

# The Economic Impacts of Horse Breeding, Raising, and Racing in Alberta (2019)

Prepared For  
Horse Racing Alberta

Prepared By  
Serecon Inc.

February 2020



serecon

February 12, 2020

Mr. Kent Verlik  
Chief Executive Officer  
Horse Racing Alberta  
#720, 9707-110 Street  
Edmonton, Alberta T5K 2L9

Dear Mr. Verlik:

**RE: THE ECONOMIC IMPACTS OF HORSE BREEDING, RAISING, AND RACING IN ALBERTA (2019)  
OUR FILE #456A19.1**

We are pleased to provide you with this comprehensive economic update that incorporates both the financial and human resource impacts of the horse racing industry in Alberta. Our experienced team of consultants has reviewed financial and racing information from HRA and its stakeholders and incorporated the data in a robust economic model. Input costs and multipliers associated with the horse racing industry have been used to generate this economic impact assessment.

Should you have any questions or inquiries relating to the findings of this economic update, please do not hesitate to contact me for further clarification.

Yours truly,  
SERECON INC.



Robert Burden, CVA, P.Ag., MBA  
Edmonton Office

Enclosure

/da

# Table of Contents

<b>1.0 IMPACT OVERVIEW .....</b>	<b>1</b>
TOTAL ECONOMIC IMPACT .....	1
AGRICULTURAL FIT .....	1
EMPLOYMENT .....	1
<b>2.0 ECONOMIC IMPACT ANALYSIS 2015-2019 .....</b>	<b>2</b>
MULTIPLIERS USED .....	2
STRUCTURAL CHANGES 2015 TO 2019 .....	3
DIRECT EXPENDITURES .....	3
Breeding and Raising Activities .....	4
Racing Activities .....	5
Physical Racing Infrastructure and Related Activities .....	6
COMBINED IMPACTS .....	7
EMPLOYMENT IMPACTS .....	9
CONCLUSIONS .....	9

## List of Tables

Table 1:	Total Horses Related to Racing in Alberta, 2015 & 2019.....	3
Table 2:	Total Race Days in Alberta, 2015 & 2019 .....	3
Table 3:	Direct Expenditures for Breeding and Raising.....	5
Table 4:	Direct Expenditures for Racing Activities, 2015 - 2019.....	6
Table 5:	Direct Expenditures Related to Physical Racing Infrastructure.....	7
Table 6:	Direct, Indirect & Induced, and Total Economic Impacts of the Horse Racing Industry by Expenditure Category .....	7
Table 7:	Direct, Indirect and Induced, and Total Economic Impacts by Market Area and Category .....	8
Table 8:	Direct, Indirect and Induced, and Total Economic Impacts by Market Area and Category .....	9

## List of Figures

Direct Expenditure by Category, 2019.....	4
---	---

# 1.0 Impact Overview

## Total Economic Impact

The activities associated with Alberta's horse racing industry, including breeding, raising, and racing, are greatly beneficial to the provincial economy. Our findings reveal that these benefits amounted to **\$312 million** in 2019. This represents a **7% increase** from the impact value from the 2015 analysis.

Positive economic impacts depend on a number of factors including initial expenditures made by horse owners in breeding, raising and racing horses as well as expenditures that are made at horse races.

After accounting for all expenditures related to horse racing, we have concluded that the direct expenditures in the horse racing industry totaled **\$157 million** in 2019. In addition, indirect and induced expenditures further contributed **\$155 million** to the Alberta economy.<sup>1</sup>

## Agricultural Fit

Our findings reflect the impact of the horse racing industry on various key areas of the province. Total direct expenditures on agricultural activities amounted to **\$97 million** in 2019 (representing **62%** of the total direct impact). Direct expenditures related to agricultural activities comprise training, feed and board, and veterinary costs and include:

- **\$51 million** for breeding and raising horses that will eventually compete
- **\$46 million** for agricultural inputs related to racing activities

## Employment

The horse racing industry has a notable impact on employment in Alberta. Our analysis reveals that approximately **1,506 jobs** (measured in full time equivalents (FTE)) in Alberta result from the horse racing industry. This is down from the 1,629 FTEs reported in 2015, accounting for an 8% decline. After accounting for all owners and unpaid labor, the total number of individuals involved in the Alberta's horse racing industry is nearly **4,800**.

Alberta's horse racing industry is crucial to the overall economic diversity of the Alberta economy. The new track in Leduc indicates increased investment in the sector and the general momentum of stakeholders.

