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2019 State of the New Jersey Horse Racing Industry



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Executive Summary

This report updates the 2014 “State of the New Jersey Horse Racing Industry” white paper by Malinowski and Gottlieb which reviewed the health of the New Jersey horse racing segment of the equine industry and compared indicators of horse racing and breeding industry health to those in the neighboring states of New York and Pennsylvania. These two reports now provide 8 years of data which can be used for comparison purposes as to the health of the New Jersey horse racing industry.

The intent was not to conduct another equine industry economic impact study as seen in the precedent-setting study, “The New Jersey Equine Industry 2007: Economic Impact (Rutgers Equine Science Center, 2007), but to update indicators of industry health such as purse monies awarded, number of race days, races restricted to state-bred horses only, mares bred and foals registered, etc. in comparison to two neighboring states where alternative gaming revenue supports horse racing. These indicators can be used moving forward to observe trends in the New Jersey horse racing industry as the state looks to invest in the horse racing segment of the equine industry with an annual \$20 million appropriation (for a period of five years) to benefit purse structure at New Jersey racetracks and breeder incentive programs such as the New Jersey Sire Stakes Program in support of Standardbred breeding.

While New York and Pennsylvania have more lucrative purse structures and breeder incentive programs when compared to New Jersey, both states are following the national trend seen in the past decade where there were reduced numbers of mares bred, stallions standing, and foals registered for both Thoroughbreds and Standardbreds.

Total handle, in New Jersey, from all betting sources approximated \$400 million dollars annually during the period 2014-2017. While live handle was down for the period 28%, annual revenue for account wagering (internet, phone, and mobile) and off-track wagering facilities (OTWs) continued to remain stable or increase. Account wagering on mobile devices has been successful, as has the opening of five new OTWs since 2014, which has ensured that the total handle in New Jersey remained consistent over the period.

This white paper demonstrates that New Jersey racehorse owners, trainers, and breeders are still unable to compete with purse structures and breeder incentive programs that exist in neighboring states where racing is supported by alternative gaming. Purse structure, number of race days, and number of live races offered at a state's racetracks are the backbone of a successful and sustainable horse racing industry. With a higher level of purses offered, higher quality horses compete for those dollars and the betting public's wagers increase, providing revenue to the racetracks. Trainers and owners follow the purse money and the only way racing in a state becomes sustainable is for the racing industry to offer a competitive purse structure and a sufficient number of racing opportunities to make it worth-while to race in a particular state. A sustainable horse racing industry also provides adequate breeder incentive awards and races restricted for horses bred in-state that then result in increased numbers of stallions standing, mares bred, foals born, and yearlings registered. This assurance results in increased willingness of horse and horse farm owners to invest in land, facilities, animals, and other agriculturally-related products.

In 2018, New Jersey won its seven year quest to legalize sports betting after the U.S. Supreme Court overturned the 1992 ban on such wagering. The first bet was placed on June 14, 2018 at Monmouth Park. The State of New Jersey receives 8.5% tax on winning bets placed in person and 13% on winning bets placed over the internet. Senate Bill No. 2992 provides the provision that a portion of the sums received by the horse racing permit holder from sports wagering be paid to respective horsemen's associations pursuant to agreement with the racetrack (New Jersey Legislature, 2018).

In 2018, two bills (Senate, No. 2992 and Assembly, No. 4810) were introduced in the legislature to appropriate, out of the State's General Fund in current fiscal year 2019 and in each of the four fiscal years thereafter, \$20 million annually to the New Jersey Racing Commission to be used for horse racing purse subsidies. These amounts are to be allocated equally between Thoroughbred and Standardbred interests. One hundred percent of the funds allocated to Thoroughbred racing would be allocated to Monmouth Park to be used for overnight purses. For funds allocated to Standardbred racing, 60% shall be allocated to overnight purses at the New Meadowlands, 16% to Freehold Raceway overnight purses, 12% to New Jersey Sire Stakes purses, 6% to purse bonuses for New Jersey sired horses, and 6% for breeder awards purses. Both bills come with

the condition that any recipient of these funds shall be required to file, in subsequent fiscal years, an annual report with the New Jersey Racing Commission that documents the purposes for which the funds were used. These reports are also to include metrics to assess the impact the use of these funds had on the health of the New Jersey horse racing and breeding industries, similar to those used in this report. Examples of such metrics include: changes in total handle wagered; total number of horses in the races; number of Jersey bred horses in the races; number of stallions and broodmares residing in New Jersey; and the number of foals born in the state and registered in programs such as the New Jersey Sire Stakes (New Jersey Legislature, 2018).

In the fall of 2018, the New Jersey Association of Equine Practitioners (NJAEPP) conducted a survey of its membership to assess the impact of recent changes in the horse racing segment of the equine industry on veterinary practices involved with horse racing and the breeding of racehorses. While changes in New Jersey's racehorse population have not yet negatively impacted equine practitioners who treat horses that are actively racing, the results of this survey clearly demonstrated that equine practitioners involved in the breeding of racehorses and its associated components have been negatively impacted by the reduction in numbers of racehorse foals being produced in New Jersey (Malinowski and Rankins, 2018).

There is no way New Jersey racehorse owners and breeders can continue to remain competitive with New York and Pennsylvania based on the indicators of industry health further outlined in this report without assistance from other forms of gaming, the now legalized sports wagering, and or an appropriation from the State of New Jersey.

On a positive note, in anticipation of an increase in purse structure and breeder incentives due to revenue from sports wagering or an appropriation from the State of New Jersey, in 2019, there are already signs of investment in the horse breeding segment of the racehorse industry with an increase in the number of Standardbred stallions standing from 6 in 2017 to 15 in 2019. These include the high-quality trotting stallions Muscle Hill, Tactical Landing, and Walner, standing at Southwind Farms, and Trixton, standing at Deo Volente Farms. For the breeding season 2019, there will also be a new Thoroughbred stallion standing in New Jersey, Sea Wizard at Colonial Farms in Colts Neck. One must realize, however, that there will be a lag time of two to four years before an uptick in the breeding of racehorses in the state translates into a demonstrated

increase in the number of horses actually in training and racing. One could predict that this will result in an increase in the number of horses housed at training facilities in the state and increased field size in races offered for Jersey bred horses.

Horse Racing Efforts to Ensure Sustainability Since 2014

New Jersey currently offers live racing at three racetracks. Freehold Raceway, which is strictly a harness track located in Freehold, is owned by Pennwood Racing, Inc. and is operated by FR Park Racing, LP. The Meadowlands Racetrack, located in East Rutherford, offers both Standardbred and Thoroughbred racing and is operated by New Meadowlands Racetrack, LLC. Monmouth Park, located in Oceanport, offers Thoroughbred racing and is operated by Darby Development. In addition, the New Jersey Thoroughbred Horsemen's Association was granted a license by the New Jersey Racing Commission to hold a one-day steeplechase meet on October 20, 2018 in Far Hills at Moorland Farm (New Jersey Racing Commission, 2017).

