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A Bull Market of a Different Kind

Controversial but profitable, African-game breeding has become the new trophy investment for some



A herd of cape buffalo roams through Nyumbu, a ranch owned by Norman Adami, chairman of SABMiller's operations in South Africa. PHOTOGRAPHY BY CHARLIE SHOEMAKER FOR WSJ.MONEY

By
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NORMAN ADAMI is bouncing down a dirt track in the back of a safari truck when he spots his prized possession: a cape buffalo with what happens to be \$2.6 million worth of hoof, hide and recurved horn on its one-ton frame. He quickly grabs the Leica camera hanging around his neck. "Beautiful," Adami says.

Thirty yards away in the acacia scrub stands Horizon, the big bull that three wealthy breeders bought for that record sum at a game auction in 2012. Horizon wrinkles his nose at the truck, full of tanned men in khaki, then squares his shoulders and shakes his horns. They stretch nearly 4½ feet across his head.



Photos: Into the Wild -- Click to view slideshow *PHOTOGRAPHY BY CHARLIE SHOEMAKER FOR WSJ.MONEY*

Picture taken, Adami cracks open a beer, and the truck turns back toward a thatched lodge on the 3,700-acre ranch, about 120 miles north of Johannesburg in South Africa's Limpopo province. When he is not on safari, Adami is chairman of SABMiller's operations in South Africa. But on this occasion, he and Horizon's two other owners have come, each in his own helicopter, to hash out a business plan for the trophy bull and his herd of 40 buffalo cows. Altogether, it's quite a pricey gathering of animals, worth an estimated \$7 million.

"We're busy negotiating everything tonight," says Adami, a chain-smoking 59-year-old with a salt-and-pepper mustache and the even keel of a hostage negotiator. "There's huge potential," he says. "Huge opportunity that lies before us."

Adami is bullish on what must be one of the world's more exotic investments: African-game breeding. With a steady flow of hunters from around the globe drawn to the romance of the African wild, hunting ranches here are reporting a brisk boost in business. But a select pack of well-off investors say the real sport—and the real money—is in breeding the animals that stock those ranches. The more impressive the specimen from a sought-after species, the more impressive the money.



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Graphic: Auction Hunting -- Click to view graphic

It's a business that takes some getting used to; some animal lovers can think of few things more appalling than supplying rare and majestic African creatures to ranches for the sake of sport hunting. Biologists argue as well that investors trying to breed animals with special attributes like long horns or unusually colored hides could be exposing some of these species to harmful side effects.

And yet, from a purely financial standpoint, it's hard to argue with the returns that supersized breeding can bring. According to Vleissentraal, a top South African livestock auction company, prices for the biggest cape buffalo, sable antelope and other prized species rose 50 percent over the past six years. Total turnover at wildlife auctions was more than \$100 million last year, a huge jump from \$18.3 million in 2009, says Flippie Cloete, a professor of agricultural economics at North-West University in South Africa, who studies this curious corner of breeding.

While big-game breeding was never a middle-of-the-road business, these days \$1 million is barely enough to get started in the big leagues. A run-of-the-herd buffalo bull costs about \$200,000, and those with the biggest horns sell for well over \$1 million. In 2013, the six-month auction season set new records for the purchase of four of the species breeders covet most: buffalo, roan antelope and two rare color variants prized by hunters—impala with black rather than tan hides, and wildebeest with golden pelts rather than the standard bluish-black.

Some of the surge is thanks to South Africa's sharply weakening currency, which has boosted hunting-reserve profits because hunters pay in foreign currency that gets converted into the South African rand. But experts say well-off hunters from the U.S. and elsewhere also are willing to pay a lot more for bigger prizes these days; some reserves now charge hunters \$15,000 to shoot a buffalo, and more than twice as much for trophies with unusually large horns. Peet van der Merwe, a professor at North-West University who studies the economics of tourism, says some 9,000 foreign hunters in South Africa shelled out \$124 million in 2012 alone.



A thorn is removed from a sedated sable antelope on Adami's ranch. PHOTOGRAPHY BY CHARLIE SHOEMAKER FOR WSJ.MONEY

Disease and other acts of nature can throw off a breeding investment. But with the number of big-game hunters climbing and the rand expected to keep weakening, Ernst Janovsky, head of agribusiness for Absa, a Johannesburg-based subsidiary of [Barclays](#), estimates that every dollar invested in buffalo or sable breeding could be worth \$1.50 in five years. Besides, breeders say, an immutable fact of life is on their side: reproduction. A healthy buffalo cow can give birth to a calf every 12 months. Peter Bellingan, a breeder who pooled \$1.2 million with Adami and two other investors to buy a prized sable bull in 2012, explained the business model by lifting a tumbler of whiskey: "Where else in the world does this glass make a new glass at no cost?"

