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New Jersey Agricultural
Experiment Station

Importance of Quantifying the Impact of the Horse Racing Industry: Challenges for Sustainability

Pennsylvania Horse Conference

March 14, 2012

Karyn Malinowski, Ph.D.



Rutgers Equine Science Center

Pennsylvania Racing Commission

- “Horse and harness racing are a valuable part of the agricultural industry in this state, and an essential piece of the social and cultural fabric of Pennsylvania. Keeping Pennsylvania Growing means managing the growth and promotion of this vital segment of the agricultural economy”
- “The growth of Pennsylvania’s racing industry following the passage of the 2004 Race Horse Development and Gaming Act that allowed for expanded gaming, has not only created greater opportunities for horse owners and breeders, but has enhanced the state’s agricultural economy as a whole”.

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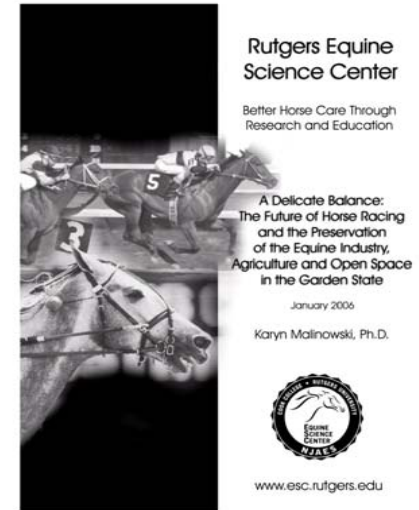
New Jersey Agricultural
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THE NEW JERSEY EQUINE INDUSTRY 2007

Economic Impact



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Impact of Slot Machines/Video Lottery Terminals (VLTs) on the
Economy, Horse Racing and Breeding Industry, Agriculture and
Open Space in States/Provinces where they Exist:
Why is this Important for New Jersey?



Photos Courtesy of Ed Kays, UETA, Equi Photo and Lisa Photo

Karyn Malinowski, Ph.D. and Ryan Avenatti, M.S.

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Challenges Facing the Racing Industry

- Policy and regulation of racing
- Marketing and growth of racing
- Operations and management of racing

Key Issues Affecting the Future of Racing

- Identify additional funding sources for racing programs and promotion.
- Promote cooperation and reduce competition between racing and A.C. casinos and NJ lottery.
- Implement legislation permitting building of OTWs.
- Increase fan base through marketing programs and tourism promotion devoted to racing.
- Dedicate funding to increased purses and breeding incentives.

Key Issues Affecting the Future of Racing (cont.)

- Examine cost to the industry of state-mandated regulations.
- Emphasize the strong connection between land preservation and a viable racing industry.
- Fund a state-supported training center for the horse industry workforce.
- Examine the means of ensuring integrity of the product.
- Educate legislators and the public regarding the value of a healthy racing industry.

