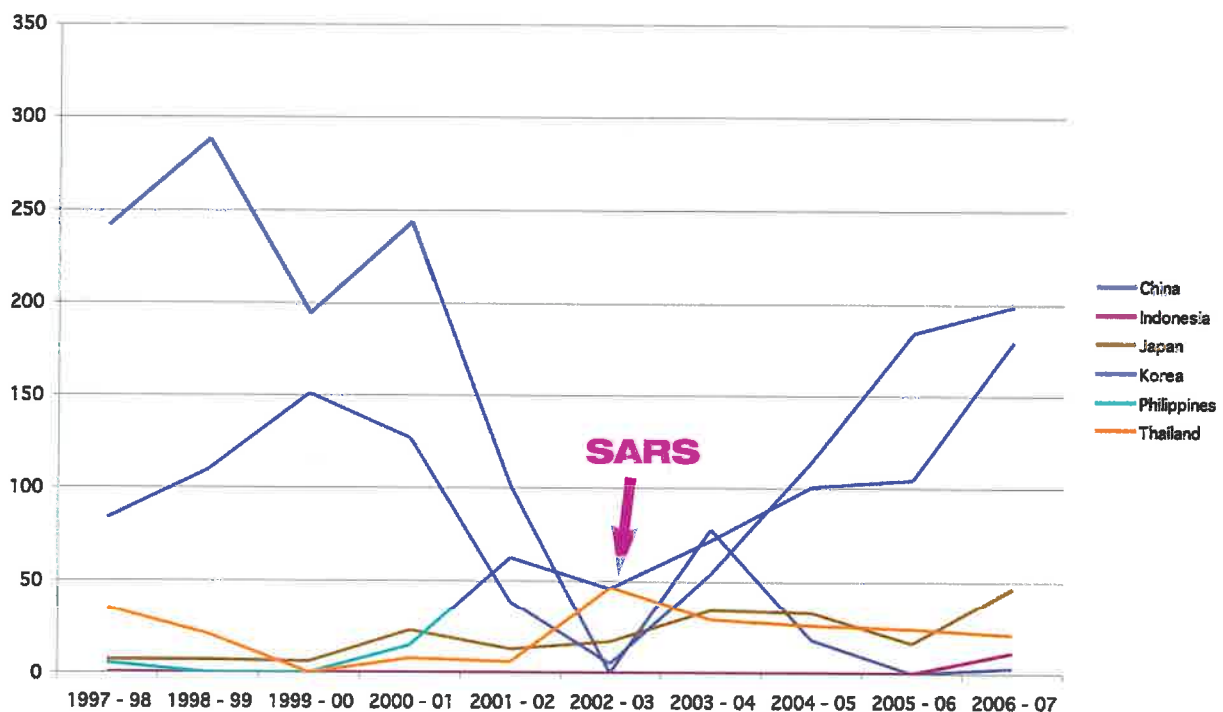


MARKET 2.**SOUTHEAST ASIA'S
SLEEPING GIANTS****Export Data from Australia to minor Asian countries**

“This growth in the developing nations will provide a consistently good market for the lower price ranged horses from Australia.”

Behind the four major ‘developed’ south-east Asian racing regions of Hong Kong, Singapore, Malaysia and Macau lie a scattered group of ‘developing’ regions. If one assumes that the ‘developed’ quartet are, by and large, mature markets, then it’s reasonable to assume that it is those south-east Asian regions whose growth is in its infancy that represent the largest growth potential for marketing the Australian thoroughbred.

The numbers of exports may be small at the moment, but the local human populations are vast and, with an increasing interest in horse racing, the growth in horse numbers could be exponential. The nations referred to as ‘developing’ include those where horse racing is starting to become an established local industry. These nations include Korea, the Philippines, Vietnam and Thailand, plus potentially the ‘sleeping giant’ China.