GAME HUNTING ON private reserves takes place in dozens of countries, from Siberia to Argentina, and in many U.S. states, where research firm IBISWorld says it's a \$196 million business. Texas leads the country with more than 600 ranches, where hunters track everything from American bison to yaks imported from Asia. The largest ranch, Y.O. Ranch near Kerr, Texas, which describes itself as a "hunting mecca for exotic big game" has more than 50 species roaming its 40,000 acres.

But nothing quite compares in scope and size to South Africa, home to more than 10,000 private reserves and a \$620-million-a-year hunting industry. Here, safari hunting has been popular for centuries, and ranches can attract a pricey clientele to pursue a piece of the "Big Five"—lions, leopards, elephants, buffalo and rhinoceros. Some lodges have turned the safari experience into high-end extravaganzas, with rich hunters arriving on the resort's own air strips before a round of golf or spa treatment in between gaming adventures, escorted by a veteran guide who might evoke a young Ernest Hemingway.

It is the stocking of those reserves and the protecting of species whose numbers are dwindling where breeders say they have important roles to play. Some 16 million animals roam private reserves, four times the population inside South Africa's national parks. Because most are fenced in, migration is a thing of the past. A hunting-preserve owner can grow his herd through breeding and supplement it with bigger trophies purchased at game auctions.

To its credit, the country is known for its storied game breeders. Experts say they helped pull the rhinoceros back from the brink and reverse-engineered something akin to the quagga, a relative of the zebra hunted to extinction in the late 1800s. Today, breeders say the demand for hunting trophies simply provides a financial incentive to protect species threatened by poaching and habitat loss. And as their trophy buffalo bulls mate with some of South Africa's biggest cows, they say they hope to generate offspring to rival the monsters big-game hunters saw through their rifle sights a century ago. "We're breeding back the magnificent specimens that have been hunted out of existence," Adami says.

But animal-rights groups say the breeders and the hunting preserves they supply are offering little more than controlled environments for the wealthy to slaughter wildlife. In the U.S., shooting enclosed animals is now banned in 10 states. For a while, animal-rights activists lobbied unsuccessfully to limit the practice here, particularly lion hunting. They say the cats are often habituated to humans while they are being raised, then released into areas too small to give them a fair chance at escape. "All trophy hunting in South Africa is canned to a greater or lesser extent," says Toni Brockhoven, a spokeswoman for the animal-rights group Beauty Without Cruelty.

That criticism grows louder whenever a celebrity or well-known official posts a picture of themselves kneeling before a lion or rhino carcass. Breeders have also attracted ire for displays of great wealth in a largely poor country. Cyril Ramaphosa, one of South Africa's richest men and the deputy president of the ruling African National Congress, lost out by about \$50,000 after bidding nearly \$2 million for a buffalo cow in 2012. His political opponents pounced, and in a radio interview Ramaphosa said the bid was a mistake amid South Africa's "sea of poverty."

But Adami and other breeders point to tourist dollars big-game hunting brings to South Africa, and say their work is doing more to save some species than anything the public could do. They consider their bids on wildlife an investment, not an indulgence, albeit one subject to some sharp shifts in value. Adami and his partners held the record for a single animal, the buffalo Horizon, until Johann Rupert, scion of one of South Africa's richest families, paid \$4 million in September for a bull with slightly bigger horns, a 53 $\frac{1}{2}$ -inch spread compared to Horizon's 51 $\frac{3}{8}$ inches. For his part, Rupert is less sanguine than his peers about the returns he might reap from that eye-popping investment. "It's certainly not a thing for widows and orphans," he said. "I'm not suggesting I'll get a sustainable return. But I'm not sure about the Dow Jones or the Nasdaq either, and here I'm having a lot of fun."



Rhino protection crews work on Adami's farm, Nyumbu. *PHOTOGRAPHY BY CHARLIE SHOEMAKER FOR WSJ.MONEY*

UNDER THE PERSISTENT DRONE of a cicada swarm, Adami climbs into a Mercedes truck at his 7,500-acre ranch outside Johannesburg's northernmost exurbs. He named the ranch Nyumbu, the Swahili word for wildebeest. "I can't even get around this farm in a week," he says. He and some farmhands drive to an equipment yard to meet Gerhardus Scheepers, a veterinarian who drove from a town 20 miles away to treat two limping sable cows and help move a kudu, a large antelope. It jumped a six-foot fence into the wrong pen. Scheepers climbs onto the back of an ATV that speeds off toward one of the limping antelope, whose swollen udder betrays that she is just days from giving birth. Shouldering an air gun, the vet shoots the sable from 30 yards away, sinking a feathered dart loaded with sedatives into her flank. Within a minute, the sable slumps to her knees, snorting and drooling, before the farmhands rush out to hold her horns while Scheepers digs into her back right hoof with a pocket knife. Out pops a thorn, straight and hard as a nail. "Ay yay yay, they pick these things up so easily when the brush is growing after the rains," Adami says. Scheepers injects the cow with antibiotics and an anti-inflammatory medication.

