



PERSPECTIVES

**Determining
Thoroughbreds' Value:
A Comprehensive Guide
& Case Study**

Our perspectives feature the viewpoints of our subject matter experts on current topics and emerging trends.

INTRODUCTION

When the word thoroughbred comes to mind, many of you might recall attending, watching, or hearing about the Kentucky Derby known as “The Run for the Roses,” “The Most Exciting Two Minutes in Sports” or “The Fastest Two Minutes in Sports.” According to the Jockey Club, the industry group that serves as the breed registry for thoroughbred horses in North America, the 2020 North America Registered Foal Crop amounted to 19,824¹ and only one majestic creature went on to win this prestigious race on the first Saturday of May 2023.

The value of a thoroughbred is often a major subject of discussion given the numerous and often challenging variables involved. Some experts believe it is an art rather than a science. This article will provide the foundations of thoroughbred breeding to explain the workings of the industry and the complex methods of valuation.

Background of Thoroughbreds

There are several definitions of thoroughbreds, the following definition relates to the purpose of this article:

A racehorse belonging to a breed that originated from a cross between Arabian stallions and English mares².

The thoroughbred horse was developed by English aristocracy during the 17th and 18th centuries, and it is the world’s best-known racehorse breed³.

Horse racing is a popular spectator sport with a global reach and is also a tremendous industry. According to Statista, a global data and business intelligence platform, the market size of the horse racing industry in the United States was valued at \$USD 3.68 billion in 2022.⁴ According to a press release by GlobeNewswire by Notified issued by Zion Market Research, a company collecting and issuing various industry reports, the global racing market size was valued at \$USD 402.3 billion in 2022 and is expected to continue growing.⁵

Terms Used in Thoroughbred Valuation

There are multiple terms which have an impact on the determination of value⁶

- **Black-type:** Bold face type on a horse’s catalog page is referred to as black-type and indicates a stake winner.
- **Breeder:** Owner of a mare, and hence the foal, at time of foaling, unless the dam was under a lease or foal-sharing agreement at the time of foaling.
- **Claimer:** Horse which runs for a price tag in a claiming race.
- **Colt:** An entire male equine, under five years of age, unless gelded.
- **Dam:** Female parent of a horse.
- **Damsire:** The maternal grandfather or grandsire.
- **Filly:** A female horse, under five years of age. At five they are then called mares.
- **Foal:** A young, unweaned horse of either sex or a baby horse.
- **Gelding:** Castrated male horse.
- **Graded Stakes Races:** are recognized as being the highest quality. They are divided into three Grades 1, 2 or 3, with the best races being Grade 1.
- **Maiden:** A horse that has not won a race at a recognized racetrack.
- **Mare:** A female horse of breeding age.
- **Sire:** Male parent of a horse. A horse becomes a sire after one of his offspring wins a race at a recognized racetrack.
- **Stallion:** A male horse kept for breeding.
- **Stud:** A male horse kept for breeding. Also, an establishment or farm where animals are kept for breeding.
- **Weanling:** newly weaned thoroughbred

Valuation Methods Explored

Determining the value of a horse includes many variables such as:

¹ The Jockey Club: Annual North American Registered Foal Crop <https://www.jockeyclub.com/default.asp?section=FB&area=2>

² WordNet 3.0 Copyright 2006 by Princeton University. All rights reserved. <https://www.wordnik.com/words/thoroughbred>

³ Cassidy R. The sport of kings: kinship, class, and thoroughbred breeding in Newmarket. Cambridge, UK: Cambridge University Press; 2002. https://books.google.com/books?hl=en&lr=&id=A-QYXw9Wl9YC&oi=fnd&pg=PR6&ots=DHoS5NjNZE&sig=VHyJc45PR_ffWSFyZLbWuKsHDw#v=onepage&q&f=false

⁴ Statista: Market Size of the Horse Racing Track Industry in the United States from 2012 to 2022. <https://www.statista.com/statistics/1017245/us-horse-racing-tracks-market-size/#:~:text=U.S.%20horse%20racing%20track%20market%20size%202012%202022&text=The%20sector%20was%20forecast%20to%20reach%203.68%20billion%20U.S.%20dollars%20in%202022>

⁵ GlobeNewswire by Notified: Global Horse Racing Market Size to Surpass \$USD 739.9 Billion Growth by 2030, Exhibit a CAGR of 8.89% <https://www.globenewswire.com/en/news-release/2023/04/04/2640319/0/en/Global-Horse-Racing-Market-Size-to-Surpass-793-9-Bn-Growth-by-2030-Exhibit-a-CAGR-of-8-89-Equestrian-Industry-Analysis-Comprehensive-Study.html>

⁶ Washington Thoroughbred: Thoroughbred Terminology <https://washingtonthoroughbred.com/thoroughbred-terminology>

- Pedigree, family tree, or record of descent of a thoroughbred
- Age
- Physical conformation
- Record of bloodlines
- Record of the horse being valued
- Expectations
- Racing environment
- And even some guess work, etc.

The horse sold with the highest price at a sale might not always become the best horse of its class and on some occasions, horses with a lower pedigree expectation can become the winner of the most prestigious race surprising the racing world.