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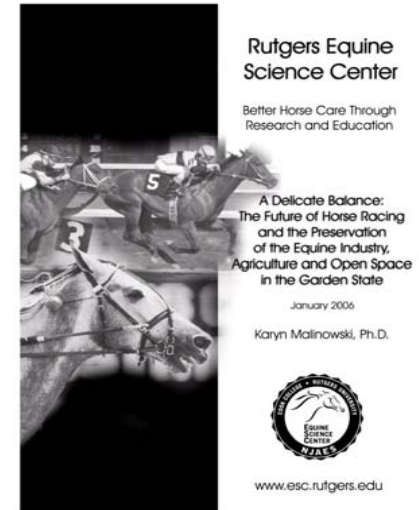
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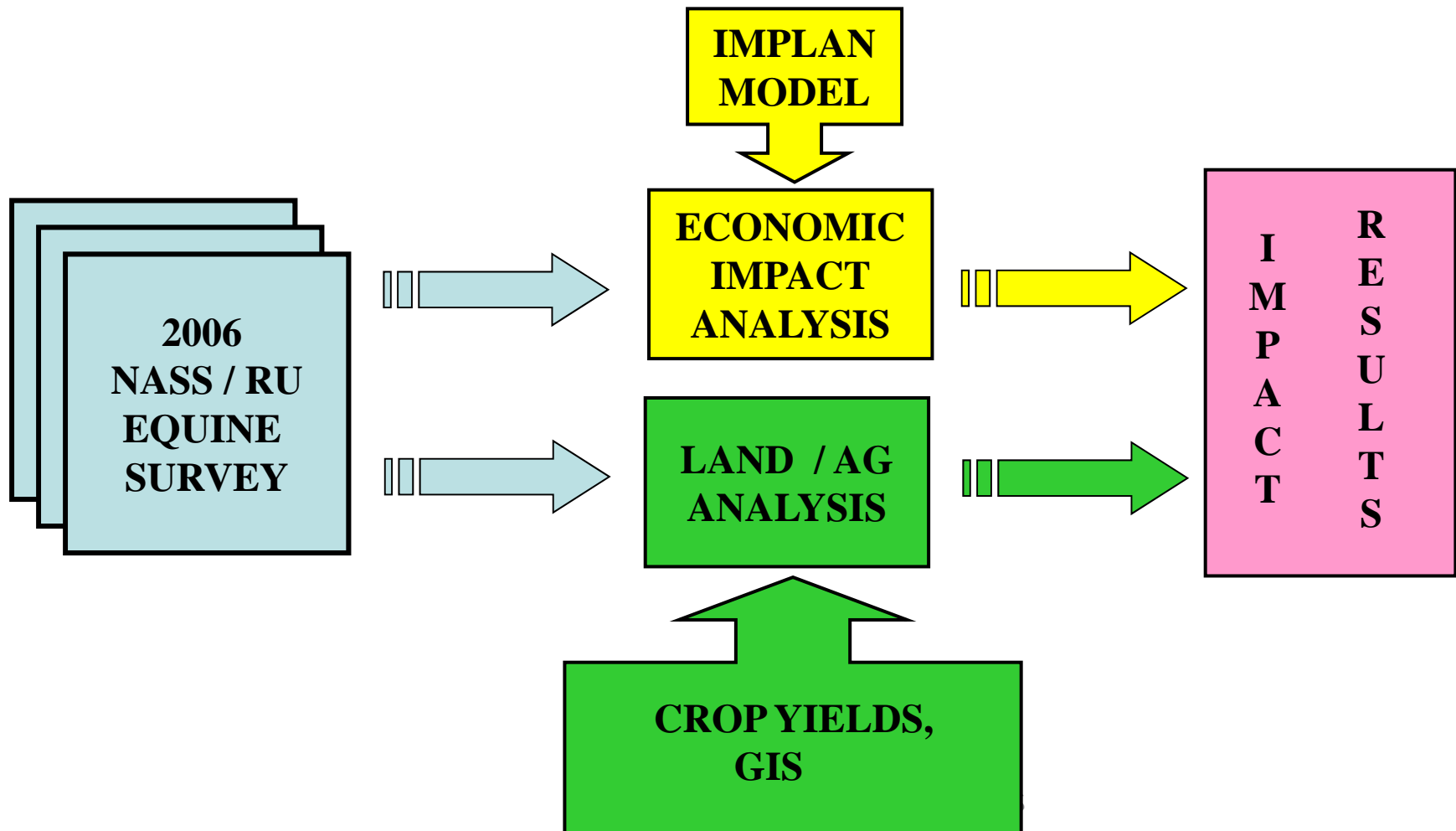
- **Purposes of this study**

- Economic and land use impact assessment
- Begin regular benchmarking of the industry
- Profile all components of the state's equine industry, including pleasure & sport/recreation
- Provide insight into the number of dollars, jobs and ag acres in jeopardy if racing were to disappear
- Go beyond a simple enumeration

Background

- **Other recent studies**
 - Census of Agriculture 2002
 - Equine impact studies in other states
 - Pennsylvania (2002, 2008)
 - New York
 - Ontario
 - American Horse Council 2006