All of the developing nations profiled here are also breeding nations, and there is scope for the export of breeding stock as well as racehorses to them. This growth in the developing nations will provide a consistently good market for the lower price ranged horses from Australia, and Magic Millions Director David Chester says that building a volume market for this lower priced category will help smaller breeders and keep all levels of the market strong.



KOREA

Since starting to race thoroughbreds in the 1990s the racing industry has blossomed in Korea. The number of runners has grown over the last 10 years from less than 500 in 1997 to nearly 3000 in 2007. This growth is a long way from its limit with racing still a minor sport in Korea.

Despite an at-first-glance appearance of potential for massive growth in the market for racehorses in Korea, the main source of growth for Australia into Korea will be with breeding stock. In order to improve their racehorse quality (while keeping racing competitive for all owners) the Korean Racing Authority (KRA) has different import conditions for breeding stock and racing stock. This includes a ceiling price for racehorses (US\$20,000) and a limit on the numbers import-

“The main source of growth for Australia into Korea will be with breeding stock.”

ed. These rules do not apply to breeding stock.

Korea has adopted the Japanese model which is great for stakes money, however this model, according to David Chester, has made them a little insular. Inglis director Arthur Inglis expands on this to say that the KRA is a government department (part of the agriculture department) and controls the majority of the industry. All owners need to be approved, and non-Korean people cannot be racehorse owners. There are no foreign trainers or jockeys either. The KRA owns about 40 stallions (mostly US-bred but including the Australian-bred pair Our Poetic Prince and impeccably-bred Gr1 winner Coronation Day), and they offer these to private breeders at low or no cost to

Breeding Figures in Korea

Year	Stallion	Broodmare	Live Foals
1999	23	866	578
2000	29	1094	618
2001	32	1234	735
2002	37	1388	915
2003	43	1611	1053
2004	51	1610	1068
2005	68	1662	1094
2006	73	1735	1167

Breeding figures in Korea from the Korean Racing Authority website.

encourage and expand the breeding industry.

The Korean racing industry has one major track in Seoul (built for the 1988 Summer Olympics), while a second track was constructed in 2005 in Korea's second largest city Busan. Both tracks are American-style dirt surfaces, although they are more sand based than dirt. Many of the races are for Korean-bred horses only, which obviously restricts the opportunity for Australian-bred horses racing in Korea, and thus their desirability to owners.

Prior to 2005, racing was only available for viewing in Seoul and the remainder of the population was largely unaware of it. With 12 million people in Seoul, and only 28 off-course betting shops, even the extent of awareness of racing in the Seoul population is small.

Korea ran 96 race meetings in 2006, with an average of 10.5 horses per race across 1,420 races. Their prizemoney had risen by 36% over the 5 years to 2005, with an average prize of US\$73,000 per race. Korea has set itself a target of having 75% of all runners bred in Korea, and they currently split the majority of their external buying between Australia and the USA. In 2007, 71% of runners were Korean-bred while only 10% were Australian-bred.

Feature Races in Korea in 2007

RACE NAME	K\$ STAKES	WINNER	COO	BREEDING
President's Cup	\$500,000,000	Myeongmun Gamun	KOR	Future Quest (USA) - Guided Dancer (USA) by Incinderator (USA)
Korean Derby	\$400,000,000	J.S.Hold	KOR	Ft. Stockton (USA) - Fantasy Racing (AUS) by Passetreul (AUS)
Grand Prix	\$350,000,000	Bally Brae	USA	Yellow Brae (USA) - Political Bluff (USA) by Unaccounted For (USA)
Minister's Cup	\$250,000,000	J.S.Hold	KOR	Ft. Stockton (USA) - Fantasy Racing (AUS) by Passetreul (AUS)
Ttukseom Cup	\$250,000,000	J.S.Hold	KOR	Ft. Stockton (USA) - Fantasy Racing (AUS) by Passetreul (AUS)
Korean Oaks	\$250,000,000	Baekpa	KOR	Revere (IRE) - Grey Crest (CAN) by Gold Crest (USA)
KRA Cup	\$200,000,000	Luna	KOR	Concept Win (USA) - Wu Su Hae (IRE) by Exactly Sharp (USA)
Gov's Trophy	\$200,000,000	Dongseo Daero	JPN	Dehere (USA) - Hase Aphrodite (JPN) by Forty Niner (USA)
KRA Cup Classic	\$200,000,000	Pocketful of Money	USA	Running Stag (USA) - Ms Deep Pockets (USA) by Buckaroo (USA)
G A Trophy	\$200,000,000	Gwacheon Ruler	AUS	Keltrice (AUS) - Madame Sousatzka (AUS) by Jugah (USA)