In the days leading up to an auction, Adami's staff might dart, treat and inspect as many 20 animals a day. That's just one facet of the effort and expense that goes into an operation that includes a full-time staff of 22 and a legion of brush cleaners, wildlife truckers, thatchers and other contractors. To determine how thickly to stock a ranch, most breeders use a measurement called "animal units," which covers the amount of grazing land needed per animal. Insurance is part of the business too, of course; Adami spends about \$100,000 on premiums annually for coverage

he needs every so often; a few years ago after a prized golden wildebeest bull died in a fight with another bull, he recouped about \$48,000 of the bull's \$60,000 purchase price.

He started this ranch more than two decades ago. Apart from five years in Milwaukee while he was president and chief executive of Miller Brewing, Adami is a lifelong South African who says he became interested in the African bush after his dad, an appliance and mining-company man, became infatuated with the country's national parks. Adami started this ranch with six buffalo he bought for \$8,000 each. Today, along with giraffes, zebras and kudu, it holds about 450 animals from the most highly prized species, including buffalos, sable antelopes, impalas and wildebeest. Adami's animals are so prized that he mostly sells them to other breeders, who, in turn, sell some of their offspring to hunting reserves.

Adami says his ranch is profitable but won't disclose how much it makes. Each spring, however, he and five fellow breeders hold an auction. It is quite an affair, with Adami and his partners chartering planes to ferry groups of 12 people at a time between their ranches to view the merchandise. The prospective clients stay free and are treated to game-meat delicacies like grilled kudu and impala meat pies. Though a pricey proposition, Adami says he ultimately sold 60 buffalo, antelope and wildebeest for more than \$4 million at the last auction.

But that is just part of the business; Adami and his partners believe the operation they are building around Horizon—the \$2.6 million buffalo bull—could be even more lucrative. The 3,700-acre ranch where they are meeting is being calibrated solely for the success of Horizon and his herd. "I love this bull," says Piet du Toit, one of Adami's partners, a full-time breeder who once ran a mining-services company. "We just waited for the right animal. This was the young monster."

That kind of breeding—for what hunters want on walls rather than what nature divines—does worry some scientists. Desiré Lee Dalton, a geneticist at the National Zoological Gardens in Pretoria, South Africa's capital, says she is often asked to help identify misfits and outliers, like the infertile cross between a nyala and kudu antelope she found on a South African game farm. Any time you narrow a gene pool, whether to make a recessive gene more common or to breed bigger animals, you run the risk of amplifying harmful secondary traits, says Dalton. "When the daddy is the daddy of everyone, you're going to have big problems."

In trophy-game breeding, she worries that the colorful anomalies, like black impala and golden wildebeest, could accentuate genes that make animals more susceptible to diseases. But she says there's no evidence of that yet, and breeders like Adami say their efforts are sophisticated enough to ensure that gene pools remain wide and deep. "We're so involved in the breeding and such diversity is introduced that it's really helping diversify the species, not narrow it," Adami says.

Meanwhile, at the farmhouse on the ranch devoted to Horizon, negotiations over how to manage his herd will stretch deep into the night. Huddled at a long wooden table are Adami, du Toit and Ben Botha, a mining and property

developer. With millions of dollars at stake, the three are hoping their work with Horizon's herd could be a model for wealthy investors from the U.S. and elsewhere to take a stake in top game animals and the farms they roam.

But first they need to sketch out breeding plans for Horizon's herds. How many cows will there be? How many will they share, and how many calves will each be able to take away as his own? One partner wants to share ownership of every cow and her offspring; another wants a hybrid approach, with some cows owned together and some individually. "It's like asking a portfolio manager how long is he going to hold his blue-chip shares," Adami says. "The options are limitless."

By morning, they reach some agreements, with details to be ironed out later. Satisfied, Adami climbs into his navy blue Bell helicopter and takes off, up over Horizon and the dusty foothills of the Waterberg mountains, heading south toward his own million-dollar buffalo herd.