Since 2014, five new Off-Track Wagering (OTW) facilities have opened for a total of seven such facilities now operating in the state. These include: Favorites at Egg Harbor Township, Atlantic City Racing Association (ARCA) is the license holder; Favorites at Hillsborough, New Jersey Thoroughbred Horsemen's Association is the license holder; Favorites at Gloucester Township, Freehold Raceway Off-Track, LLC is the license holder; Favorites at Toms River, Freehold Raceway Off-Track, LLC is the license holder; Favorites at Woodbridge, New Jersey Thoroughbred Horsemen's Association is the license holder; Favorites at Vineland, Atlantic City Racing Association (ARCA) is the license holder; and Winners Bayonne, New Meadowlands Racetrack, LLC is the license holder (New Jersey Racing Commission, 2017).

Total handle from all betting sources approximated \$400 million dollars annually during the period 2014-2017. While live handle was down for the period 28%, annual revenue for account wagering (internet, phone, and mobile) and off track wagering facilities (OTWs) continued to remain stable or increase (Table 1). Account wagering on mobile devices has been successful and the opening of five new OTWs since 2014 has ensured that the total handle in New Jersey remained consistent over the period.

Table 1. Revenue – Account Wagering, OTW Facilities, and Live Handle NJ (\$)				
	2014	2015	2016	2017
Internet	146,134,341	135,493,861	120,115,091	99,764,062
Phone	7,610,895	6,411,711	6,607,406	6,963,253
Mobile	26,280,301	38,174,961	52,602,132	73,608,606
OTW	163,351,984	166,567,115	165,910,613	162,699,640
Live Handle	58,543,325	56,617,916	45,719,989	42,355,111
Total Off Track	343,377,521	346,647,648	345,235,242	343,035,561
Total	401,920,846	403,265,564	390,955,231	385,390,672

Source: 2017 New Jersey Racing Commission Annual Report

In 2018, New Jersey won its seven year quest to legalize sports betting after the U.S. Supreme Court overturned the 1992 ban on such wagering. The first bet was placed on June 14, 2018 at Monmouth Park. The State of New Jersey receives 8.5% tax on winning bets placed in person and 13% on winning bets placed over the internet. Senate bill No. 2992 provides the provision that a portion of the sums received by the horse racing permit holder from sports wagering be paid to respective horsemen’s associations pursuant to agreement with the racetrack (New Jersey Legislature, 2018).

In 2018, two bills (Senate, No. 2992 and Assembly, No. 4810) were introduced in the legislature to appropriate, out of the State’s General Fund in current fiscal year 2019 and in each of the four fiscal years thereafter, \$20 million annually to the New Jersey Racing Commission to be used for horse racing purse subsidies. These amounts are to be allocated equally between Thoroughbred and Standardbred interests. One hundred percent of the funds allocated to Thoroughbred racing would be allocated to Monmouth Park to be used for overnight purses. For funds allocated to Standardbred racing, 60% shall be allocated to overnight purses at the New Meadowlands, 16% to Freehold Raceway overnight purses, 12% to New Jersey Sire Stakes purses, 6% to purse bonuses for New Jersey sired horses, and 6% for breeders’ awards purses. Both bills come with the condition that any recipient of these funds shall be required to file, in subsequent fiscal years, an annual report with the New Jersey Racing Commission that documents the purposes for which the funds were used. These reports are also to include metrics to assess the impact the use of these funds had on the health of the New Jersey horse racing and breeding industries, similar to

those used in this report. Examples of such metrics include: changes in total handle wagered; total number of horses in the races; number of Jersey bred horses in the races; number of stallions and brood mares residing in New Jersey; and the number of foals born in the state and registered in programs such as the New Jersey Sire Stakes (New Jersey Legislature, 2018).

Health of New Jersey Racing Industry

Similarly to what was reported in the Equine Science Center's 2014 "State of the New Jersey Horse Racing Industry" white paper by Malinowski and Gottlieb, it remains evident that indicators of the health of the horse racing industry, such as, purses offered, number of racing days, number of stallions standing, mares bred, foals born, and yearlings registered, demonstrate that New Jersey racehorse owners, trainers and breeders remain non-competitive with the surrounding states of New York and Pennsylvania whose purse and breeder incentive structures are supported by alternative gaming.

Purse structure, number of race days, and number of live races offered at a state's racetracks are the backbone of a successful and sustainable horse racing industry. With a higher level of purses offered, higher quality horses compete for those dollars and the betting public's wagers increase, providing revenue to the racetracks. Trainers and owners follow the purse money and the only way racing in a state becomes sustainable is for the racing industry to offer a competitive purse structure and for a sufficient number of racing opportunities to make it worth-while to race in a particular state. A sustainable horse racing industry also provides adequate breeder incentive awards and races restricted for horses bred in-state that then result in increased numbers of stallions standing, mares bred, foals born, and yearlings registered. This assurance results in increased willingness of horse and horse farm owners to invest in land, facilities, animals, and other agriculturally-related products.

Displayed in Tables 2 and 3 are the number of racing opportunities, purses paid, and pari-mutuel handle on Thoroughbred and Standardbred racing, respectively, in the states of New Jersey, New York, and Pennsylvania for the period 2014-2017. These numbers ultimately reflect the quality

of racing in a particular state and can be used to predict the willingness of owners and trainers to invest in the state.

Regarding the number of Thoroughbred racing days, New Jersey offered an average of 69 racing days between its venues at Monmouth Park and the turf meet at the New Meadowlands Racetrack for the period 2014-2017. This is down from an average of 78 racing days for Thoroughbreds for the period 2010-2013. Number of racing days for Thoroughbreds in New York and Pennsylvania averaged 385 and 476, respectively; this reflects a reduction in number of race days for Thoroughbreds for both New York and Pennsylvania compared to the period 2010-2013, even though purse structures in these states are supplemented by alternative gaming.

In 2014, New Jersey offered an average of \$264,523 in purse money per day and \$285,928 in 2017, reflecting an increase of eight percent for the four-year period; in contrast to \$624,966 offered in 2010. The slight increase observed is most likely due to the fact that the number of racing days was reduced from 77 days in 2014 to 58 days in 2017. In both New York and Pennsylvania, where purses are supplemented by revenue from alternative gaming, average purses offered per day remained consistent for the period ranging from \$452,967 in 2014 to \$452,619 in 2017 in New York, and from \$208,616 in 2014 to \$214,576 in 2017 in Pennsylvania.

Another barometer of the quality of racing is the amount wagered by bettors on races offered. Although the number of racing days offered was less to that of Pennsylvania, the annual pari-mutuel handle for Thoroughbred racing in New York averaged \$2,334,090,660 while Pennsylvania averaged \$482,510,230 and New Jersey (with a much smaller number of race days offered) \$212,810,550 for the period 2014-2017. For the period 2014-2017 the average wagered per day on Thoroughbred racing was \$3,075,299 in New Jersey, \$6,073,265 in New York, and \$1,014,392 in Pennsylvania (Table 2). This is in contrast to 2010 when New Jersey recorded the highest average per day (\$6,324,390) of all three states in 2010 when Monmouth Park held the last of its “boutique” meets which drew some of the best horses in the country to the Garden State.