Valuation becomes more difficult as horses may need to be valued as weanlings, who have been taken off mare milk, yearlings, at racing age typically between two and four years old or at breeding age typically after five years old, or even combinations ranging from weanlings, racing, and breeding.

The purpose of the valuation can range from thoroughbreds being used as collateral on a loan, to value the assets on a bankruptcy proceeding, private transactions, and during insurance claims.

There are two methods of valuing a thoroughbred:

1. Income Projection Method: The valuator will determine a horse value based on the income it would have generated in the future.
2. Sales Comparison Method: The valuator will look for horses recently sold with comparable aspects to the subject being valued and adjust as necessary. There are several sales during the year throughout North America that will allow for comparable sales data at or around the time the valuation is needed.

It is worth mentioning that not all thoroughbreds are highly valued due to their pedigree, physical conformation, or performance. In claiming races all participants are available for purchase or to be claimed for a predetermined amount. A lower valued thoroughbred in this type of race might be less than \$USD 5,000 (most races are run under these conditions). However, there are claiming races where

participants are available for purchase or to be claimed up to around \$USD 100,000.

Case Study: Mare Y and Stallion Z

Mare Y was bred to Stallion Z on March 9, 2022. The Stallion Season Agreement between the Breeder’s Farm and the Stallion Z Farm specified a live foal guarantee and a breeding fee of \$USD 125,000. Mare Y was later sent from Breeder’s Farm to the Boarding Farm to foal or give birth on November 8, 2022. The Boarding Farm failed to administer a last dose of vaccination to Mare Y. When Mare Y gave birth on March 25, 2023, the mare and foal went into distress. Mare Y and her foal were transported on March 26, 2023, to the Veterinarian Medical Center. The foal died the same day as a consequence of the Boarding Farm failing to administer the vaccine dose. The Breeder’s Farm estimated the value of the foal at \$USD 450,000 given the proven track record of Stallion Z offspring during prior year sales. Sales comparisons are mostly based on the stallion and not the mare.

Even so, Mare Y was foaled (birthed) on April 8, 2005 (18 years old) and had a racing record of 19 starts, 9 firsts, 2 seconds, 2 thirds with earnings of \$USD 1 million and was a multiple stakes winner. Mares can carry and deliver healthy foals into their 20’s⁷. Mare Y gave birth 10 times previously. Three of her offspring had been sold in the Keeneland Yearling Sales in Lexington, Kentucky at prices between \$USD 150,000 and \$USD 400,000.

Stallion Z was foaled on March 26, 2013 (10 years old) and had a racing record of 19 starts, 12 firsts, 3 seconds, 2 thirds with earnings of \$USD 16 million and was a multiple graded stakes winner. Various of his progeny went on to win prestigious races including graded stakes. Stallion Z’s North America offspring 2022 and year to date September 2023 sales can be summarized as follows:

	2022			As of September 2023		
	Gross	Sold	Average	Gross	Sold	Average
Yearlings	\$ 29,117,358	66	\$ 441,172	\$ 8,470,000	19	\$ 445,789
2-Year-Olds	4,250,841	17	250,049	5,222,302	12	435,192
Total	\$33,368,199	83	\$ 402,026	\$13,692,302	31	\$441,687
Yearlings	\$29,117,358	66	\$ 441,172	\$ 8,470,000	19	\$445,789

Sales prices in this industry are volatile and could change. However, Stallion Z yearlings continued to maintain their

⁷ Paulick Report: [Age-Old Question: How Old Is Too Old To Breed A Mare? - Horse Racing News | Paulick Report](#)

sales value throughout 2023 at \$USD 445,789 compared to \$USD 441,172 for 2022.

A [forensic accountant](#) was hired by an insurance company to determine the foal’s value due to liability coverage in place at the time of the loss. In valuing the foal, the forensic accountant determined a value of **\$USD 289,081** as follows:

Description	Estimated Value Using 2022 Avg. Sales Price	Estimated Value Using 2023 Avg. Sales Price	Average
Estimated Sales Value	\$ 441,172	\$ 445,789	\$443,481
Less: Adjustments			
Breeding Fee	125,000	125,000	
Estimated Saved Boarding Costs	26,900	26,900	
Estimated Sales Costs	1,500	1,500	
Estimated Transportation Costs	1,000	1,000	
Total Adjustments	154,400	154,400	
Total Estimated Value	\$ 286,772	\$ 291,389	\$289,081

Because the mare failed to produce a single live foal that could stand alone and nurse unassisted, the breeder was released from the obligation for payment of the breeding fee. This is a standard guarantee that is present in most breeding contracts. The breeder also saved the boarding costs from foaling until the yearling’s sales where the colt was scheduled to be placed for sale, including transportation and sales associated costs. The adjustments are a result of knowing the industry and the process of a thoroughbred from the time of inception forward. Under this scenario and calculation, both the Sales Comparison Method (comparable less adjustments) and the Income Projection Method (sales value less saved expenses) yield the same result.

CONCLUSION

[Retaining a forensic accountant](#) with experience in determining the value of thoroughbreds can be tremendously useful to the process. Given the unique skill set and experience handling horse valuations, forensic accountants can be vital resources for insurance companies, attorneys, and thoroughbred owners.

Acknowledgments

We would like to thank our colleague [Javier Sarmiento](#) for providing insight and expertise that greatly assisted this research.

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