*Major race results for 2007 compiled from KRA website and Arion Pedigrees.

Arthur Inglis states that the expansion into Busan was an interesting exercise, where racing was introduced to a non-racing population. Businessmen were asked to become racehorse owners before the new track was built, and before they'd even seen a horse. The US\$20,000 ceiling price was introduced across Korea for imported racehorses to keep the competition even for these owners and encourage re-investment. The twin strategy of a US\$20,000 price ceiling plus a restricted number of horses that can be imported combines to stymie demand for imported racing stock into Korea. On the upside, there is discussion locally to increase the ceiling price to US\$40,000 from next year.

Seemingly contrary to this need to keep competition on a level playing field, the KRA has a goal of becoming more competitive on a global scale. With the quality of racing improving, in June 2004, the International Cataloguing Standards Committee included Korea as one of the Part III countries, and discussed adding eight Korean Grade Races to the Blue Book list starting from 2005. However, these eight races are still listed as Grey (for information only without gaining international black type).

The Grades noted in the table above are local ratings only. Note that several of these races are restricted to Korean bred horses only (Domestic).

The Australian bred horse who features

in their most recent feature race results is a 2003 son of Keltrice from the Jugah mare Madame Sousatzka. The KRA is improving the quality of the horses racing by the importation of breeding stock. There is no price restriction on imported breeding stock, and they prefer broodmares who have a sire that has a service fee of \$30,000 or more. This will be the growth market for Australian horses into the future, however, Korea has strong political ties to America and this is reflected in their horse buying. The Austrade Office and the Queensland Government Trade Office have been of great assistance to Magic Millions in helping put Australian horses to the fore in Korea and other developing racing nations. 

THAILAND

Influenced by a state visit to Europe in 1897, Thailand's King Rama V returned to organise a horseracing event. Not long after this, he bestowed a piece of land to be used for a racecourse, and this was a birth of the Royal Bangkok Sports Club. The other major club in Thailand is the Royal Turf Club. Racing is held twice a month on Sundays, with the venue alternating between the two clubs. The general public are allowed into these exclusive clubs to view the racing and betting is allowed here (all other gambling is illegal).

The Asian Financial Crisis of 1997 had a serious effect on the Thailand economy and racing suffered the same downturn. The average number of patrons fell from 24,000 to only 13,000 in 2002. Statistics provided by the Asian Racing Federation show that in 2002, there were 7 racecourses in Thailand, with the two city clubs carrying out 500 races at 26 racemeetings through-

Top Races

Name	Approx Date	Prizemoney (Baht)	Prizemoney (approx US\$)	Racecourse
King's Cup	Feb	1,625,000	48,000	RBSC
Chakri Cup	April	1,345,000	40,000	RBSC
Queen's Cup	August	1,245,000	37,000	RBSC
Derby Cup	January	1,880,000	56,000	RTC
President Cup	June	825,000	24,500	RTC
Ramraghob	November	825,000	24,500	RTC

"Around 20 horses are exported from Australia to Thailand each year."

out the year. There were 970 horses in training in 2002. The average prizemoney was 402,500Baht, or approximately US\$12,000.

