

Win, Place and Show

A uniquely funded and structured incentive program has helped boost the American Quarter Horse show industry in the heart of Thoroughbred racing country.

By Denis Blake

LARRI JO STARKEY



Riders enjoy the lush trails at the Kentucky Horse Park in Lexington, Kentucky.

IT'S DIFFICULT TO THINK OF KENTUCKY WITHOUT THINKING of horses. The Bluegrass State is home to the world's most famous race, the Kentucky Derby, and the vast majority of top Thoroughbred stallions and mares reside in the state. But most people are surprised to learn that one breed outnumbers Thoroughbreds in Kentucky – American Quarter Horses.

Even though Kentucky is one of the smallest states in terms of area, only Texas and Georgia have more counties. The reason for that is partially due to the horse. Back when most of the Kentucky counties were established in the late 1700s and early 1800s, lawmakers decided that every resident should live within a one-day horseback ride of a county courthouse. So the state was carved up into 120 counties, and according to Rich Wilcke, president of the Kentucky Quarter Horse Association, there's a Quarter Horse in virtually every one. But that can't be said for Thoroughbreds.

Gumz Farms sits on the far west side of the Bluegrass State.



COURTESY OF GUMZ FARMS

“In most of those 120 counties, there are hardly any Thoroughbreds; they are almost all around Lexington,” says Rich, who is also director of the University of Louisville’s equine industry program. “But we think we have Quarter Horses in every county.”

Of course that doesn’t mean Thoroughbreds are not a vital part of Kentucky’s economy, particularly in the agricultural sector. The economic impact of the Kentucky Derby alone, which annually draws some 150,000 spectators to Churchill Downs, is estimated to be as much as \$200 million to the Louisville area.

Some of the elite Thoroughbred stallions command stud fees in excess of \$100,000, and more than 90 percent of that breed’s stallions with a fee of more than \$10,000 are in Kentucky. The state collects a 6 percent sales tax on stud fees for all breeds, and since 2006, that money has been returned to the horse industry through an incentive fund.

Close to \$20 million is collected annually for the fund, of which 80 percent goes to Thoroughbred racing, 13 percent to Standardbred racing and 7 percent to the Kentucky Horse Breeders’ Incentive Fund. That latter category is split up among about a dozen breeds, with the number of verified horses in the state dictating the percentage to each breed. As the most populous breed, with approximately 37,000 registered in the state, Quarter Horses have been getting the biggest chunk of the KHBIF – in the neighborhood of \$400,000 annually.

Although the fund was established primarily as a way to help the state’s Thoroughbred racing industry, which has been

on the decline as other states in the region have increased purses and breeding incentives with money from slot machines and alternative gaming, a side effect has been that the state’s Quarter Horse show industry has received a shot in the arm.

Incentive Program

IT’S UP TO EACH BREED ASSOCIATION TO DETERMINE HOW TO distribute its allocated funds, and KyQHA has structured its program differently than most others. Besides being unique in how money is generated – most incentive funds in other

states come from a portion of the pari-mutuel tax – the incentives for Quarter Horses are different in that they are designed to increase demand for Kentucky-breds, which in turn should reward local breeders by creating higher prices for their horses. Many other programs focus on paying incentives to breeders, which Rich says doesn’t do anything to

increase the value of horses being sold. Instead, the bulk of the money from the Kentucky program is paid to owners when the horse competes.

“Our program is unique in that it is meant to stimulate sales of horses from the breeders,” says Norm Luba, who shows horses and serves on the KyQHA board of directors. “Somebody can buy a Kentucky-bred and take that horse anywhere they want and show it and still earn incentive money. Many other programs are restricted so that you have to show in a particular state; ours is not.”

While the incentive fund has helped stimulate interest and activity in the Kentucky Quarter Horse industry, just as it was

Kentucky has seen “more activity at the existing shows, especially the smaller ones.”