<sup>1</sup> Note on multipliers: We have relied on multipliers from Alberta Finance in conducting this analysis. The most recent series was published in August, 2017 and is based on the 2013 Input-Output tables produced by Statistics Canada. Since the last update for HRA (2015) had used an older series of multipliers, we updated these estimates with the most recent multiplier information. Not only is this a more accurate estimate of 2015 figures, but it is also the only way to get results that can be compared across years.

## 2.0 Economic Impact Analysis 2015-2019

The intent of this analysis is to update the value of direct expenditures related to horse breeding, raising, racing and the physical racing infrastructure from 2015 to 2019. Direct expenditures including operating, capital expenditures and employment are required for evaluating the overall impacts that horse racing has on the provincial economy. The overall impacts include direct expenditures on horse racing, as well as indirect and induced expenditures made by businesses and individuals in subsequent rounds of spending. The indirect and induced impacts are measured by multiplying the direct expenditure by multipliers retrieved from Alberta Finance.

The analysis that follows is a summary of the results and includes a discussion of the multipliers used; a comprehensive review of the direct expenditures for breeding, raising, and racing horses; a review of the direct expenditures made by racetracks and HRA; and a review of employment impacts.

### Multipliers Used

The multipliers produced from the 2013 Input-Output (I/O) model were released in August 2017.

The Gross Output/Expenditure multiplier used for Crop and Animal Production (Industry BS11A00) is 2.094, and the Employment multiplier for Crop and Animal production is 0.070. This multiplier is used for expenditures related to breeding, raising, and racing horses. Please note that the animal production multipliers used in 2019 are about 6% higher and 4% lower, respectively, than the multipliers used in the 2015 impact update.

The Gross Output/Expenditure multiplier used for Arts, Entertainment, and Recreation (Industry 710) is 1.815, and the Employment multiplier is 0.169. These multipliers are used to calculate the industry's expenditure on activities associated with physical racing infrastructure, including pari-mutuel wagering, food and beverage services, and other related activities. The entertainment output multiplier used in this report is roughly identical (0.4% higher) to the multiplier used in the 2015 impact update.

The Gross Output/Expenditure multiplier used for Non-Residential Construction (Commodity M23B0) is 1.781, and the Employment multiplier is 0.060. These construction multipliers are roughly 2% higher and 15% lower, respectively, than the multipliers used in the 2015 impact update.

The change in multipliers from 2015 to 2019 has the effect of increasing the overall impact found using the multiplier approach. Changes in multipliers increase the overall economic impact by approximately **7%**.

## Structural Changes 2015 to 2019

It is critical to understand that such changes will have a notable impact on the comparison of the 2015 and 2019 figures, all due to external factors outside the control of HRA.

When comparing the economic impacts of 2015 to 2019, one should consider that there have been significant structural changes to the industry, and to racing activities. For example, the building of the new Century Mile Racetrack will significantly influence this economic impact update. Further, the economic impacts associated with the "A" Class Racetracks are significantly greater than those associated with community tracks. Table 1 and 2 below outline the structural changes that have taken place in the Alberta horse racing industry.

**Table 1: Total Horses Related to Racing in Alberta, 2015 & 2019**

Horses		
2015	2019	% CHANGE
5,562	<b>4,865</b>	<b>-13%</b>

**Table 2: Total Race Days in Alberta, 2015 & 2019**

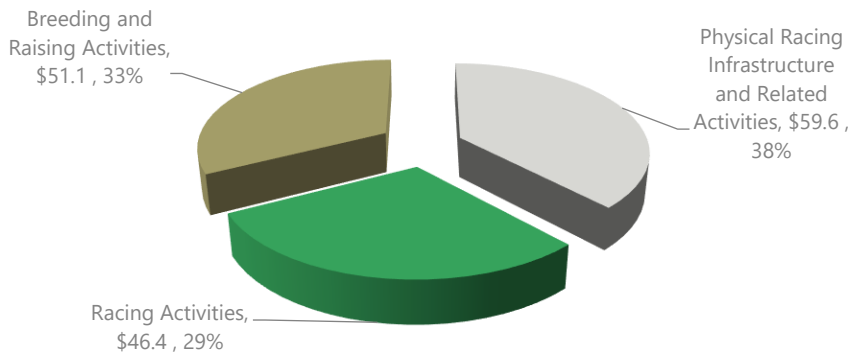
Race Days			
	2015	2019	% CHANGE
A Class Racetracks	184	<b>148</b>	<b>-20 %</b>
Community	67	<b>71</b>	<b>+6 %</b>
Total	251	<b>219</b>	<b>-13 %</b>

## Direct Expenditures

Activities and financial flows related to racehorse breeding, raising, training, racing and other activities contribute economic benefits to the provincial economy. Our analysis considers relevant activities of HRA (i.e. those that directly fund programs and activities and are not part of the purses paid). In 2019, the industry had direct expenditures totaling **\$157** million. These expenditures are categorized into three components as illustrated in Figure 1.

