The Economic Impact of Kentucky’s Equine Industry

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Kentucky is Synonymous with Horses
Kentucky’s Equine Economic Cluster

**Horse Farms**
- Commercial
  - Breeding
  - Sales
  - Training
  - Show Facilities
  - Rental
  - Therapeutic
  - Boarding
    - Lay up
    - Long Term
- Private
  - Pleasure
  - Mixed use
  - Personal

**Related Businesses**
- Tack shops
- Leather makers
- Dry Cleaning – Blankets
- Horse Farm Tours
- Horse gifts – Jewelry, art, clothing
- Horse care products (Shampoos, Coat conditioners, mane/tail)

**Transportation**
- Van Services
- Trailer Sales/Repair

**Farm Related Services**
- Barn Construction
- Barn Renovation
- Fencing/Fence painting
- Landscaping
- Muck Hauling/Disposal
- Feed Production/Sales
- Hay Production/Sales
- Farm Supplies
- Pond Const./Reconstruction
- Pasture Renovation
- Equip. Sales/Service

**Tourism**
- Horse Farm Tours
- Equine experience
- Horse rentals

**Professional Services**
- Insurance
- Sales/Marketing
- Advertising
- Publications
- Accounting
- Tax services
- Education
- Development
- Financial Services
- Real Estate

**Equine Health Services**
- Veterinary
- Equine Dentists
- Equine Podiatry
- Farriers
- Horse Hearse
- Labs
- Vet Supply
- Equine Therapy
- Sports Medicine

**Professional Associations**
- Breed-based (ie. KARABS)
- Performance-based (ie. KDF)
- Sector-based (ie. KHC/KEEP)
- Service-based (ie. KAEPE)
- National Associations based in Kentucky

Source: Garkovich, Brown, and Zimmerman (2008)
Kentucky’s Equine Industry: An Economic Contributor

• 2012 Kentucky Equine Survey
  – Cooperation between universities, government organizations, and industry
  – Last comprehensive study on Kentucky’s equine industry occurred in 1977

• Kentucky Horse Racing Commission
  – Revenue generated by racetracks
2012 Kentucky Equine Survey

• Three components
  – Equine Operation Inventory (NASS)
  – Economic Impact
  – Non-Market Valuation Survey
Kentucky Operation Inventory

- 35,000 equine operations
- 242,400 equine
- 1.1 million acres devoted to equine use
- Value of equine and equine-related assets: $23.4 billion
- Equine-related sales and income for 2011: $1.1 billion
- Equine-related expenditures for 2011: $1.2 billion
Kentucky Equine Inventory by County

Total Inventory
- 0-500
- 501-1,000
- 1,001-2,500
- 2,501-5,000
- 5,001-10,000
- 10,001-30,000
- *Withheld

* Withheld to avoid disclosing data for individual farms
Economic Impact

• Estimates the effect of the equine industry on Kentucky’s economy

  – Changes in economic growth
    • Output effect → revenue
    • Value added effect → profit

  – Changes in employment
    • Employment effect → jobs
Economic Impact

• Usually includes “direct” and “total” impact
  – A multiplier captures “indirect” and “induced” effects
  – $1 in sales in the equine industry leads to more than $1 in sales in the state’s entire economy
Economic Impact

• Total economic impact includes

  - Direct effects
  - Indirect effects
  - Induced effects
  - Multiplier
## Economic Impact of Kentucky’s Equine Industry

<table>
<thead>
<tr>
<th></th>
<th>Output Effect</th>
<th>Value Added Effect</th>
<th>Employment Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct equine industry impact</td>
<td>$1.78 billion</td>
<td>$813 million</td>
<td>32,022 jobs</td>
</tr>
<tr>
<td><strong>Total equine industry impact</strong></td>
<td><strong>$2.99 billion</strong></td>
<td><strong>$1.40 billion</strong></td>
<td><strong>40,665 jobs</strong></td>
</tr>
</tbody>
</table>