Table 2. Racing Opportunities, Purses Paid, and Gross Pari-Mutuel Handle on Thoroughbred Races (\$)

		2014	2015	2016	2017
New Jersey	# Race Days	77	71	71	58
	Purses Paid	20,368,262	20,680,110	19,982,395	16,583,808
	Average/Day	264,523	291,269	281,442	285,928
	Total Wagered on TB Racing	217,426,075	263,348,725	196,087,777	174,379,623
	Average Wagered Per Day	2,823,715	3,709,136	2,761,799	3,006,545
New York	# Race Days	403	390	379	367
	Purses Paid	182,545,665	182,984,413	172,343,635	166,111,110
	Average/Day	452,967	469,190	454,732	452,619
	Total Wagered on TB Racing	2,332,300,627	2,351,415,558	2,330,580,388	2,322,066,069
	Average Wagered Per Day	5,787,346	6,029,271	6,149,289	6,327,155
Pennsylvania	# Race Days	514	491	451	449
	Purses Paid	107,229,077	105,408,653	102,042,185	96,344,716
	Average/Day	208,616	214,681	226,257	214,576
	Total Wagered on TB Racing	503,498,304	496,353,661	465,094,478	465,094,478
	Average Wagered Per Day	979,568	1,010,903	1,031,251	1,035,845

Source: New Jersey Racing Commission Annual Reports, New York State Racing and Wagering Board Annual and Simulcast Reports, Pennsylvania Horse and Harness Racing Commissions Annual Reports

Regarding the number of harness racing days, New Jersey offered an average of 191 race days at its two harness tracks (Freehold Raceway and the New Meadowlands Racetrack) for the period 2014-2017. New York offered an average of 906 race days per year during the period 2014-2017 while Pennsylvania averaged 482 days for the same period. Both states demonstrated small decreases throughout the period in the number of race days offered. New Jersey offered an average of \$80,788 in purse money per day for harness racing for the period 2014-2017, in contrast to \$95,920 for the period 2010-2013; while New York and Pennsylvania averaged \$125,226 and \$190,781, respectively. Total wagered on the New Jersey harness racing product ranged from a high of \$247,436,062 in 2015, to a low of \$212,648,874 in 2014, with an average of \$229,445,172. Interestingly, total pari-mutuel handle in both New York and Pennsylvania decreased for the period 2014-2017, and averaged \$307,051,412 and \$228,573,906 for the two states, respectively. When one looks at the average wagered on harness racing per day for the four-year period in New Jersey, New York, and Pennsylvania, it is clear that the quality of the

New Jersey harness racing product remains a favorite with bettors, averaging \$1,200,340, compared to New York and Pennsylvania, \$338,850, and \$473,410, respectively. It remains evident that The New Meadowlands Racetrack remains the “epicenter” of the pari-mutuel betting pool for harness racing in North America.

Table 3. Racing Opportunities, Purses Paid, and Gross Pari-Mutuel Handle on Harness Races (\$)

		2014	2015	2016	2017
New Jersey	# Race Days	191	193	200	181
	Purses Paid	17,487,280	17,202,035	14,131,811	12,996,975
	Average/Day	91,556	89,130	70,659	71,806
	Total Bet on Harness Racing	212,648,874	247,436,062	233,854,748	223,841,006
	Average Wagered Per Day	1,113,344	1,282,052	1,169,273	1,236,690
New York	# Race Days	907	911	915	891
	Purses Paid	105,756,271	117,803,075	108,901,857	121,153,253
	Average/Day	116,600	129,312	119,018	135,974
	Total Bet on Harness Racing	310,355,200	326,244,503	301,511,641	290,094,304
	Average Wagered Per Day	342,178	358,117	329,521	325,583
Pennsylvania	# Race Days	498	483	470	478
	Purses Paid	101,701,018	96,567,771	88,310,503	81,776,521
	Average/Day	204,218	199,933	187,894	171,080
	Total Bet on Harness Racing	261,481,260	224,184,138	216,655,931	211,974,295
	Average Wagered Per Day	525,062	464,149	460,970	443,460

Source: New Jersey Racing Commission Annual Reports, New York State Racing and Wagering Board Annual and Simulcast Reports, Pennsylvania Horse and Harness Racing Commissions Annual Reports

While New York and Pennsylvania have more lucrative purse structures and breeder incentive programs when compared to New Jersey, both states are following the national trend seen in the past decade where there were reduced numbers of mares bred, stallions standing, and foals registered for both Thoroughbreds and Standardbreds. In 2008 there were 52,872 Thoroughbred mares bred, 3,267 stallions standing, and 32,332 foals registered in the United States. In 2018, there were 30,747 mares bred (decrease of 42%), 1,234 stallions standing (decrease of 62%) and 19,925 foals registered (decrease of 38%) nation-wide (Table 4, The Jockey Club, 2017).

Table 4. Number of Thoroughbred Mares Bred, Stallions Standing, and Foals Registered in the United States

	Mares Bred	Stallions Standing	Foals Registered
2008	52,872	3,267	32,332
2009	45,826	2,996	29,612
2010	40,841	2,771	25,954
2011	36,645	2,482	22,653
2012	35,017	2,296	21,466
2013	34,145	2,101	21,425
2014	35,501	2,023	21,396
2015	35,097	1,779	21,421
2016	33,602	1,545	20,900
2017	31,357	1,415	20,900
2018	30,747	1,234	19,925

The Jockey Club Fact Book, 2017

Regarding Standardbreds, in 2008 there were 13,624 Standardbred mares bred, 822 stallions standing, and 8,871 foals registered. In 2018, there were 10,883 mares bred (decrease of 20%), 620 stallions standing (decrease of 25%) and 6,115 foals registered in 2017 (decrease of 31%) nation-wide (Table 5, United States Trotting Association, 2019).

Table 5. Number of Standardbred Mares Bred, Stallions Standing, and Foals Registered in the United States

	Mares Bred	Stallions Standing	Foals Registered
2008	13,624	822	8,871
2009	12,667	794	7,401
2010	11,813	745	6,844
2011	11,223	675	6,703
2012	10,943	675	7,336
2013	10,774	654	6,441
2014	10,455	631	6,660
2015	9,992	646	6,020
2016	10,292	657	6,107
2017	10,932	696	6,115
2018	10,883	620	Unavailable

United States Trotting Association (personal communication), 2019

Tables 6 - 9 display the impact of expanded gaming on the actual breeding segment of the horse racing industry in New Jersey, New York, and Pennsylvania, as measured by number of mares bred, stallions standing, foals born, yearlings registered, and monetary breeder incentive awards. The number of Thoroughbred mares bred in New Jersey decreased (70%) from 67 in 2014 to 20 in 2017. Number of Thoroughbred stallions standing in New Jersey decreased (53%) from 17 in 2014 to 6 in 2017 and the number of foals registered in New Jersey decreased (34%) from 120 in 2014 to 79 in 2016.