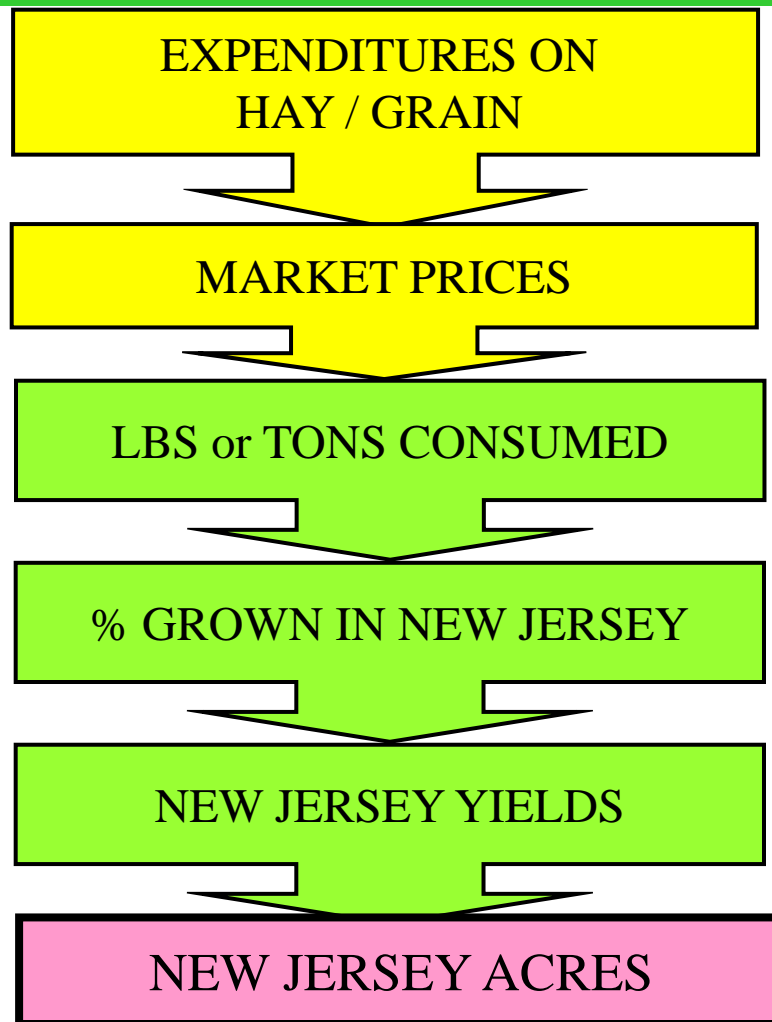
Methodology



Land Use Analysis

- **Operation acres**
 - Estimated using survey data
 - Aerial photography cross-check
- **“Support acres”**
 - *Not* located on equine operations
 - Used to grow food or bedding for NJ horses

Estimating “Support Acres”



Pennsylvania Equine Industry

PA Equine Industry

- Economic Impact - \$1.12 B
- Employment – 20,300
- Total Taxes - \$55.2 M
- (Penn State University, 2002)

- Economic Impact - \$4.6 B
- Employment – 64,128
- Total Taxes - \$230.1 M
- (TrippUmbach, 2008)

