Investing in Bloodstock

Executive Summary

By: Linda C. Stephenson
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Horses are big business according to The American Horse Council in their most recent study done in 1996. There are 6.9 million horses in the United States and the horse industry has a total impact of 112.1 billion dollars a year on the US economy. The horse business is roughly the same in size as other major industries, such as the apparel manufacturing industry and the motion picture industry in terms of value of goods produced and services provided.

Types of Ownership

Investment in horses can take many forms. Sole owner, general partnership, limited partnership, stallion syndications, and public or private stock are all common and acceptable forms in which to own investment bloodstock.

Profile of Investors

Investors come from all walks of life. They are usually motivated by profit potential, tax benefits and family enjoyment and involvement. Investments are not just for the wealthy with investors usually falling into income brackets of $75,000 to $100,000 per year. Most begin with one top quality female and build from there.

A success formula for investing in bloodstock

- Consider only top quality, the top 5 or 10 percent of the highest quality strains
- Concentrate on specialized bloodlines. IE: Straight Egyptian Arabians
- Stay in the breeding business and out of the performance and showing end of the business
- Invest in the highest quality females available, with impeccable pedigrees
- Breed only to the best stallions that represent the top 5-10% in the world

Quality

Of all the principles offered to the horse investor, the most lasting and important one continues to be, start with the absolute top quality available. Throughout history, quality horses have always been the most profitable. Top quality can be defined as the top 5 or 10 percent of any breed at any time. Breeding only top quality will result in higher prices when foals are sold. An age-old adage in the horse business is that it costs the same to feed a low quality horse as it does a high quality one. The difference being, when offspring are sent to market. The price levels of the offspring will definitely determine success or failure.
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Specialize

What to look for:
1. The highest value among all strains of any breed
2. Bloodstock with consistency of value
3. Scarcity and rarity
4. A market supported by a well-funded worldwide breeder’s organization

Breeding Verses Showing and Racing

The biggest advantage of the breeding business is that top-quality females, who possess impeccable pedigrees, do not have to compete in any way to establish their value. Their value is determined by the quality of their pedigrees. You do not base your profitability on winning or losing a race, or showing in a competition. The method at which a show or race trainer makes money is to train your horses and race and show them. Don’t be misled by someone who tells you that you must race or show your females. There is a need, a time and a place for this, but it is not the driving force to enable an investment in bloodstock to make a profit.

Male Verses Female

Stallions provide the horse community with the “glamour and glitz” and are certainly necessary for a breeding program. However, with the staggering cost of promotion and the recent use of artificial insemination, very few stallions are needed. Only a handful of the very best, command the highest stud fees.

Mares are the true backbone of the breeding business. From age three until well into their twenties, mares produce a foal every eleven months. A broodmare can be ridden even though she is in foal (pregnant). Also, an investor does not have to necessarily own a farm to own broodmares, as there are numerous facilities throughout the world that can provide quality mare care.

Breed only to the top 5-10% of stallions

Breed the best to the best, to get the best. It is a very simple premise, but it holds true in any breeding business. Those stallions with impeccable pedigrees and superior conformation, worldwide advertising and many successful foals in the show ring are also those whose foals normally sell for the highest return.
In conclusion, investing in bloodstock can be profitable and provides enjoyment of involvement. If structured properly, bloodstock investments can be treated as a business and it offers preferential tax treatments such as depreciation and deductible expenses. For those with an affinity for horses, owning bloodstock provides a tremendous pride of ownership as well as opportunities for income.

As with any investment you should consult with knowledgeable experts in that field who are highly successful and have longevity in the business. They should be able to assist you with the information necessary to make the proper decisions, through educational seminars.

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