The number of Thoroughbred mares bred in New York decreased (20%) from 1,674 in 2014 to 1,333 in 2017; the number of stallions standing decreased (13%) from 70 in 2014 to 61 in 2017; the number of foals registered decreased (1%) from 1524 in 2014 to 1505 in 2016. The number of Thoroughbred mares bred in Pennsylvania decreased (30%) from 905 in 2014 to 629 in 2017; the number of stallions standing decreased (47%) from 77 in 2014 to 41 in 2017; the number of foals registered decreased (25%) from 839 in 2014 to 629 in 2016 (Table 6).

Table 6. Impact of Expanded Gaming on Breeding Segment of Thoroughbred Racing

		2014	2015	2016	2017
New Jersey	Mares Bred	67	46	32	20
	Stallions Standing	17	10	7	6
	Registered Foals	120	125	79	*
New York	Mares Bred	1674	1596	1522	1333
	Stallions Standing	70	66	59	61
	Registered Foals	1524	1503	1505	*
Pennsylvania	Mares Bred	905	707	529	629
	Stallions Standing	77	59	49	41
	Registered Foals	839	684	629	*

Source: New Jersey Thoroughbred Breeders Association (personal communication) and The American Jockey Club State Fact Books, *Data not Available

Regarding Standardbreds, the number of mares bred in New Jersey increased (73%) from 74 in 2014 to 278 in 2017. This could reflect the anticipated continued success of the New Meadowlands Racetrack and that of sports wagering; along with the hope of exploring other sources of gaming revenue in support of horse racing in New Jersey, or that of a state subsidy in support of racing purses. Stallions standing and yearlings nominated to the Sire Stakes program decreased (14%) from 7 in 2014 to 6 in 2017 and (40%) from 242 in 2014 to 146 in 2017, respectively (Table 7). On a positive note, in anticipation of an increase in purse structure and breeder incentives due to revenue from sports wagering or an appropriation from the State of New Jersey, in 2019, there are already signs of investment in the horse breeding segment of the racehorse industry with an increase in the number of Standardbred stallions standing from 6 in 2017 to 15 in 2019. These include the high-quality trotting stallions Muscle Hill, Tactical Landing, and Walner, standing at Southwind Farms, and Trixton, standing at Deo Volente Farms. For the breeding season 2019, there will also be a new Thoroughbred stallion standing in New Jersey, Sea Wizard at Colonial Farms in Colts Neck. One must realize, however, that there will be a lag time of two to four years before an uptick in the breeding of racehorses in the state translates into a demonstrated increase in the number of horses actually in training and racing. One could predict that this will result in an increase in the number of horses housed at training facilities in the state and increased field size in races offered for Jersey-bred horses.

In New York, number of mares bred decreased (29%) for the period 2014-2017. Number of stallions standing decreased (30%) and yearlings nominated to the Sire Stakes Program ranged from a high of 1,011 in 2016 to a low of 791 in 2014; with an average of 885 for the period.

In Pennsylvania, number of mares bred decreased (42%) for the period 2014-2017. Number of stallions standing remained consistent and averaged 53.5. Yearlings nominated to the Sire Stakes Program decreased (18%) from a high of 1561 in 2015 to a low of 1286 in 2017 (Table 7). While metrics outlining the impact of outstanding breeder incentive programs decreased in both New York and Pennsylvania for the reported, period, they far exceeded numbers observed for New Jersey.

Table 7. Impact of Expanded Gaming on Breeding Segment of Harness Racing

		2014	2015	2016	2017
New Jersey	Mares Bred	74	259	209	278
	Stallions Standing	7	9	5	6
	Yearlings Nominated to Sire Stakes Program	242	148	38	146
New York	Mares Bred	1,671	1,337	1,264	1,190
	Stallions Standing	60	53	40	42
	Yearlings Nominated to Sire Stakes Program	791	942	1,011	795
Pennsylvania	Mares Bred	1502	1425	1470	873
	Stallions Standing	55	52	52	55
	Yearlings Nominated to Sire Stakes Program	1489	1561	1327	1286

Standardbred Breeders and Owners Association - NJ (personal communication), Harness Horse Breeders of NY, Pennsylvania Sire Stakes Program, Pennsylvania Department of Agriculture (personal communication)

Another incentive to breed horses in a given state is the health of the monetary breeder incentive awards program. Displayed in Tables 8 and 9 are data demonstrating the impact expanded gaming revenue (a portion of which is used to supplement horse racing in a given state) has had on breeder incentive awards for the period 2014-2017 for Thoroughbred and Standardbred racehorses in New Jersey, New York and Pennsylvania. Breeder awards for New Jersey Thoroughbreds became unavailable beginning in 2015. The bonus to Jersey-bred horses racing in open competition was discontinued in 2017. Total purse money available in New Jersey-bred

restricted races remained consistent for the period from \$3,295,250 in 2014 to \$3,056,400 in 2017.

While breeder awards for Thoroughbreds in New York decreased (17%) from \$12,823,774 in 2014 to \$10,643,537 in 2017, they still remained higher than New Jersey where they are no longer available. Stallion owner awards decreased (14%) from \$3,031,327 in 2014 to \$2,615,534 in 2017; purse bonus for New York bred horses racing in open competition increased (7%) from \$1,968,200 in 2014 to \$2,124,753 in 2017. Total purse money available in New York-bred restricted races decreased (5%) from \$44,428,496 in 2014 to \$42,334,858 in 2017.

In Pennsylvania, breeder awards increased (25%) from \$9,647,143 in 2014 to \$12,895,948 in 2017. Stallion owner awards increased (28.5%) from \$1,434,186 in 2014 to \$2,006,611 in 2017. Purse bonus to Pennsylvania bred horses racing in open competition increased (55.5%) from \$4,892,193 in 2014 to \$11,008,696 in 2017 (Table 8).

Regarding Standardbreds, breeder awards in New Jersey were discontinued in 2016. The New Jersey Sire Stakes Program purse money available for Jersey-bred horses decreased (28%) from \$2,717,500 in 2014 to \$1,956,800 in 2017. In contrast, New York Standardbred breeders vie for approximately \$1 million in breeder award money and race in the Sire Stakes Program for over \$14 million; and in Pennsylvania breeder awards averaged \$8,298,009 for the period 2014-2017 and the Sire Stakes Program race money available to Pennsylvania bred horses averaged \$10,082,475 (Table 9).

There is no way that New Jersey race horse owners and breeders can remain competitive with New York and Pennsylvania based on these numbers and the incentive to remain and invest in the state will continue to diminish.