### Direct Expenditure by Category, 2019

(\$ million, and as a percent of total direct expenditure)



\*A detailed breakdown by track is provided in Table 7.

#### Breeding and Raising Activities

The costs associated with raising mares, foals, yearlings, and stallions all impact the overall costs of breeding and raising racehorses in Alberta.

To ensure consistency with previous economic impact studies, many of the costs associated with keeping a stallion are allocated to the cost of a mare. Despite not having an impact on the total economic impact figures, it does understate the costs of a stallion if they are observed independently of the rest of the analysis.

The total direct expenditures for breeding and raising are outlined in Table 3. The direct expenditures for breeding and raising have been influenced by the following facts: the number of horses bred and raised in the province decreased by roughly **13%** from 5,562 horses in 2015 to 4,865 horses in 2019; the cost to breed and raise a horse in Alberta has increased by **21%** over 2015, due to increases in the prices of feed, labor and fuel, as well as general price inflation. These increases in costs offset the decrease in horse numbers, resulting in an overall increase in expenditures of **13%**.

HRA's contribution to breeding development added \$3.1 million in direct expenditures (as outlined in table 3) resulting in an additional \$3.4 million in induced and indirect costs for a total contribution of \$6.5 million.



Total direct economic benefits from breeding and raising activities are \$51 million for 2019

**Table 3: Direct Expenditures for Breeding and Raising**

	2015	2019
<b>Breeding and Raising - Thoroughbreds</b>		
Mares	11,726,665	12,071,515
Foals	2,070,707	2,142,662
Yearling & Non Racing 2 Yrs	4,267,882	4,425,950
Stallions	1,414,259	1,476,202
<b>Total</b>	<b>19,479,513</b>	<b>20,116,329</b>
<b>Breeding and Raising - Standardbreds</b>		
Mares	9,599,651	9,895,026
Foals	1,259,328	1,303,040
Yearling & Non Racing 2 Yrs	3,470,925	3,599,265
Stallions	2,057,485	2,147,987
<b>Total</b>	<b>16,387,389</b>	<b>16,945,318</b>
<b>Breeding and Raising – Quarter Horses</b>		
Mares	4,466,528	4,604,746
Foals	2,871,245	2,968,433
Yearling & Non Racing 2 Yrs	1,565,747	1,393,300
Stallions	635,587	567,391
<b>Total</b>	<b>9,539,106</b>	<b>9,533,870</b>
<b>Breeding and Raising Total</b>	<b>45,406,008</b>	<b>48,007,627</b>
<b>Breeding Development (HRA)<sup>2</sup></b>		<b>\$3,100,000</b>
	<b>45,406,008</b>	<b>\$51,107,627</b>
<b>% increase over previous period</b>		<b>+13%</b>

#### Racing Activities

The combined direct expenditures for racing both standardbred and thoroughbred horses were **\$46 million** in 2019, up from **\$45 million** in 2015. The number of horses required for racing in Alberta has decreased as the number of race days declined by **13%** from 251 race days in 2015 to 219 race days in 2019, however, the costs associated with training, veterinary, and board have increased by **18%** per horse, resulting in a net increase in expenditures of **3%**. These results are outlined in Table 4.

<sup>2</sup> Breeding development was included in 2015 direct expenditures for breeding and raising, however they were not explicitly attributed to HRA.

*The total direct economic impact benefit from racing activities is approximately \$46 million annually*

**Table 4: Direct Expenditures for Racing Activities, 2015 - 2019**

	2015	2019	% Change
<b>Century Down Racing Costs</b>			
Thoroughbreds	\$-	\$5,986,100	-%
Standardbreds	\$10,222,329	\$7,501,507	-27%
<b>Century Mile / Northlands Racing Costs</b>			
Thoroughbreds	\$20,333,920	\$15,193,657	-25%
Standardbreds	\$2,343,656	\$4,864,259	+108%
<b>Millarville Racing Costs</b>			
Thoroughbreds	\$-	\$ 133,782	-%
Standardbreds	\$-	\$-	-%
<b>Track-on-2 Racing Costs</b>			
Thoroughbreds	\$-	\$-	-%
Standardbreds	\$-	\$1,086,488	-%
<b>Evergreen Racing Costs</b>			
Thoroughbreds	\$4,250,136	\$ 3,679,014	-13%
Standardbreds	\$-	\$-	-%
<b>RMTC Racing Costs</b>			
Thoroughbreds	\$7,804,453	\$ 7,937,750	+2%
Standardbreds	\$-	\$-	-%
<b>Total Racing Cost</b>	<b>\$44,954,493</b>	<b>\$46,382,557</b>	<b>+3%</b>