PA Horse Racing Sector

- Economic Impact - \$344.5 M
- Employment – 6,430
- Total Taxes - \$6.9 M

- Economic Impact - \$1.6 B
- Employment – 23,028
- Total Taxes - \$78.3 M

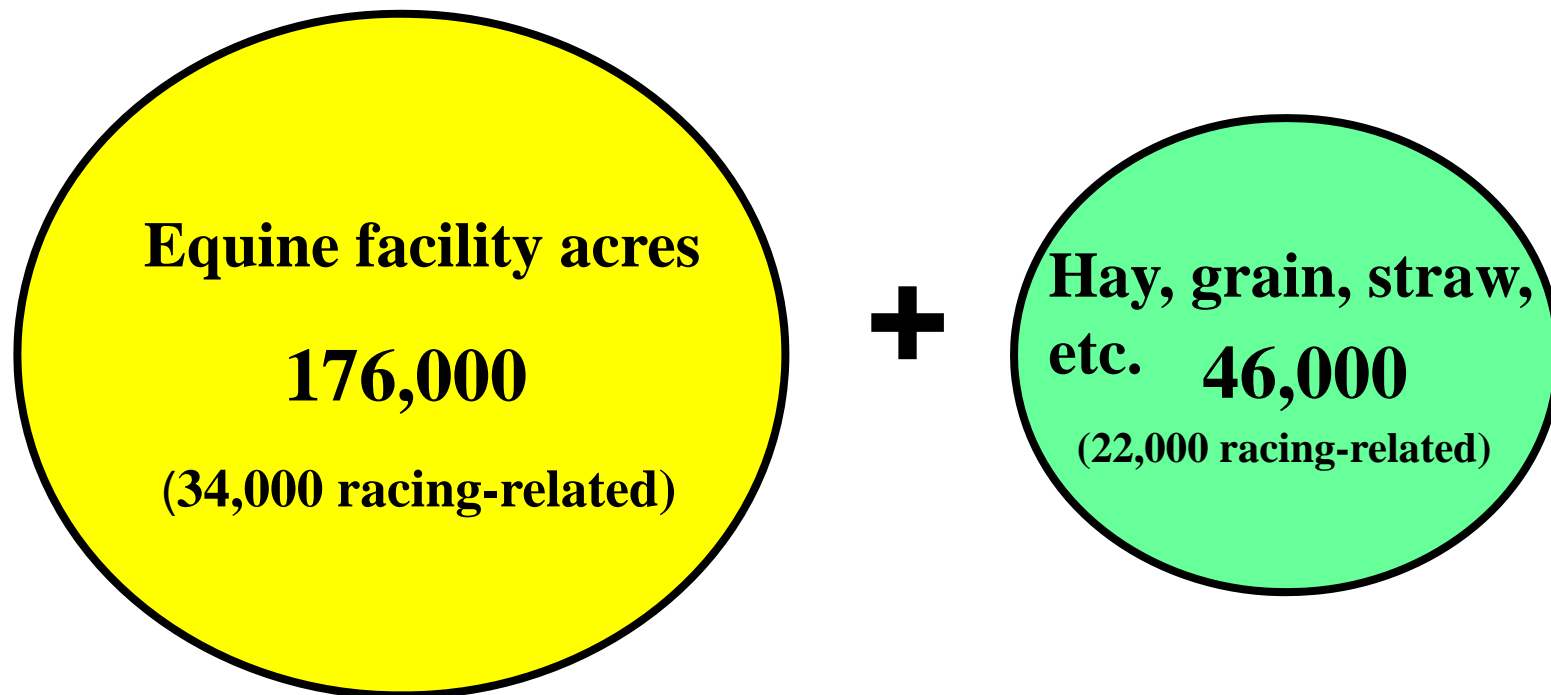
Land use impacts



222,000 Acres in NJ Supported by Horses

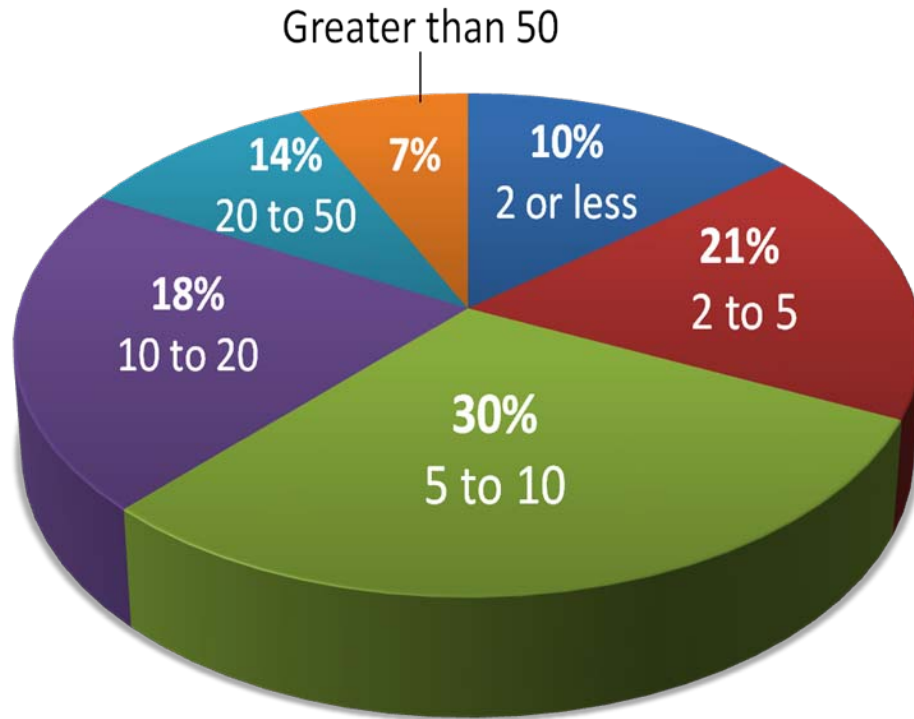
On equine operations

*On other
agricultural operations*