- Norm Luba

designed to do, Norm also points out that no one is getting rich off the program and it's not going to turn the state into a breeding juggernaut overnight.

"It's amazing to me the number of people I talked to a few years ago that said this was going to save the breeding industry, but it's just one promotional opportunity within the breeding industry," he says. "We had tremendous interest at first, and now it has leveled off a bit."

To be eligible for incentive payouts, a horse must have been conceived and foaled in Kentucky and sired by a stallion in the state. For a show horse to participate, it must be enrolled in the AQHA Incentive Fund. That gives KyQHA a mechanism for easily tracking points, no matter where the horse competes. Membership in KyQHA is also required, and points can be earned in any AQHA event.

For racehorses, points are earned based on AQHA's racing point system. Since the two point systems are different, the total amount of money is first split between the two groups based on the number of horses earning points in each (about a 94/6 split for show horses in 2008), and then those amounts are divided by the number of points earned to arrive at a point value to be paid out.

From the total pool of money for Quarter Horses, 80 percent is paid out to the owner of the horse when it earns points. The breeder of a racehorse or nominator of a show horse gets 10 percent, and the owner of the sire at the time of breeding or the sire nominator gets 10 percent.

The program made headlines around the country when it first launched in 2006 because of remarkably high payouts for each point, and that caused a rush of horses and breeders hoping to capitalize on that.

"When we came out that first year with more than \$2,000 a point, we had such an influx of stallions," Rich says. "We had 600 stallions in 2006, but a lot of those couldn't get mares. People thought if you stood in Kentucky, people would just breed their mares to your stallion, but there were so many stallions that there just weren't enough mares for all of them.

"So now we are back down to about 250 to 300 stallions, which is a much more reasonable number."

As participation in the program has increased and more people have registered their Kentucky-breds with AQHA and enrolled them in the AQHA Incentive Fund, the payout per point has dropped.

"We don't have all the 2009 numbers yet, but for the program year 2008, we paid out about \$70 per point, and the AQHA Incentive Fund was about \$22, so that's more than three times the value," Norm says.

That might not be enough to spur people to invest in large-scale Quarter Horse breeding operations in the state, especially since the value of the incentive fund has closely coincided with the national economic downturn, but it has increased the value of Kentucky-breds.

"All else equal, people are going to buy a horse that has the

Harold Collins guides First Down Beaus to win the 2008 Fort Harrod Futurity at The Red Mile. The Lexington track will host two days of Quarter Horse racing this year.



opportunity to collect not only from the AQHA Incentive Fund but also the Kentucky program,” Norm says. “The same kind of horse from 2005 is worth a lot more now.”

It has also helped some of the state’s smaller shows.

“What we’ve seen is not really more shows, but more activity at the existing shows, especially the smaller ones,” Norm says. “If you have a Kentucky-bred and maybe can pick up a point or two, then that might pay for your day at the show. The first year of the program, we had 615 show horses compete; in 2007, we had 728; and in 2008, we had 869. So that’s evidence that more Kentucky-bred horses are out there showing.”

Keeping Racing Alive

AS IS THE CASE ON THE NATIONAL LEVEL, RACING IS A SMALL SEGMENT of the Kentucky Quarter Horse industry. While the incentive fund has given a lift to the state’s show industry, the impact on racing has been minor. Plus the sport is stymied by a lack of racing opportunities in the state.

Quarter Horses have two days of live racing in Lexington at The Red Mile, a harness track with a history dating to 1875. Although a weekend of racing is hardly enough to kick-start a rush of breeding, the sport is actually better off than it was five years ago when there was no Quarter Horse racing at all in the state. Still, Kentucky Quarter Horse racing has a big hill to climb to get back to the days when it averaged about 400 races per year through the 1970s and 1980s, according to Rich.

Latonia Racetrack, which is now Turfway Park, had some Quarter Horse racing in the late 1950s, and numerous tracks had meets during the next few decades, ending with Bluegrass Downs in 1992. After that, Quarter Horse racing disappeared.