**Physical Racing Infrastructure and Related Activities**

Expenditures related to physical racing infrastructure and associated activities include costs associated with pari-mutuel betting; slots; food and beverage; administration; the Horses Off Track (HOT)/Alberta Tele Network (ATN); and capital spending on existing facilities. It is challenging to track this figure over time as capital investment tends to occur at a point in time. This is the case in 2019, where a significant portion of the capital costs of the new Century Mile Racetrack are included.

The direct expenditures resulting from these activities were **\$59 million** in 2019. The costs are detailed in Table 5.

## Combined Impacts

**Table 5: Direct Expenditures Related to Physical Racing Infrastructure**

	2015	2019	% Change
Operational Expenditure	45,658,728	42,786,093	-6%
Capital Expenditure (existing tracks)	1,265,326	1,348,489	+7%
Capital Expenditure (new tracks)	15,000,000	15,437,500	+3%
<b>Total</b>	<b>61,924,054</b>	<b>59,572,082</b>	<b>-5%</b>

Revenue received by horsemen in the form of purses, as well as claims are not included since the model incorporates an expenditure-based multiplier. Therefore, counting revenue would result in double counting data. Further, costs that flow out of province including commissions to other racetracks have been eliminated as they have no impact on the Alberta economy.

It is important to note that direct expenditures are only one component of the total economic impact of horse racing on the provincial economy. Indirect and induced impacts represent another vital component that must be included in the analysis. When all the direct, indirect and induced impacts are aggregated, the total impact increases to **\$312** million. Table 6 provides a breakdown of the direct, indirect and induced impacts for 2019, and their relative change from 2015.

**Table 6: Direct, Indirect & Induced, and Total Economic Impacts of the Horse Racing Industry by Expenditure Category**

	Direct		Indirect and Induced		Total Economic Impact	
	2019	%Change	2019	%Change	2019	%Change
Physical Racing Infrastructure and Related Activities	59,572,082	-4%	47,980,523	-2%	107,552,605	-3%
Racing Activities	46,382,557	+3%	50,742,518	+15%	97,125,075	+9%
Breeding and Raising Activities	51,107,627	+13%	55,911,744	+25%	107,019,370	+19%
<b>Total</b>	<b>157,062,266</b>	<b>+3%</b>	<b>154,634,784</b>	<b>+12%</b>	<b>311,697,050</b>	<b>+7%</b>

*The horse racing industry generates approximately \$312 million in economic benefit annually*

*HRA's contribution to the provincial economic impact*

The relationship between these impacts and specific market areas is somewhat arbitrary. Although we can estimate the level of economic impact that each racetrack has based on the number of live race days they host, it is not feasible to do the same with breeding and raising activities. This is due to the fact that breeding and raising activities take place across Alberta, making it difficult to associate them to a specific geographic region.

It is important to note that of the \$59.6 million spent by the tracks, \$30 million was allocated to them by HRA. In addition, HRA has granted \$1.5 million to assist with racing expenditures including funds for judges and video recording. Furthermore, HRA has granted approximately \$10.5 million in purses, highlighting its contribution to the overall economic impact of Alberta's horse racing industry.

In total, HRA provides over \$45 million in capital support to the racetracks. These funds are used for various purposes by stakeholders. In all, they result in over \$90 million in economic impacts, approximately 29% of the total provincial impact.