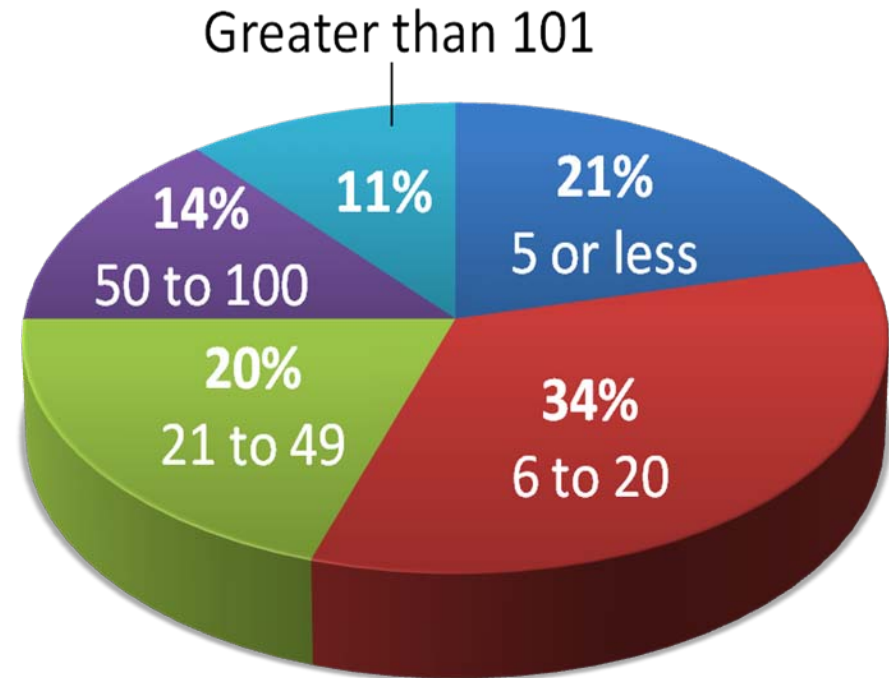


Operations by number of equine-related acres

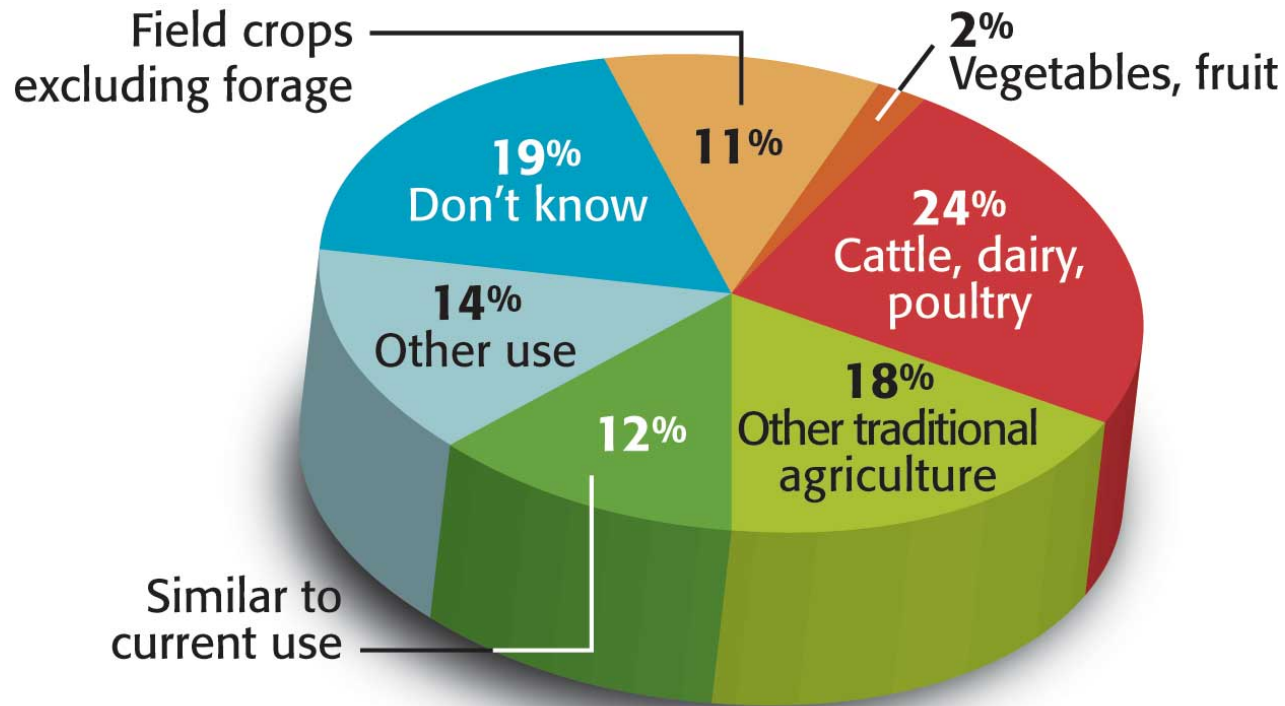
New Jersey



Pennsylvania



Acres on equine operations by previous use



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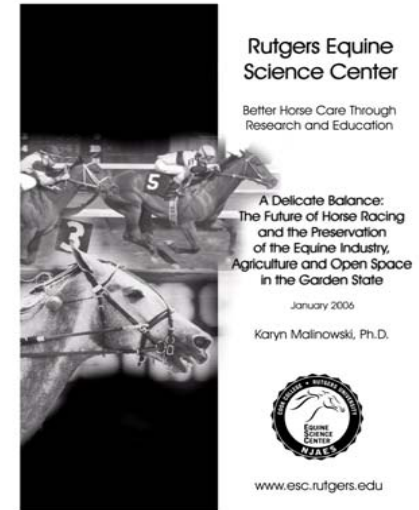
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Purpose