Table 8. Impact of Expanded Gaming on Monetary Thoroughbred Breeder Incentives (\$)

		2014	2015	2016	2017
New Jersey	Breeder Awards	1,695,038	Discontinued	Discontinued	Discontinued
	Stallion Owner Awards	Discontinued	Discontinued	Discontinued	Discontinued
	Open Race Purse Bonus	683,174	552,770	406,362	Discontinued
	NJ Bred Purses – State Bred Restricted Races	3,295,250	2,977,400	3,598,250	3,056,400
New York	Breeder Awards	12,823,774	12,406,050	10,717,922	10,643,537
	Stallion Owner Awards	3,031,327	3,020,302	2,658,877	2,615,534
	Open Race Purse Bonus	1,968,200	2,034,024	1,704,320	2,124,753
	NY Bred Purses – State Bred Restricted Races	44,428,496	42,334,858	43,465,408	42,334,858
Pennsylvania	Breeder Awards	9,647,143	9,285,987	4,796,970	12,895,948
	Stallion Owner Awards	1,434,186	1,650,357	1,153,895	2,006,611
	Open Race Purse Bonus	4,892,193	6,761,273	2,084,590	11,008,696
	PA Bred Purses – State Bred Restricted Races	*	*	*	*

Source: New Jersey Thoroughbred Breeders Association (personal communication), New York State Thoroughbred Breeding and Development Fund Corporation Annual Reports, Pennsylvania Horse and Harness Racing Commissions Annual Reports, * Data not Available

Table 9. Impact of Expanded Gaming on Monetary Standardbred Breeder Incentives (\$)

		2014	2015	2016	2017
New Jersey	Breeders Awards	39,603	20,553	Discontinued	Discontinued
	Sire Stakes Program Purses	2,717,500	2,392,400	1,783,000	1,956,800
New York	Breeders Awards	716,00	950,000	950,000	1,100,000
	Sire Stakes Program Purses	14,200,000	13,800,000	13,800,000	14,300,000
Pennsylvania	Breeders Awards	8,434,232	8,561,592	10,613,684	5,582,528
	Sire Stakes Program Purses	9,651,247	9,722,252	8,853,382	12,103,021

NJ Department of Agriculture Sire Stakes Program (personal communication), Agriculture and NYS Horse Breeding and Development Fund Annual Reports, Harness Horse Breeders of NY State, Pennsylvania Horse and Harness Racing Commissions Annual Reports

Status of Equine Veterinary Practices Involved in Horse Racing

In the fall of 2018, the New Jersey Association of Equine Practitioners (NJAEP) conducted a survey of its membership to assess the impact of recent changes in the horse racing segment of the equine industry on veterinary practices involved with horse racing and the breeding of racehorses. Survey data was compiled and the report prepared by the Rutgers Equine Science Center. The full report can be found as an Appendix to this white paper. In brief, 51 of the 105 licensed equine veterinarians in the state of New Jersey responded to the survey for a response rate of 49%. Of those who responded, 55% indicated they are not involved in the New Jersey horse racing industry as a veterinarian.

The remaining respondents were involved in the Thoroughbred (6%), Standardbred (18%), or both the Thoroughbred and Standardbred (21%) racing segments of the New Jersey equine industry. Forty-four percent of veterinary practices decreased staff number over the past five years because of changes in the horse racing industry. Seventeen percent had no change in staff and the remaining 39% had an increase in staff over the past five years because of the horse racing industry. Regarding revenue, forty-eight percent of veterinary practices saw a decrease in

revenue over the past five years because of the horse racing industry. Twenty-two percent saw no change in revenue and the remaining 30% had an increase in revenue over the past five years because of the horse racing industry.

Taken together these results may suggest veterinary practices supporting the racehorse segment of the New Jersey equine industry have not been negatively impacted by the decline in the racehorse segment of the industry. This impression quickly changes as the veterinary practices involved in the breeding of racehorses and its associated components are investigated. Those involved in racehorse breeding and its associated components indicated veterinary practice revenue had either not changed (9%) or decreased (91%) due to changes in the racehorse sector of the New Jersey equine industry over the past five years. These data suggest veterinary practices involved in racehorse breeding and its associated components have been negatively impacted by the decline in the racehorse breeding segment of the New Jersey equine industry (Malinowski and Rankins, 2018).

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Appendix



Status of Equine Veterinary Practices Involved in the Horse Racing Segment of the New Jersey Equine Industry

Prepared By:
Dr. Karyn Malinowski & Ellen M. Rankins

Status of Equine Veterinary Practices Involved in Horse Racing

In the fall of 2018, the New Jersey Association of Equine Practitioners (NJAEP) conducted a survey of its membership to assess the impact of recent changes in the horse racing segment of the equine industry on veterinary practices involved with horse racing and the breeding of racehorses. Fifty-one of the 105 licensed equine veterinarians in the state of New Jersey responded to the survey for a response rate of 49%. Of those who responded, 55% indicated they are not involved in the New Jersey horse racing industry as a veterinarian.

The remaining respondents were involved in the Thoroughbred (6%), Standardbred (18%), or both the Thoroughbred and Standardbred (21%) racing segments of the New Jersey equine industry (Figure 1). The percentage of the veterinary practice which involves clients from the horse racing segment of the horse industry ranged from 0-10% (4%) to 81-100% (52%) (Figure 2). Seventy-four percent of those practices involved in horse racing responded that horse racing clients were responsible for 61-100 % of their business. Displayed in Figure 3 are changes in staff number and total revenue for the veterinary practice as impacted by the racehorse segment of the equine industry over the past five years. Forty-four percent of veterinary practices decreased staff number over the past five years because of changes in the horse racing industry. Seventeen percent had no change in staff and the remaining 39% had an increase in staff over the past five years because of the horse racing industry.

Regarding revenue, forty-eight percent of veterinary practices saw a decrease in revenue over the past five years because of the horse racing industry. Twenty-two percent saw no change in revenue and the remaining 30% had an increase in revenue over the past five years because of the horse racing industry. Of the veterinary practices experiencing a decrease in total practice revenue over the past five years, 9% reported a 0-10% decrease in total revenue, 13% reported a 11-20% decrease in total revenue, and 22% reported a 21-30% decrease in total revenue (Figure 4). Practices reporting an increase in total veterinary practice revenue over the past five years indicated the percent increase ranged from 0-10% (9%) to 21-30% (4%) (Figure 5).

Taken together these results may suggest veterinary practices supporting the racehorse segment of the New Jersey equine industry have not been negatively impacted by the decline in

the racehorse segment of the industry. This impression quickly changes as the veterinary practices involved in the breeding of racehorses and its associated components are investigated. Fifty-two percent of the veterinarians involved in the racehorse segment of the equine industry were not involved in the breeding of racehorses and its associated components in their respective practices; while 48% indicated they were involved (Figure 6). Those involved in racehorse breeding and its associated components indicated veterinary practice revenue had either not changed (9%) or decreased (91%) due to changes in the racehorse sector of the New Jersey equine industry over the past five years (Figure 7). The degree to which practice revenue derived from racehorse breeding and its associated components decreased ranged from 0-10% (18%) to 81-90% (9%) (Figure 8). These data suggest veterinary practices involved in racehorse breeding and its associated components have been negatively impacted by the decline in the racehorse segment of the New Jersey equine industry.