The Thai breeding industry comprises 19 farms who had 48 stallions and 500 mares

spread between them in 2004. The rules for Thailand mean that only breeding stock are allowed to be imported, and around 20 horses are exported from Australia to Thailand each year.

The scope for growth in Thailand is relatively unknown, but as horse racing is the only form of legal gaming there, the potential must match their population size of 61.5 million. 10 million of these people live in Bangkok, the location of their racetracks.

THE PHILIPPINES



Drama Belle



Ever Mine Now



Wild Orchid



Eduardo Cojuangco

Registered Racehorses in Philippines

1996	1,954
1997	2,021
1998	2,128
1999	1,965
2000	2,095
2001	2,268
2002	1,927
2003	2,037
2004	2,081
2005	1,871
2006	2,031
2007	2,112

Registered racehorses in Philippines
from PhilraCom

With a strong political tie to America, many horses for the local Philippines racing scene are sourced from the USA. Magic Millions has a good representation in the Philippines sponsoring a P1million (A\$25,000) race in October as promotion for their 2YO Breeze Up sale. David Chester says they have had to work hard to move the locals away from buying from the USA. "Our horses are better and cheaper and we have a freight advantage as well."

According to Austrade, the Manila Jockey Club and the Philippine Racing Club are the two clubs licensed to operate a race track and to conduct horse races in the country. Racing is conducted almost daily. Betting can be done on-track and off-track through betting stations.

Arthur Inglis says both tracks are quite tight and the racing is run in an American style. Horses need to be tough to cope with

**"She put together
355 starts for 37 wins,
52 seconds, 54 thirds and
45 fourth placings."**

the racing there, as it is not unusual for a horse to race more than once a week for extended periods. Horses are required to be retired when they reach the age of 11. To demonstrate how tough horses need to be in the Philippines, locally bred mare Sham Sham was retired sound after 8 years of racing. She put together 355 starts for 37 wins, 52 seconds, 54 thirds and 45 fourth placings and earned over P8.8million (A\$218,000) for her owners.

None of the horses are swabbed after racing and Australia could provide some expertise here into the future. However, horses are extremely well looked after and

the locals have good horse skills. One Australian who was instrumental in assisting locals with improving their horsemanship was the late farrier Albert O'Cass. His nephew, Shayne, writes for the Sportsman and he recalls his uncle: "Albert had long standing friendships with the Philippines' two main bloodstock investors in Australia - Eduardo Cojuangco and Jose Cojuanco. Both men set up Studs in NSW with Albert's input, the former (still) owns Gooree Pastoral Stud at Mudgee while the latter owned Kingmaker Park in Scone where Bite The Bullet (USA) stood with some success. Albert's advice was keenly sought by both Cojuangco's for the period that they knew him and was a welcome guest in their country at a time when racing and breeding was flourishing.

"His reputation as a master farrier and innovator earned him instant respect there, though he was always humble and free with

his time and expertise. In the years preceding his passing Albert was awarded an OAM for his services to racing which, having heard from his many friends and associates, was an award richly deserved. Today, Albert's friend, Arthur Inglis, has maintained the very good relationship that Albert established. In fact, it has grown immensely thanks to Arthur's dedication and goodwill."

The Philippine Racing Commission (www.philracom.gov.ph) was set up in 1974 to promote and direct the growth of the racing industry in the Philippines. Racing of various types has had a long history in the nation, with the Manila Jockey Club being founded in 1867 and where 'English' style racing was held twice a year. In 1995, the National Stud Farm applied to have all their horses blood-

typed by the Royal Western India Turf Club laboratory to enable them to be included in the international Thoroughbred register. The following year, the first volume of the Philippine Stud Book was released. By 2004 there were 1667 registered racehorses in the Philippines, with only 9% of these being imported. Broodmares are the most sought-after stock, as their foals can be registered as locally-bred and thus eligible for a greater number of races.