On-farm employment is estimated to be 13,000 jobs: 5,600 full-time employees and 7,400 part-time employees.
## Economic Impact: Sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>Output</th>
<th>Value Added</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breeding</td>
<td>$710 million</td>
<td>$333 million</td>
<td>16,198 jobs</td>
</tr>
<tr>
<td>Competition</td>
<td>$635 million</td>
<td>$297 million</td>
<td>2,708 jobs</td>
</tr>
<tr>
<td>Racing</td>
<td>$1.28 billion</td>
<td>$601 million</td>
<td>6,251 jobs</td>
</tr>
<tr>
<td>Recreation</td>
<td>$166 million</td>
<td>$78 million</td>
<td>594 jobs</td>
</tr>
<tr>
<td>Other</td>
<td>$194 million</td>
<td>$91 million</td>
<td>14,914 jobs</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2.99 billion</strong></td>
<td><strong>$1.40 billion</strong></td>
<td><strong>40,665 jobs</strong></td>
</tr>
</tbody>
</table>
Tax Impact

• Tax contribution was approximately $134 million
  – State income tax
  – Sales tax
Comparing the Equine Industry to other Agricultural Sectors in Kentucky

<table>
<thead>
<tr>
<th></th>
<th>Equine</th>
<th>Corn</th>
<th>Soybean</th>
<th>Forest &amp; Wood Industries/Assoc Forestland</th>
<th>Bourbon</th>
<th>Coal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year of Study</td>
<td>2012</td>
<td>2012</td>
<td>2012</td>
<td>2012</td>
<td>2012</td>
<td>2002</td>
</tr>
<tr>
<td>UK Research</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Output Effect</td>
<td>$2.99B</td>
<td>$1.28B</td>
<td>$1.36B</td>
<td>$9.9B</td>
<td>--</td>
<td>$1.28B</td>
</tr>
<tr>
<td>Value-Added Effect</td>
<td>$1.40B</td>
<td>$455M</td>
<td>$649M</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Employment Effect</td>
<td>40,665</td>
<td>27,313</td>
<td>21,980</td>
<td>51,928</td>
<td>8,690</td>
<td>30,300</td>
</tr>
</tbody>
</table>
Non-market valuation study

• Agricultural land under development pressure
  – Development generates tax revenues

• Agricultural land presents a number of “positive externalities”
  – Environmental
  – Recreational
  – Aesthetic

• Will residents pay extra taxes to preserve ag land? If so, how much?

Photo courtesy Visit Lex
Non-market valuation study

• Results
  – Almost 70% were willing to pay some amount
    • Almost 50% willing to pay at least $50/yr

• Caveats
  – Hypothetical money
  – Potential for sample bias
Racetracks and State Revenues

Kentucky Licensed Racing and Simulcast Facilities

Source: 2014 Kentucky Horse Racing Commission Annual Report
# 2014 Purses and Attendance

<table>
<thead>
<tr>
<th>Track</th>
<th>Days of Racing</th>
<th>Purses</th>
<th>Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Churchill Downs</td>
<td>74</td>
<td>$33,210,722</td>
<td>776,227</td>
</tr>
<tr>
<td>Keeneland</td>
<td>32</td>
<td>$20,218,184</td>
<td>521,667</td>
</tr>
<tr>
<td>Turfway Park</td>
<td>47</td>
<td>$5,794,726</td>
<td>57,213</td>
</tr>
<tr>
<td>Ellis Park</td>
<td>28</td>
<td>$4,447,441</td>
<td>118,723</td>
</tr>
<tr>
<td>Kentucky Downs</td>
<td>5</td>
<td>$4,874,772</td>
<td>6,640</td>
</tr>
<tr>
<td><strong>Total Thoroughbred</strong></td>
<td><strong>186</strong></td>
<td><strong>$68,545,845</strong></td>
<td><strong>1,480,470</strong></td>
</tr>
<tr>
<td>The Red Mile</td>
<td>22</td>
<td>$7,816,440</td>
<td>8,261</td>
</tr>
<tr>
<td>Players Bluegrass Downs</td>
<td>15</td>
<td>$193,635</td>
<td>1,742</td>
</tr>
<tr>
<td>Thunder Ridge</td>
<td>21</td>
<td>$192,100</td>
<td>2,792</td>
</tr>
<tr>
<td><strong>Total Standardbred</strong></td>
<td><strong>58</strong></td>
<td><strong>$8,202,175</strong></td>
<td><strong>12,795</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>244</strong></td>
<td><strong>$76,748,020</strong></td>
<td><strong>1,493,265</strong></td>
</tr>
</tbody>
</table>