**Table 7: Direct, Indirect and Induced, and Total Economic Impacts by Market Area and Category**

Impact Type		Physical Racing Infrastructure and Related Activities <sup>3</sup>		Racing Activities		Breeding and Raising Activities		Total	
		2019	% Change	2019	% Change	2019	% Change	2019	% Change
Direct	Edmonton	32,792,945	+27%	20,057,916	-12%	21,317,199	-2%	74,168,060	+6%
	Calgary	14,086,753	-47%	13,487,608	+32%	14,015,238	+51%	41,589,599	-10%
	Lethbridge	6,887,320	-5%	7,937,750	+2%	9,823,346	+5%	24,648,416	+1%
	Grande Prairie	3,225,035	+48%	3,679,014	-13%	4,509,363	-12%	11,413,412	-1%
	Lacombe	2,418,776	N/A	1,086,488	N/A	1,276,514	N/A	4,781,778	N/A
	Millarville	161,252	N/A	133,782	N/A	165,967	N/A	461,001	N/A
	<b>Total</b>	<b>59,572,082</b>	<b>-4%</b>	<b>46,382,557</b>	<b>+3%</b>	<b>51,107,627</b>	<b>+13%</b>	<b>157,062,266</b>	<b>+3%</b>
Indirect and Induced	Edmonton	26,201,375	+26%	21,943,360	-2%	23,321,015	+9%	71,465,751	+11%
	Calgary	11,440,482	-45%	14,755,443	+47%	15,332,670	+68%	41,528,595	+4%
	Lethbridge	5,611,344	-4%	8,683,899	+13%	10,746,740	+16%	25,041,983	+10%
	Grande Prairie	2,626,290	+49%	4,024,841	-4%	4,933,243	-2%	11,584,374	+6%
	Lacombe	1,969,717	N/A	1,188,617	N/A	1,396,507	N/A	4,554,841	N/A
	Millarville	131,314	N/A	146,358	N/A	181,568	N/A	459,240	N/A
	<b>Total</b>	<b>47,980,523</b>	<b>-2%</b>	<b>50,742,518</b>	<b>+15%</b>	<b>55,911,744</b>	<b>+25%</b>	<b>154,634,784</b>	<b>+12%</b>
Total Economic Impacts	Edmonton	58,994,321	+27%	42,001,276	-7%	44,638,214	+4%	145,633,810	+8%
	Calgary	25,527,235	-46%	28,243,050	+39%	29,347,908	+60%	83,118,193	-3%
	Lethbridge	12,498,664	-4%	16,621,649	+7%	20,570,086	+11%	49,690,400	+5%
	Grande Prairie	5,851,325	+48%	7,703,854	-9%	9,442,607	-7%	22,997,786	+2%
	Lacombe	4,388,493	N/A	2,275,105	N/A	2,673,021	N/A	9,336,619	N/A
	Millarville	292,566	N/A	280,140	N/A	347,535	N/A	920,242	N/A
	<b>Total</b>	<b>107,552,605</b>	<b>-3%</b>	<b>97,125,075</b>	<b>+9%</b>	<b>107,019,370</b>	<b>+19%</b>	<b>311,697,050</b>	<b>+7%</b>

In 2019, the total impact of the horse racing sector on the economy of rural Alberta was roughly **\$204 million**, which was **65%** of the overall impact on the province. Of the direct economic benefits, around **62%** were generated in rural Alberta. The total impacts on rural areas have increased by **14% (\$25 million)** from 2015 and decreased by **3% (\$3million)** in urban areas to **\$108 million**. The table below breaks down the economic benefits between rural and urban areas.

<sup>3</sup> With respect to the infrastructure costs for Edmonton and Calgary in Table 7, it should be kept in mind that large investments to the tune of \$61.75 million were made in infrastructure at the new Edmonton track between July 2017 and April 2019.

**Table 8: Direct, Indirect and Induced, and Total Economic Impacts by Market Area and Category**

Impact Type	Rural Alberta		Urban Alberta		Totals	% change
	2015	2019	2015	2019	2019	2015-2019
Direct	90,360,501	97,490,184	61,924,054	59,572,082	157,062,266	+3%
Indirect and Induced	88,914,733	106,654,261	49,078,119	47,980,523	154,634,784	+12%
<b>Total</b>	<b>179,275,234</b>	<b>204,144,445</b>	<b>111,002,173</b>	<b>107,552,605</b>	<b>311,697,050</b>	<b>+7%</b>

## Employment Impacts

Alberta's horse racing industry creates employment due to expenditures made directly in the industry, as well as from indirect and induced effects. After accounting for indirect and induced influences, we have concluded that the industry is responsible for a total of **1,506 FTE's**. This is down roughly 8% from the 1,629 FTE's reported in 2015, which is attributed to the reduction in racing days.

## Conclusions

Following consideration of all activities associated with Alberta's horse racing industry, we conclude that its contribution to the provincial economy is significant. The horse racing industry's total contribution amounts to **\$312** million in 2019. This total comprises direct expenditures of **\$157** million, and indirect and induced expenditures of **\$155** million. The industry's total economic impact increased by **7%** over 2015.

In addition to this impact on economic output, Alberta's horse racing industry is responsible for **1,506 FTE's** and involves nearly **4,800** Albertans when owners and unpaid labor are considered.

The industry continues to be a significant contributor to a broad range of both rural and urban regions of Alberta, playing an important role in the viability of rural communities. It is strongly connected to its agricultural base, strongly benefiting rural areas (**65%** of the total economic impact of horse racing) as well as urban areas (**35%** of the total impact).