Local racing journalist, Jenny Alcasid, comments that many Australian champion runners, stallions, and broodmares have made their mark in racing here, including multiple stakes winner and record holder Wild Orchid (High Yield-Dove Orchid by Second Set).

The 2007 Eduardo M Cojuangco Jr Cup, the

richest race of the season with a purse of P2.4million (A\$60,000), was won by the Australian-bred Drama Belle (Reenact-Chalet Belle by Grand Lodge). Other major winners include 1450m record holder (1:28.4) Ever Mine Now (American Odyssey-Ever Mine); Catwalk Pia (Danzero-Scotch and Coke), Ouzo (St Covet-Aniseed), La Tienne (Belong To Me-Tierani), and 2000m record holder (2:04.4, held jointly with Wild Orchid) Stowaway Lass (With Class-Royal Pirate). The local success of the 1999 filly Stowaway Lass promoted her dam to be exported to the Philippines in 2005.

Alcasid says the Australian thoroughbred has contributed greatly to the improvement of the Philippines' local racing and breeding scene over past decades.

VIETNAM

Vietnam's thoroughbred industry could hardly be called that. There is no administrative body and only one thoroughbred race is run per week.

Despite that, the potential for growth is truly astounding, and the one overriding fact in favour of Vietnam is that gambling on horse racing is legal.

Vietnam's recent history has affected the progress of racing in that nation. The French colonized Vietnam in the early to mid 1900s and thoroughbred racing commenced during this period. Some serious investment must have happened during this phase of Vietnam's history, as the elegant Saigon Racetrack was built during the French era.

When the Vietnam War was over in 1975, all racing was shut down. It re-opened in 1989 when the government legalized gambling on racing as they needed the revenue from the taxes generated. At that point, the racing was all owner/trainer pony racing run by the farming community, and farmers challenged their neighbours to some 'sport' on Sundays, with the surrounding villages coming to bet on and support the best ponies from their region.

According to recent visitor to Vietnam, Tim Johnson of Victoria's Ealing Park, the first thoroughbred race was held in 27 Feb 2005. This race was a promotional event held by a Malaysian businessman, Dato Yap Kim Fan, to try and expand his thoroughbred interests outside of Malaysia. Approximately 30 racehorses were imported from South Australia for this event and jockeys were flown in from Malaysia. This event has now evolved into a weekly spectacle, with one thoroughbred contest on the otherwise all-pony racing card. All the thoroughbreds are trained in one sta-

ble, and are majority owned by one man, but are run on their merits, collect prizemoney and are available for betting.

Because the audience are from the farming and lower socio-economic community, there is more interest in the pony racing that they share ownership in, and the betting is higher for the ponies than the thoroughbreds. There is a sophisticated tote system and although the win pool is small, there is a lot of interest in the quinella, trifecta and quadrella bet pools.

Johnson says that racing is currently only attended by the poorer community and the remainder of the Vietnamese population gamble on soccer, cycling and greyhound rac-

"Lindsay Park principal Sam Hayes said that the Vietnam industry is very much in its infancy..."

ing. "If the middle and top classes can become educated about thoroughbred racing and gambling, then the potential for growth is huge," he notes.

There has been some interest from South Africa and America recently to set up a racing industry there, but it has come to nothing so far as the facilities are quite rundown. A full system of racing needs to be established along with marketing to the public, and under Vietnam law this would need to be a joint venture with a local. Korea and the Philippines are examples of what growth is



Alannan is among the M'Drak Farm foundation sires

possible once a system is implemented.

Caffeine is the drug of commerce and Vietnam is the world's second largest coffee exporter. Mr Vu, one of the owners of Trung Nguyen Café is the principal behind the newly established M'Drak Farm. M'Drak Farm have recently been in the news as the purchasers of Alannan (Conquistador Cielo-Dame Sybil) from Lindsay Park Stud. Fellow sire, Lions Gate (Danhill-Kensington Gardens) will also relocate to Vietnam. M'Drak was a solid purchaser at the recent Inglis June Sale, too, buying 15 broodmares for a total of \$167,500. Their top purchase was the young mare, Gottatella, a Redoute's Choice winner of two races from the family of Gr1 winners Fun on the Run and Tall Poppy.