The white paper published by the Rutgers Equine Science Center in 2014 demonstrated that New Jersey racehorse owners, trainers and breeders had been hit hard by the cessation of the purse enhancement awards in 2010 and by competition from breeder incentive structures that exist in neighboring states where racing is supported by alternative gaming. A sustainable horse racing industry provides adequate breeder incentive awards and races restricted for horses bred in-state that then result in increased numbers of stallions standing, mares bred, foals born, and yearlings registered. This assurance results in increased willingness of horse and horse farm owners to invest in land, facilities, animals and other agriculturally-related products.

In 2014, the Rutgers Equine Science Center reported that equine operations represent a small and declining share of New Jersey's preserved farms, which means that their acres cannot be protected by deed restriction alone. In addition, racehorse breeding operations in the state's preservation program were being sold at a disproportionately high rate. While changes in New Jersey's racehorse population has not yet negatively impacted equine practitioners who treat horses that are actively racing, the results of this survey clearly demonstrate that equine practitioners involved in the breeding of racehorses and its associated components have been negatively impacted by the reduction of numbers of racehorse foals being produced in New Jersey.

Figure 1. Percentage of veterinarians in New Jersey who are involved in the horse racing segment of the New Jersey horse industry as a veterinarian.

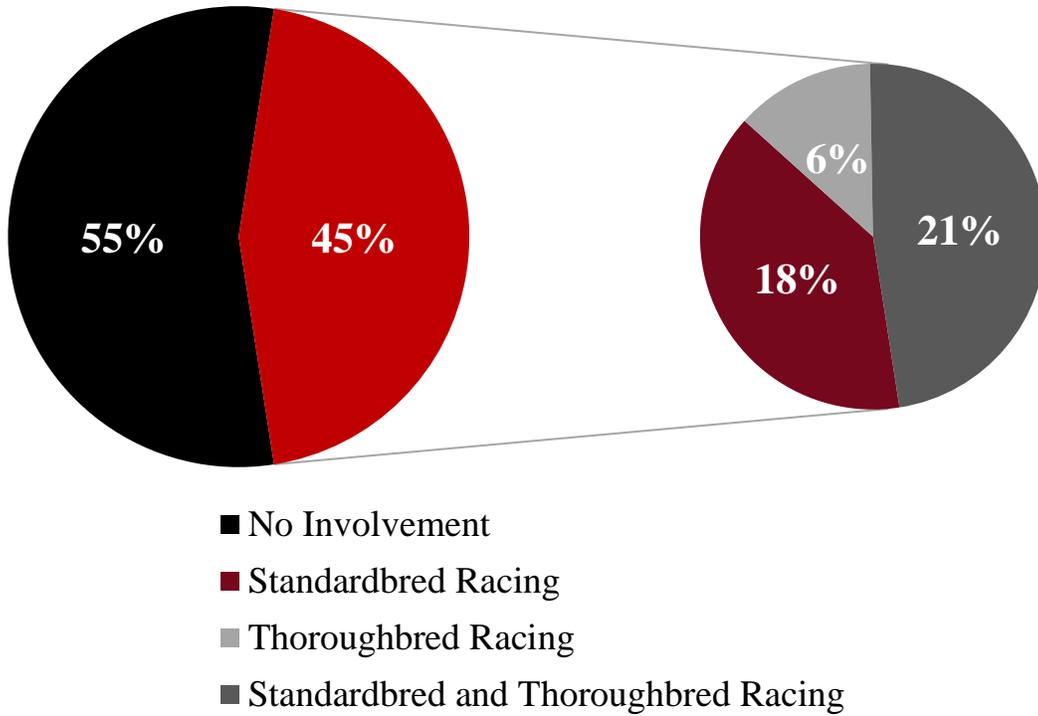


Figure 2. Percentage of the veterinary practice which involves clients from the horse racing segment of the New Jersey equine industry.

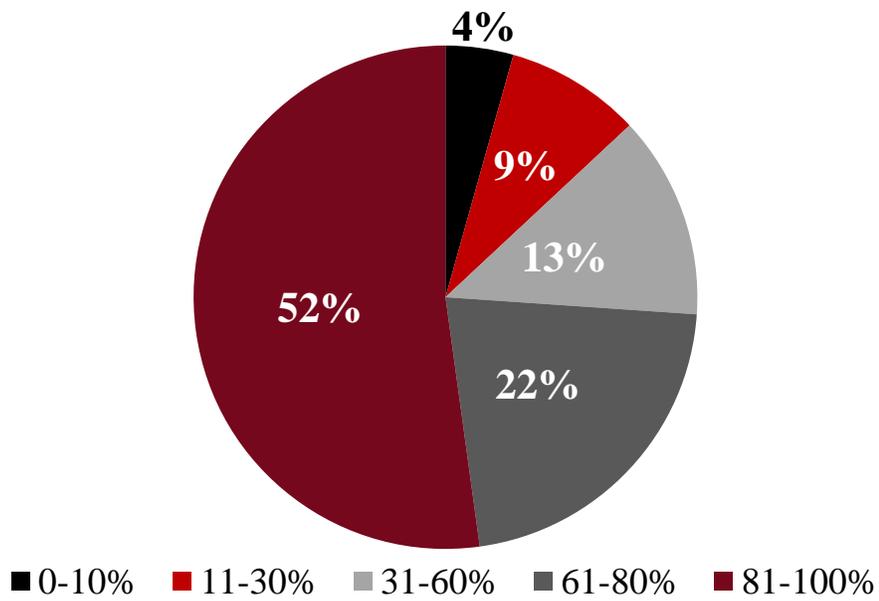


Figure 3. Impact of changes on veterinary practice staff and total revenue over the past five years within the horse racing segment of the New Jersey equine industry.