“We used to have pretty good racing out in Paducah (Bluegrass Downs) and some other places,” Rich says. “Then around 1992, we had a tremendous upheaval in racing in this state and the racing commission was restructured, and for about 10 years, we had no Quarter Horse racing.”

“That was the time when simulcasting was really growing and there were all kinds of new laws passed here to regulate it,” he adds. “In the early 2000s, we got to talking about how ridiculous it was that we used to have Quarter Horse racing and it went away, but it turned out it was illegal to run live or simulcast Quarter Horse racing because it wasn’t part of the new legislation. So even after years of Quarter Horse racing, we had to get a new law passed that allowed Quarter Horse racing and simulcasting.”

In addition to racing at The Red Mile, Turfway Park held a \$25,000 stakes sponsored by John Deere in 2008. That was the first Quarter Horse race contested on a synthetic surface. And even though The Red Mile meet lasts less than 48 hours, it has at least helped keep the racing side of the industry in front of the public eye since it started in 2004.

“It’s been tremendously popular from an attendance standpoint, and those two days are by far (The Red Mile’s) biggest of the year, but it’s not a very big betting crowd,” Rich says. “People are not used to betting on Quarter Horses, but it’s great fun and everyone loves it.”

One of those who love it is Dr. Richard Connelley, a dentist from Salyersville who is president of the Kentucky Quarter Horse Racing Association.

“I go all the way back to when Turfway Park was Latonia,” he says. “I grew up as an exercise rider and jockey for my dad (Marcus Connelley), who was the first guy ever put in the Kentucky Quarter Horse Racing Hall of Fame.”

Richard says that any chance of growth for racing is likely tied to the legalization of gaming at the state’s tracks.

“The future is going to revolve around gaming,” he says. “The Thoroughbred industry is suffering because pretty much all the states around us have gaming, so we don’t have a level playing field for racing.”

In 2009, there were 48 Kentucky-bred Quarter Horses who started in a race in North America. Although that’s a very small number, Richard thinks there is potential in Kentucky and that racehorse breeders in the state might have a unique advantage.

“We don’t have a lot of racing Quarter Horse stallions in the state,” he says, “but we have a lot of Thoroughbred stallions

– some of the finest sprinters in the world. I think that might be our niche. There are also Thoroughbred mares around here that might be unpopular to Thoroughbred breeders because they can only burn it up for four furlongs. But they can be very attractive to Quarter Horse breeders, and they are usually very affordable. That’s a nice

symbiosis between Quarter Horses and Thoroughbreds.”

Richard hopes the state can return to the days when Quarter Horses had extended meets, and he won’t have to race his horses outside of the state for most of the year.

“We used to run a lot of good horses here,” he says. “We had a lot more people involved, but then we lost a lot of people from back then because we didn’t have a track for about 10 years.”

“We have several entities in Kentucky that want to build a Quarter Horse track, but that all hinges on gaming,” he adds. “It’s hard to be successful without that.”

Richard says he has seen a few new racehorse breeders in recent years, and Jim and Marilyn Helzer are standing La Jollaroid, a Grade 2-winning son of Streakin La Jolla, at Bennie Sargent Quarter Horses in Kentucky, but it’s difficult to get a breeding program going with limited racing and incentives. Still, he’d like to see racing get to a level that might entice people like Kentucky-born trainer Heath Taylor, who just surpassed \$25 million in career earnings, to send a string to the state.

“Heath basically grew up in my and my dad’s shedrow, so we are very proud of him around here,” Richard says.

But for now, it’s just a waiting game for the racing industry as horsemen and legislators continue to explore ways to boost the racing industry in the state, possibly with slot machines.

“We’ve had some positive things happen here for racing,” Rich says, “but we still don’t have a racetrack, and state politics are in a standoff over slots, so we still have a long way to go.”

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- Rich Wilcke

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