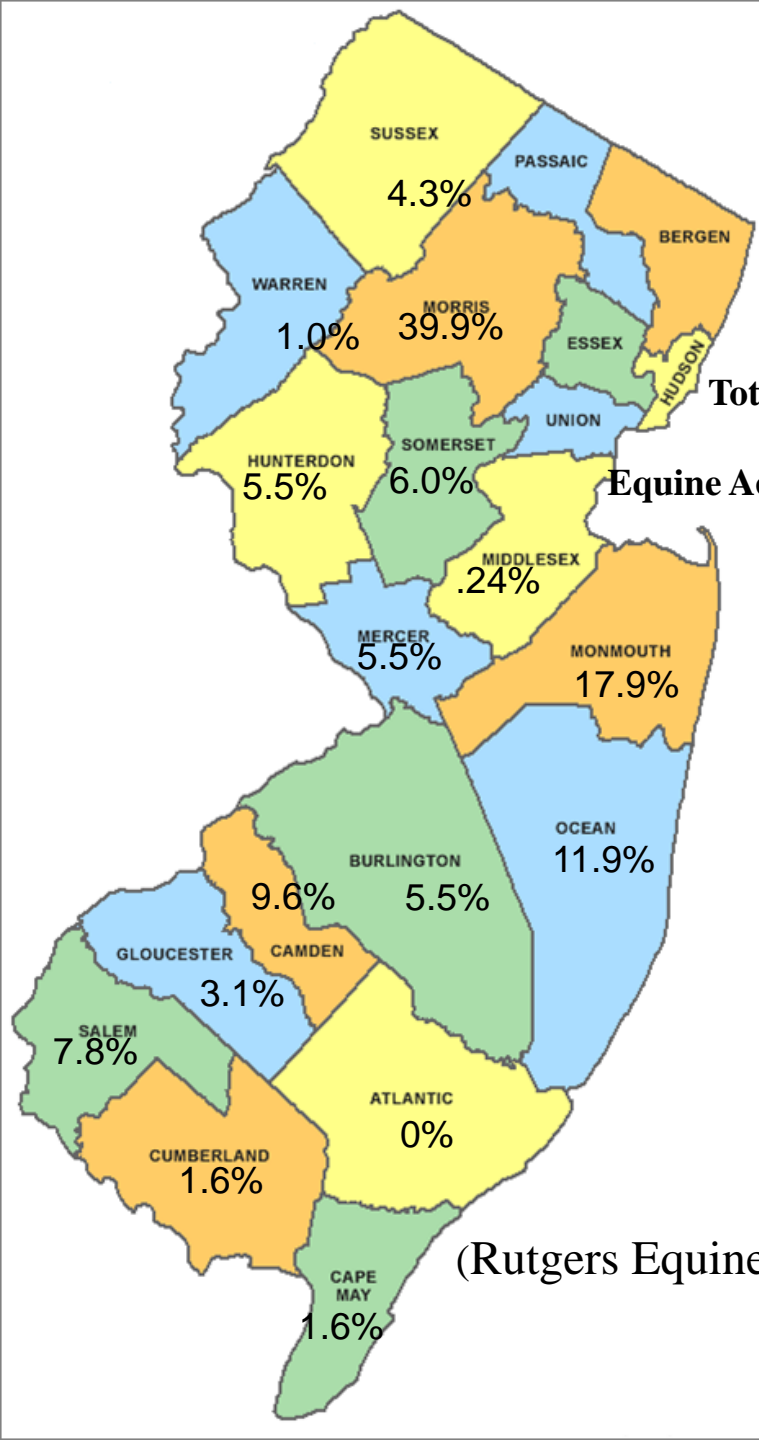
- To review the impact of slot machines/VLTs on the economy, horse racing and breeding activities, and agriculture and open space in states and provinces where they exist.
- To assess the current status of New Jersey's gaming industries.
- To project the impact of the loss of horse racing in New Jersey on the aforementioned parameters.
- To offer suggestions for moving forward to ensure horse racing's sustainability in New Jersey.

New Jersey Gaming Industry

- **Status of Horse Racing:**
 - Current business model is no longer viable.
 - Owners and breeders are reluctant to invest in NJ without a secure outlook for racing's future in the state.
 - Pari-mutuel wagering is no longer adequate to fund purses or improve infrastructure.
 - Off-track and internet wagering have undergone explosive growth.

(Malinowski and Avenatti, 2009)

Pennsylvania Horse Conference, 2012



**Total Equine Facility Acres
Compared to
Equine Acres in Farmland Preservation**

**% = preserved
equine acres out
of total equine
acres**

(Rutgers Equine Science Center, 2010)

County	Total Equine Acres	Preserved Equine Acres
Atlantic	3,100	N/A
Burlington	20,700	1,137
Camden	1,600	154
Cape May	2,500	39
Cumberland	8,200	135
Gloucester	6,200	191
Hunterdon	29,400	1,607
Mercer	3,500	192
Middlesex	4,200	10
Monmouth	27,300	4,886
Morris	3,700	1,476
Ocean	4,000	477
Salem	12,900	1,009
Somerset	7,600	454
Sussex	20,000	857
Warren	18,800	195

County	NJ Farms in Farmland Preservation		NJ Horse Farms in Farmland Preservation		% of acreage in Farmland Preservation
	# Farms	Acreage	# Farms	Acreage	
Atlantic	29	3,592	NA	NA	NA
Bergen	7	318	1	16	5.00%
Burlington	177	21,835	15	1,137	5.00%
Camden	7	467	3	154	33.00%
Cape May	38	2,515	3	39	2.00%
Cumberland	102	12,617	3	135	1.00%
Essex	0	0	NA	NA	NA
Gloucester	100	8,777	6	191	2.00%
Hudson	0	0	NA	NA	NA
Hunterdon	256	22,678	22	1,607	7.00%
Mercer	88	6,699	6	192	3.00%
Middlesex	43	4,508	1	10	0.20%
Monmouth	133	10,585	61	4,886	46.00%
Morris	96	6,305	21	1,476	23.00%
Ocean	39	2,675	11	477	18.00%
Passaic	0	0	NA	NA	NA
Salem	185	23,232	6	1,009	4.00%
Somerset	78	6,601	9	454	7.00%
Sussex	86	10,872	6	857	8.00%
Union	0	0	NA	NA	NA
Warren	150	14,862	7	195	1.00%
Total	1,614	159,138	181	12,835	8.00%