Lindsay Park principal Sam Hayes said that the Vietnam industry is very much in its infancy with M'Drak looking to breed horses with which to establish a racing industry. This means the Vietnamese relationship with Australia is in its inaugural stages. "We need to develop this further, to find out their needs and wants, and see if Australia can assist them in their goals with personnel, horse husbandry expertise as well as bloodstock", he comments.

CHINA

Simply put, China is a sleeping giant. With a population of 1.3 billion (20% of the planet's people) by mid-2008, it is potentially the world's largest gaming market.

Even though the annual per capita income is a relatively low US\$1,740, China is experiencing double digit growth and a rapidly expanding middle class with growing aspirational demands and desires.

The untapped racing future of Asia, the country suffered a thoroughbred false start when a racing industry was started there several years ago. Sadly, it has been moth-balled by the administration in China.

The main issue is that gambling is against the communist doctrine, however two of the major Asian racing nations are special administrative regions of China, so there is no doubt hope for the future, particularly with the Olympic Games adding to China and the world's greater awareness of each other. With a rapidly growing middle class underpinning a sophisticated and urbane business elite, should China decided to take up the Sport of Kings, their demand for thoroughbreds, personnel and equipment could be astronomical.


Earlier this year, The Australian reported that China could be ready to start a test period for wagering as early as September this year at the conclusion of the Olympic Games, noting: "Wuhan, the capital of central China's Hubei province, will stage the first meetings."



Gr1 star Mouawad is among Cheng's exports to China

"China could be ready to start a test period for wagering as early as September this year."

This would be sweet vindication for Chinese businessman Y. Cheng who (via his racing operations Domeland and Keyhinge) has invested a reported \$120 on thoroughbreds in his belief that China will

soon follow the rest of the world and become a global thoroughbred force. Australian racegoers would no doubt recall his Australian Gr1 winner Northern Drake. The 'Drake' was exported to China by Yeng along with former Gr1 STC Golden Slipper winner Tierce and impeccably bred Gr1 winner Mouawad (Zabeel-Eight Carat, by Pieces Of Eight). Mouawad's last 3 starts produced a Gr1 treble in the VRC Australian Guineas, MRC Futurity Stakes & STC George Ryder Stakes. 

STERILINE'S LONG ASIAN TRADITION

Every time a race caller in south-east Asia says, "And they're off!" it's invariably Steriline Racing gates which the field jumps from. The Australian manufacturers of more than double their global competitors combined has a long association with the Singapore Turf Club and the Malaysian Racing Association, with equipment (gates and rail) in Selangor (Kuala Lumpur) in Penang and in Ipoh as well as Singapore.

The South Australian-based word-wide success story can also lay claim to having products in the developing racing nations, particularly at the Philippines Jockey Club in Manila and in Seoul, Korea.

In addition, Steriline has starting gates at Beijing Jockey Club and Nanjing in China, and also at the prestigious Hong Kong Jockey Club with whom the company shares a close relationship.

At the recently completed Olympic Games, Steriline supplied key infrastructure for the equestrian events (held in Hong Kong), the 3rd Olympics in a row where this has been the case.



Steriline Racing Presentation Platform being used to light the Beijing Olympic Torch Relay Cauldron

Steriline installed the fence on the main Olympic equestrian arena, as well as the warm-up path in Penfold Park and railing inside the quarantine area at Sha Tin Race Track, plus several sections of the Beas River equestrian facilities.

Steriline Racing also manufactured the presentation podium used on high profile race days at Sha Tin and which was used for the Lighting of the Olympic Cauldron earlier this year. 