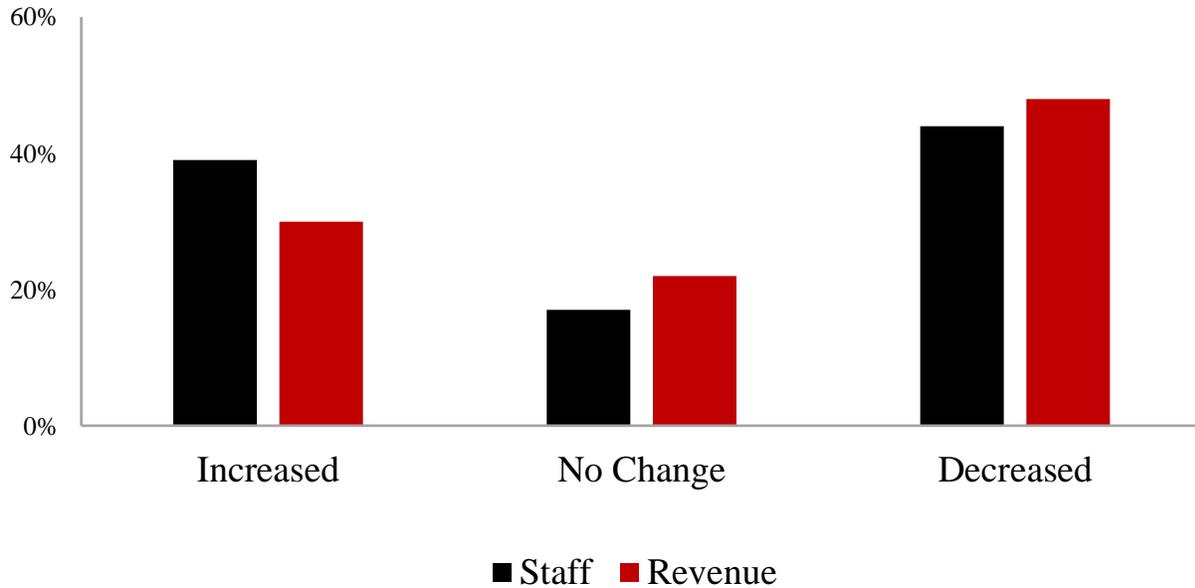


Figure 4. Percentage of veterinary practices experiencing a decrease in total veterinary practice revenue due to changes in the horse racing segment of the New Jersey equine industry over the past five years.

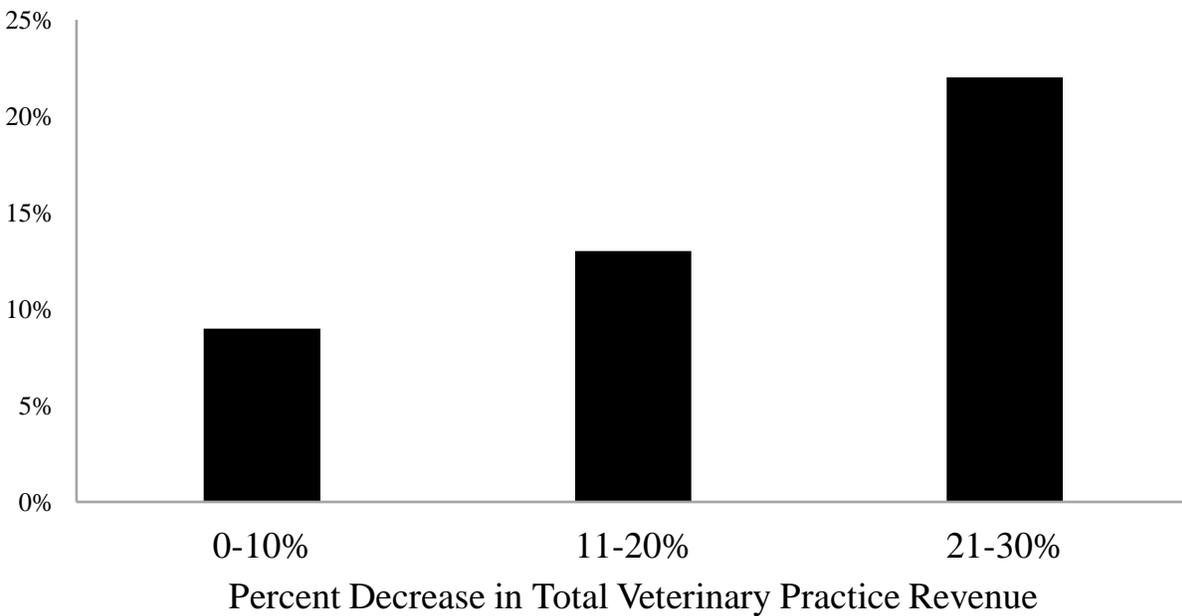


Figure 5. Percentage of veterinary practices experiencing an increase in total veterinary practice revenue due to changes in the horse racing segment of the New Jersey equine industry over the past five years.

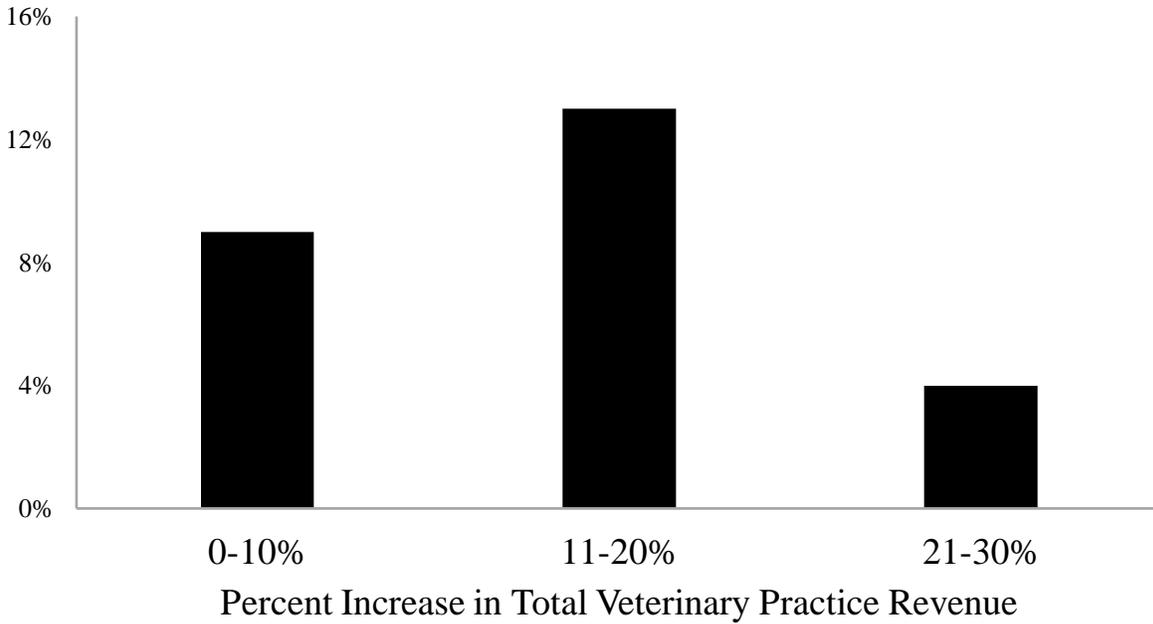


Figure 6. Percentage of veterinarians involved in the racehorse segment of the New Jersey equine industry who are engaged in racehorse breeding and its associated components.