*Source: 2014 Kentucky Horse Racing Commission Annual Report*
## 2014 Handle

<table>
<thead>
<tr>
<th>Track</th>
<th>Days of Racing</th>
<th>Live, On-track Handle</th>
<th>Off-Track Handle</th>
<th>Total All Sources Handle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Churchill Downs</td>
<td>74</td>
<td>$68,952,370</td>
<td>$432,324,740</td>
<td>$501,277,110</td>
</tr>
<tr>
<td>Keeneland</td>
<td>32</td>
<td>$36,557,476</td>
<td>$224,320,867</td>
<td>$260,878,343</td>
</tr>
<tr>
<td>Turfway Park</td>
<td>47</td>
<td>$4,729,208</td>
<td>$73,689,147</td>
<td>$78,418,355</td>
</tr>
<tr>
<td>Ellis Park</td>
<td>28</td>
<td>$4,402,977</td>
<td>$28,071,943</td>
<td>$32,474,920</td>
</tr>
<tr>
<td>Kentucky Downs</td>
<td>5</td>
<td>$744,543</td>
<td>$15,136,212</td>
<td>$15,880,755</td>
</tr>
<tr>
<td><strong>Total Thoroughbred</strong></td>
<td>186</td>
<td>$115,386,574</td>
<td>$773,542,909</td>
<td>$888,929,483</td>
</tr>
<tr>
<td>The Red Mile</td>
<td>22</td>
<td>$1,304,463</td>
<td>$7,076,699</td>
<td>$8,402,084</td>
</tr>
<tr>
<td>Players Bluegrass Downs</td>
<td>15</td>
<td>$19,595</td>
<td>$0</td>
<td>$19,595</td>
</tr>
<tr>
<td>Thunder Ridge</td>
<td>21</td>
<td>$1,327</td>
<td>$0</td>
<td>$1,327</td>
</tr>
<tr>
<td><strong>Total Standardbred</strong></td>
<td>58</td>
<td>$1,325,385</td>
<td>$7,076,699</td>
<td>$8,402,084</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>244</td>
<td>$116,711,959</td>
<td>$780,619,608</td>
<td>$897,331,567</td>
</tr>
</tbody>
</table>

*Source: 2014 Kentucky Horse Racing Commission Annual Report*
2014 Historical Race Wagering

Historical race wagering (aka instant racing): pari-mutual electronic gambling system that allows players to bet on replays of horse races that have already been run

<table>
<thead>
<tr>
<th>Track</th>
<th>Total Wagered</th>
<th>Total Commission</th>
<th>Net Track Commission</th>
<th>State Commission</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kentucky Downs</td>
<td>$325,498,532</td>
<td>$24,691,761</td>
<td>$19,809,283</td>
<td>$4,882,478</td>
</tr>
<tr>
<td>Ellis Park</td>
<td>$39,602,684</td>
<td>$3,028,698</td>
<td>$2,434,657</td>
<td>$594,040</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$365,101,216</strong></td>
<td><strong>$27,720,459</strong></td>
<td><strong>$22,243,940</strong></td>
<td><strong>$5,476,518</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Development Fund</th>
<th>Equine Industry Program</th>
<th>Equine Drug Research</th>
<th>Higher Education Fund</th>
<th>General Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,738,402</td>
<td>$730,240</td>
<td>$365,101</td>
<td>$365,101</td>
<td>$1,277,854</td>
</tr>
</tbody>
</table>

Source: 2014 Kentucky Horse Racing Commission Annual Report
Horseracing’s Contributions to State Revenues

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-track handle</td>
<td>$1,753,542</td>
</tr>
<tr>
<td>Off-track handle</td>
<td>$5,034,604</td>
</tr>
<tr>
<td>Historical race wagering</td>
<td>$5,476,518</td>
</tr>
<tr>
<td>ADW</td>
<td>$303,240</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$12,567,904</strong></td>
</tr>
</tbody>
</table>

Source: Kentucky Horse Racing Commission Pari-Mutuel Division
Summary

• Kentucky’s equine industry contributes significantly to the state in many ways
  – Economically
  – Culturally
  – Aesthetically
Thank you! Questions?

Sources:
• Garkovich, Lori, Brown, Kimberly and Zimmerman, Julie N. (2008) "We're not horsing around:" Conceptualizing the Kentucky Horse Industry as an Economic Cluster', *Community Development*, 39: 3, 93 — 113
• 2012 Kentucky Equine Survey – [https://equine.ca.uky.edu/kyequinesurvey](https://equine.ca.uky.edu/kyequinesurvey)
• Kentucky Horse Racing Commission, Pari-Mutuel Division