Preserved Farms in PA

- Total Farmland – 7,745,336
 - Total Equine-Related Acres – 1.4 Million
 - Non-racing Operation Acres – 1,037,153
 - Racing Operation Acres – 105,450
- Ag Preserved Farms - 4,243
- Ag Preserved Acres - 459,000
- Total Ag Preserved Equine Operation Acres – 93,517
 - Ag Preserved Equine Operation Acres (racing) - 10,545 (10%)
 - Ag Preserved Equine Operation Acres (non-racing) – 82,972 (8%)

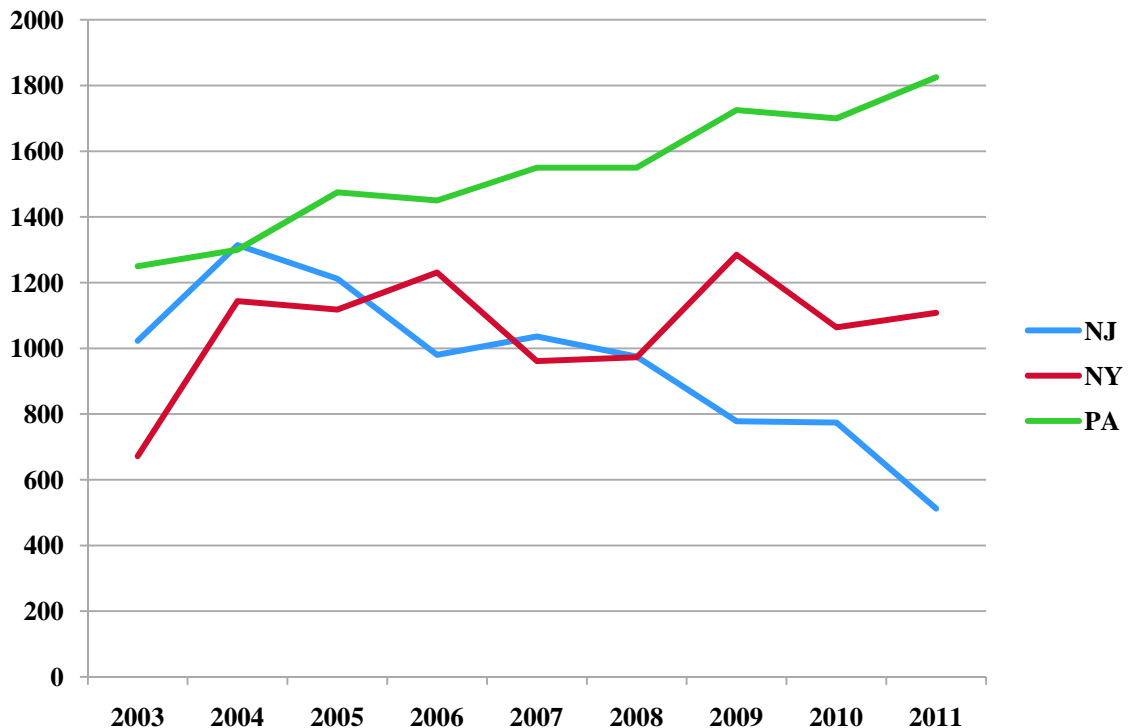
2010 Top Ten Racino Markets

Gross Gaming Revenue in Millions	
1. Philadelphia, PA	\$ 759.11
2. Yonkers, NY	\$ 592.23
3. Indianapolis, IN	\$ 445.67
4. Charles Town, WV	\$ 428.76
5. Providence, RI	\$ 423.66
6. Dover/Harrington, DE	\$ 335.17
7. Dade County, FL	\$ 329.06
8. Grantville, PA	\$ 268.47
9. Meadow Lands, PA	\$ 264.15
10. Wilkes-Barre, PA	\$ 243.22

(American Gaming Association, 2011)