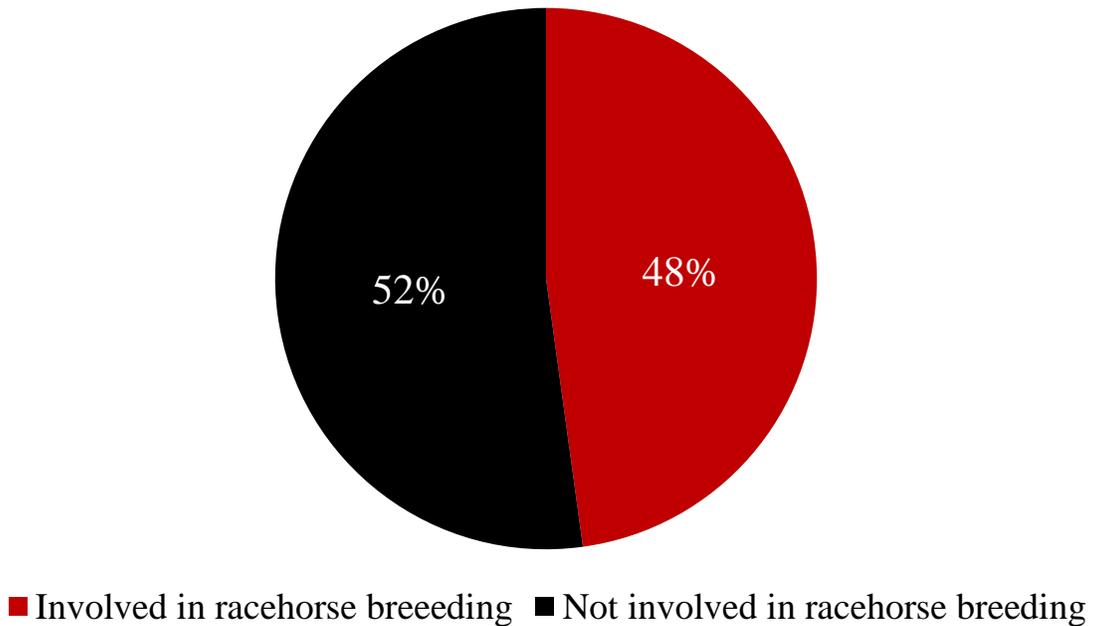


Figure 7. Impact of changes on veterinary practice revenue from New Jersey racehorse breeding and its associated components.

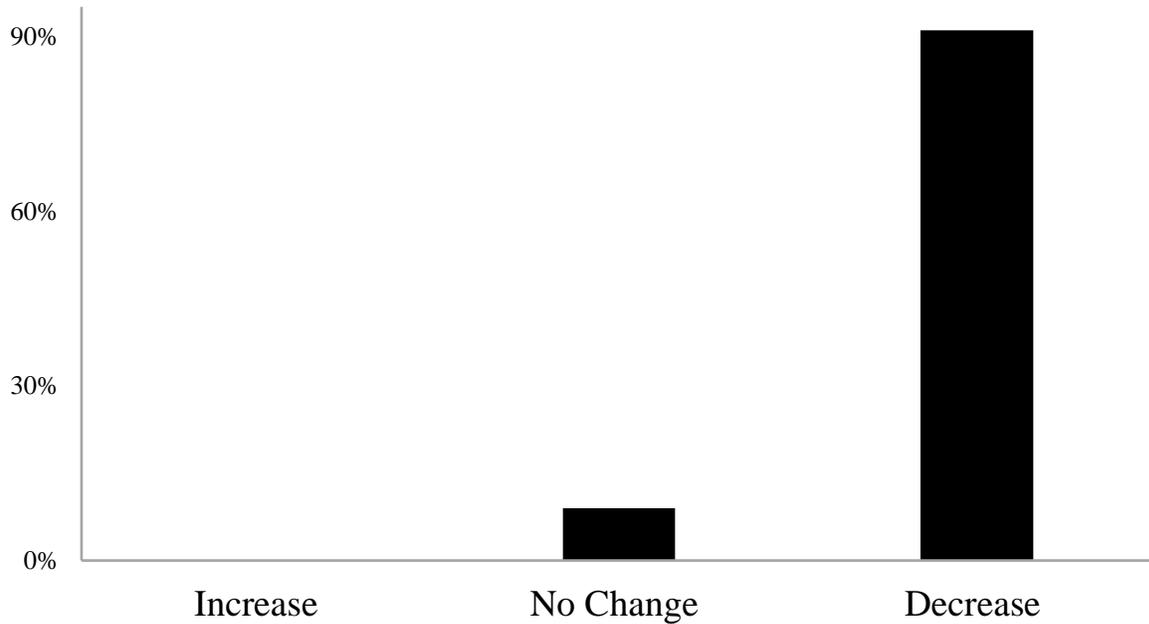
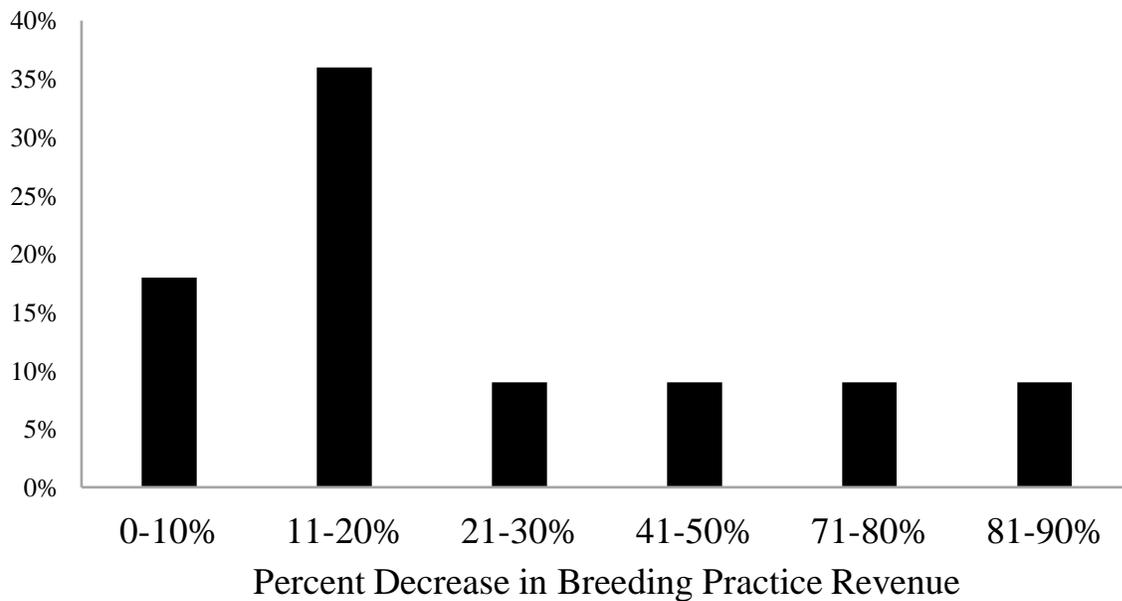


Figure 8. Percentage of veterinary practices experiencing a decrease in veterinary practice revenue from racehorse breeding and its associated components over the past 5 years due to changes in the horse racing segment of the New Jersey equine industry.



About Rutgers Equine Science Center

The Equine Science Center is a unit of the New Jersey Agricultural Experiment Station at Rutgers, The State University of New Jersey. Its mission is “Better Horse Care through Research and Education” in order to advance the well-being and performance of horses and the equine industry. Its vision is to be recognized throughout New Jersey as well as nationally and internationally for its achievements in identifying issues in the horse industry, finding solutions through science-based inquiry, providing answers to the horse industry and to horse owners, and influencing public policy to ensure the viability of the horse industry.

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