TDN Q&A

The arrival of VLTs at Aqueduct two years ago translated into a major influx of cash to the New York racing program and sent the state's purses and breeding incentives through the roof. The New York breeding industry has responded with increases from the breeding shed to the sales ring. The *TDN* sat down with New York Thoroughbred Breeders executive director Jeff Cannizzo ahead of the Aug. 10-11 Fasig-Tipton New York-Bred Yearling Sale to discuss the growth of the state's breeding program.

TDN: How has the New York breeding industry grown in the last 1 1/2 years?
JC: In the last year and a half, New York has seen quite a bit of change. The breeding landscape has certainly turned around. In 2012, we had roughly a 13% increase in the number of mares that were bred here in New York state. There were about 2,400 mares bred here in New York last year. Sixty-eight percent of those were bred to New York sires and 32% were by out-of-state sires.

There were more mares covered by New York sires last year than by out-of-state sires--based on my estimates, it was roughly a 10% increase in New York-sired versus out-of-state sired.

Last year, we had an influx of 800+ mares from out of state that came into the program. Mares came here in foal, dropped their foals, they weren't resident mares so they needed to breed back to New York stallions which increased our New York-sired population to about 68%, when it typically hovers around 55%.

TDN: How does this growth compare to other states:
JC: In 2012, The Jockey Club reported that New York was essentially the only state with a double-digit increase in our number of mares covered by our in-state stallions. So our New York stallions covered 43% more mares than they did the year before, which is astronomical. We went from 64 stallions to 76. Mares have transitioned here. We're the one state that has seen a positive growth in terms of our mare population and our breeding trend.

There was a 13% increase in mares bred last year. Why was that? It is absolutely because of what has happened to the value of a New York-bred and it is all derived from the racetrack.

TDN: Obviously, the earnings potential of a New York-bred has skyrocketed in the last couple of years.
JC: The purse structure for New York-breds has become by far the most promising that it has ever been. There is roughly a $10,000 gap between a New York-bred restricted race and an open race here in New York, which has been unheard of. So you have New York-bred maidens running for $70,000 and up this summer at Saratoga. All of the value that comes alongside buying a New York-bred is the potential of what they can do on the racetrack and what they can earn. And when you have a horse that can run through its restricted conditions with an earning potential in those restricted conditions worth over $200,000, and then come back with that same horse and those same set of conditions in open company that he can run in and earn double that amount, the earnings potential is through the roof. In addition to $4-million plus worth of restricted stakes that are run in New York, there are over 50 New York-bred stakes races across the state.

TDN: How does the New York model differ from other regional programs?

JC: The value of the horse is on the racetrack and that is what is driving this model. That's really what separates New York from some of the other regional programs. Our racing environment is supporting and is the driver to our bloodstock market. It is not the breeding end and awards that are driving people to be involved here. It's the actual fact that, if you own a New York-bred, you're essentially granted the opportunity to generate a lot of revenue from that horse. That's the difference between us and some of the other states.

TDN: How has the increased value of New York-breds been reflected in the sales ring?

JC: From 2010 to today, we've seen a 24% increase in the average sales price for New York-bred 2-year-olds; the average was $38,500 in 2010 and has gone up to $48,000. Total sales were around $5 million. As of last year, the total sales for New York-bred 2-year-olds was $9.2 million. The median increased from $20,000 to $25,000. In 2010, there were 12 six figure 2-year-olds sold and in 2012 there were 30.

In the yearling sales, we went from total sales in 2010 of $9.9 million up to $15.3 million. The average in 2010 was $26,000. Last year it was $42,000. The median was $12,000 in 2010 to last year, $25,000. There were 19 six-figure yearling in 2010 and last year there were 36.

For weanlings, in 2010, the total sales were $1.3 million, last year $3 million. The median went from $9,500 to $15,000.

TDN Q&A cont.

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TDN: In addition to the New York-bred catalogue, there are several state-bred yearlings in the Select catalogue this year.

JC: There are 11 New York-breds in the select sale and that is close to the highest number we've had. What that says is that set of horses were obviously good enough to be in that catalogue and have an extremely boutique appeal to them, which goes to show you the type of breeding that is happening in New York. That's really the major difference with what we're doing here regionally in New York versus what is perhaps the perception about regional breeding. The horses that are being bred here are commercially viable. Their pedigrees stand next to any other horse in the country. And their performances on the racetrack go hand and hand with that. New York has proven the whole stigma that regional breeding isn't necessarily of quality is wrong.

TDN: Have you been surprised by the industry's growth?

JC: It was expected. We were expecting to grow given the landscape here. It is so promising. When you have a New York-bred that has become more valuable because its value on the racetrack has increased by 30 or 40% because of the purse increases here in New York, the demand for that horse has gone up alongside of it. The racetrack drives this entire industry via purses, the breeding end of it follows suit with the sales market. As horses become more valuable on the racetrack, demand in the sales market is increased, which at the end of the day creates more people who want to breed New York-breds. It's all logical and it's going to plan.

TDN: Are there any concerns that the slots revenue will be reallocated away from the racing industry at some point in the future?

JC: This past year's gaming act that our governor has now signed contains guarantees for the racing industry. The reality is that purses in our breeding fund are going to continue to receive what they were slated to receive originally for years to come. The belief that New York would follow suit along with some of the other states that have seen changes to their program has not come to fruition.

We are actively involved with our legislature so that they understand the importance of this industry, both in terms of what it does for the economy and tourism in the state. I'd like to believe our legislature actually gets why we're important and gets why it's vital that we maintain what we're supposed to maintain.

We've been protected going forward and we'll continue to fight to prove our worth for years to come.

TDN: And how about the overall trends at the track?

JC: Our New York model is showing results. As purses and the breeding fund has been supported by gaming, we're also showing the results of that support with what it is doing to parimutuel wagering here in New York. NYRA's product and model is actually growing. It's unheard of these days. But our parimutuel handle has increased in the last year and a half and the business itself is becoming better because our product is getting better.

TDN: Have there been any new developments on the legislative front in the last year?

JC: The most important thing we have accomplished, besides continuing a law that allows breeders to get 65% of all the breeding funds money, is, starting in January of next year, the breeding fund will now receive a percentage of all ADW wagering that is taken in from New York state residents. This is a significant accomplishment that has been in the works for several years. ADW wagering is the only growth segment of our parimutuel wagering. In many states breeding funds do not receive ADW handle. New York was one of those and again we just essentially changed the law to get breeders included in this revenue and this will mean a new $1 million and up for the breeding fund from the beginning of next year. So it is a significant accomplishment which is only going to help the breeding industry here in New York.

TDN: What type of growth do you see going forward for the state's breeding industry?

JC: I think the reality is that the growth here in New York will be steady and consistent. I'm not expecting numbers to fly through the roof, because I think people are smarter today in terms of making calculating choices. This goes hand in hand with our economy and the national state of the industry. Nationally, foal production is down a third, so when there are 10,000 fewer mares that are being bred in the last handful of years, you can't expect New York to just skyrocket, while everyone else is plummeting. I think what you can expect is slow, steady growth in terms of people dabbling into the New York market. And that is what has happened. People have taken tiny steps into our environment and the people who have done that have seen promise and they've seen results. The results they've seen are in the sales market, because New York-breds are selling at a premium today. And the people that are involved as end-users, as owners, the purse structure has never been better. When you see results, you'll see people continually trying to get involved. It's going to happen slow and steady over the course over the next several years.