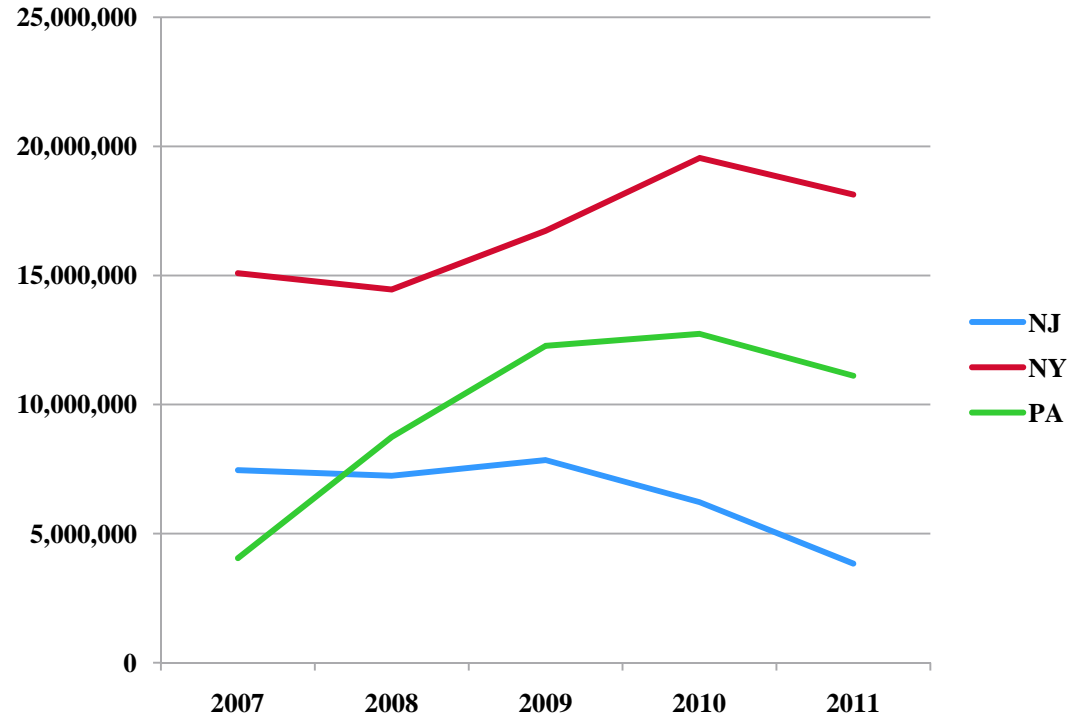
Number of Horses Registered for Sire Stakes

Year	NJ	NY	PA
2011	512	1108	1825
2010	774	1064	1700
2009	778	1285	1725
2008	975	973	1550
2007	1036	961	1550
2006	980	1231	1450
2005	1212	1118	1475
2004	1314	1144	1300
2003	1023	672	1250



Sire Stakes Purse Distributions

Year	NJ	NY	PA
2011	3,837,475	18,129,372	11,113,120
2010	6,217,900	19,549,767	12,737,064
2009	7,850,000	16,731,199	12,271,323
2008	7,239,267	14,453,633	8,742,424
2007	7,458,725	15,086,037	4,051,286



(Personal Communications, 2012)

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Thoroughbred Racing

Pennsylvania			
	Overnight Purses Paid	Number of Race Cards	Avg. Overnight/Card
2011	122,960,000	495	248,404
2010	111,545,784	495	225,345
2009	110,447,501	506	218,275
2008	109,598,913	493	222,310
2007	67,382,261	405	166,375
New Jersey			
2011	29,166,972	83	351,409
2010	43,761,152	77	568,326
2009	40,750,485	146	279,112
2008	41,197,532	147	280,255
2007	36,158,977	124	291,604

What Does PA Stand to Lose?

- **If racing-related training and breeding farms leave PA:**
 - A premier agribusiness will be put in danger
 - Economic Impact - \$344.5 M
 - Employment – 6,430
 - Total Taxes - \$6.9 M
 - 105,450 acres of working agricultural landscape and open space
 - Traditional agricultural interests (i.e. grain, hay, and straw farmers) continue to survive due to horse owners
 - Services to horse enthusiast put at risk (i.e. veterinary clinics and feed and supply stores)
 - Lobbying support for the equine industry

What Does PA Stand to Lose? (cont.)

- **If racing-related training and breeding farms leave PA:**
 - 18% of the total acres in the agricultural preservation program are equine-related.
 - Only 6% of the total acres devoted to equine operations are in the agricultural preservation program.
 - **Leaving over 1,318,280 acres vulnerable to future development.**
 - **94,905 acres are directly tied to the racing industry**



Moving Towards Sustainability of Horse Racing

- New business model is needed
- Horse racing, training, and breeding need a stable source of revenue
- The industry needs to **define** itself!
- The industry needs to **invest** in itself!
- Need to accommodate the next generation of fans while satisfying current customers!

Moving Towards Sustainability of Horse Racing (cont.)

- **Investments in:**
 - Marketing of live racing
 - Creation of a racing brand
 - Application of new technology to make it easier to research a horse and make wagers
 - Innovative wagers
 - Reduction in cost of regulation
 - Capital improvements
 - **The integrity of racing**
 - **Research for the benefit of the equine athlete and the industry!**

Closing Remarks

- The racehorse breeding, training and racing industry is important to the socioeconomic well-being of the state of Pennsylvania.
- Horse racing is the economic driving engine of the entire horse industry, and is extremely valuable to the quality of life in the form of agricultural working landscape which benefits all residents of New Jersey and is a major contributor in Pennsylvania.
- Pennsylvania needs to decide if it is an industry worth protecting.



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