

# Demand for New York-Bred Horses Increases Dramatically

## Racing More Lucrative Because of Higher Purses and Cash Incentives for Select Breeders and Owners

By Pia Catton  
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A horse in this year's sale for New York-bred yearlings run by Fasig-Tipton in Saratoga Springs. Average prices in the sale were up about 11%. Harold Roth/Fasig-Tipton

SARATOGA SPRINGS, N.Y. He has banked more than \$1 million and hails from an important family. He recently retired, settling in upstate New York to launch his second career.

And as a thoroughbred horse about to start life as a stud, the 6-year-old Willcox Inn could soon be contributing to one of the strongest booms in the equine industry. Demand at auction for New-York bred horses has grown dramatically in the last four seasons, even as the national horse-breeding industry has contracted.

The trend continued in Saratoga this past weekend, as Lexington, Ky.-based auction firm Fasig-Tipton ran its annual sale of New York-bred yearlings horses between ages 1 and 2. This year, a total of \$14 million was spent on 176 horses up from \$3.6 million for 94 animals in 2010.

The \$80,108 average lot price for a horse this year more than doubled the 2010 average of \$39,106.

"It's been a phenomenal change, and it has not been replicated anywhere in the industry," said Fasig-Tipton President and Chief Executive Boyd Browning.

The change isn't an accident. Since October 2011, racing New York-bred horses has become more lucrative because of higher purses and cash incentives for select breeders and owners.



Buyers spent \$14 million at this year's sale in Saratoga Springs. Harold Roth/Fasig-Tipton

The money is generated by video-lottery-terminal income from Resorts World Casino New York City, which struck a revenue-sharing deal with the New York Racing Association when it opened a facility on the site of Aqueduct Racetrack in Queens.

NYRA hosts nearly year-round competition, allowing for one of the nation's most active state-bred programs, which limit the competition and create moneymaking opportunities. In 2013, there were about 630 races restricted to New York-bred horses, compared with 275 in California restricted to horses from that state.

"We all race where we can make some money," said owner Art Preston, after purchasing a \$150,000 chestnut colt on Saturday evening for his Texas-based Preston Stables. To be considered a registered New York-bred, a foal must be born here, but after that, it can grow up in Texas, or anywhere, and ship into New York for restricted races.

The surge in demand for horses comes at an uncertain time for the state racing association, which is undergoing an organizational restructuring.

A plan for NYRA's future is due to the governor's office in 2015 and could include privatizing operations of the three tracks under its control, Aqueduct, Belmont Park and Saratoga Race Course. NYRA estimates that the overall thoroughbred business contributes more than \$2 billion annually to the state economy.

But NYRA's uncertainty hangs over the owners and breeders as well. "The question is, will the purse structure stay?" said Rochester-based owner Alan Brodsky, who purchased five yearlings during the weekend.

Though the total money spent on New York-bred yearlings at this year's sale was slightly shy of the 2013 total, the increase in the average price— up about 11% from last year's \$72,480— has sparked confidence among industry watchers.

"The quality of horses has improved," said Mr. Brodsky, who for the last five years has focused almost exclusively on New York-bred horses.

This year, 51 horses reached the six-figure mark, as opposed to 43 in 2013. Those going for \$200,000 or more dipped slightly to eight from 11 last year.

Though more yearlings failed to sell this year compared with 2013, reserve prices— the minimum below which owners won't sell— may have been set too high in expectation of even greater gains, said Jeffrey Cannizzo, executive director of the New York Thoroughbred Breeders Inc.

Plus, he said, sellers may feel confident they can earn back a New York-bred horse's cost by racing it. "People don't need to sell their horses for a price. They can race them," said Mr. Cannizzo.

If expectations were too ambitious this year, it may reflect the relative newness of the market.

The yearlings sold this weekend were born in 2013 and conceived in 2012, just after video-lottery money started fueling purses and breeder incentives. They represent the first crop to come to market with owners' full knowledge of potentially higher returns.

The most expensive horse in the sale, hammered at \$270,000, was a filly sired by the 2010 Preakness Stakes winner Lookin at Lucky. Her price hardly compares to the \$1.25 million top lot earlier in the week at Fasig-Tipton's sale open to yearlings bred anywhere.

The difference tends to reflect the record of what the yearling's sire has produced so far. The \$1.25 million filly in the open sale was sired by the well-established stallion War Front, whose stud fee is \$150,000.

By contrast, Lookin at Lucky is a new stallion whose progeny have yet to prove themselves. His stud fee is \$15,000.

But as this year's Triple Crown quest showed, high stud fees and records aren't the only determinants of future success. Owners of the Kentucky Derby and Preakness winner California Chrome spent about \$2,000 to breed the undistinguished stallion Lucky Pulpit to a mare they bought for \$8,000.

On Saturday, New York-based trainer Gary Contessa won a \$27,000 filly who is among the first crop by the stallion Girolamo. Mr. Contessa is no newcomer to the New York scene: He won the highest number of NYRA races four years in a row, from 2006 to 2009. For him, the sudden arrival of buyers from Florida, California or Texas hunting for New York moneymakers means tougher competition.

"You have to be creative," he said. "I'm taking a chance on an unknown stallion."

One of the counterintuitive aspects of the New York breeding-incentive program is that a foal can be sired by a Kentucky-based stallion but still count as New York-bred due to a series of rules governing the residence of mares.

Even so, breeders and owners stand to double their cash awards going to stallions based here— which is why Willcox Inn's ownership team headed straight for the Empire State.

"We wanted to get into an emerging market," said a co-owner Murette Farrell. "The incentives here are enormous."