

Minnesota's Thoroughbred Race Owner's Value Proposition

The costs associated with running a horse in Minnesota vary based upon the quality of training, the age of the horse and the intent of the owner. For example, high end owners will send 2 years off to be broke and trained near the end of their yearling season and may send them to southern climates. After the pre-season preparation, these owners may also keep these two year olds in training throughout the year. As a result, Minnesota owners who take this very high end more expensive preparation route incur over \$10,000 in developmental expense before their horses run their first race, and will sink near \$22,000 into these horses by the end of their two year old race year.

On the other hand, owners of older horses who have raced before may never send their horses down south, have a much less intensive preparation need, and lay their horses up immediately after the Minnesota racing season closes. While training costs vary, these lower cost Minnesota owners may get away with as little as spending \$9,000 per runner to compete during a 3 month summer racing season. Considering the variation with which owners approach Minnesota racing, and the general demographics of Minnesota's racing population, we estimate the average annual "total expense" cost per runner in Minnesota is approximately \$12,500.

To properly consider a race horse value proposition, one must also consider the initial outlay required to own a race horse. In other words, what was the purchase price or total breeding cost of the race horse? Average acquisition prices at public auctions in Minnesota average near \$5,000 per horse. The actual cost to breed a horse and get it to a yearling sale in Minnesota can be as low as \$2,000 if you bred the horse yourself, exclude any care or boarding charges, breed to a stallion with no stud fees and had a minimal need for veterinary services. If you breed a horse and have others manage the entire process of breeding and care, plus pay a typical stud fee and have standard veterinary services, the cost can easily approach \$11,000 by the time the foal is available for sale as a yearling. Again considering variation, the average overall initial acquisition cost of a Minnesota yearling is estimated to be approximately \$3,000.

So what does it cost per year per runner in Minnesota? The initial purchase price or breeding cost would be spread over the useful racing life of the horse and added to the estimated annual total expense cost per runner and be near \$14,000 in Minnesota with a minimum cost of less than \$10,000 and a maximum cost as high as \$35,000 considering the top end public purchase prices for Minnesota yearlings. Cost in other regions would generally be higher due to higher training costs and much more significant selling prices.

Assuming a reasonable \$14,000 average annual cost estimate, including a multi-year spread of acquisition costs, what would an average Minnesota horse have to earn in purses to breakeven? Considering the fact that jockeys and trainers each get 10% of all purse earnings for 1st, 2nd and 3rd place finishes, the \$14,000 average annual expenditure cost has to adjusted ($\$14,000 \div .80$) to arrive at a purse earnings need of **\$17,500 per runner to achieve the Minnesota breakeven point** for an average runner.

13 stallions standing in Minnesota had 10 or more runners in 2010 and their average earning per runner were \$7,997 per runner. Only one stallion produced runners that averaged over \$10,000 in 2010, and he no longer stands in Minnesota! Maybe it's time to upgrade.

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