2018
Equine Industry Survey:
Compensation for Kentucky Thoroughbred Horse Operations

DEANDORTON
equine
INTRODUCTION

This report focuses on compensation and benefits currently provided by Kentucky Thoroughbred horse farms as of this October 2018 survey.

Given that the Thoroughbred market as a whole continues to be stable, the survey results reflect increased optimism. Hourly wages for those directly involved with horse care have increased and more farms either increased wages for all employees this year or are planning to do so next year. A greater percentage of farms that responded offer bonus programs and retirement plan options, with varying levels of employee participation for each.

We hope the compiled results will be a helpful tool for you to use in conducting your business throughout the year.

We thank the 48 Kentucky farms for their participation, as it is your responses that continue to make this survey useful. As always, we welcome your feedback and suggestions for future survey topics.

Sincerely,

Jen Shah and Melissa Hicks
Dean Dorton Equine Team
DEMOGRAPHICS

The responding farms range in size from under 50 acres to 6,000 acres, with an average of 93% used acreage per farm.

- Minimum: 46 acres
- Median: 604 acres
- Average: 938 acres
- Maximum: 6,000 acres

38% of farms have fewer than 500 acres
31% of farms have more than 1,000 acres

Farms with varying numbers of total employees participated in this survey.

- 23% Fewer than 5 employees
- 33% 5-15
- 17% 16-25
- 17% 26-50
- 10% More than 50
Of the farms with stallions, 100% maintain one to five horses per full-time groom. The breakdown of farms with mares and foals maintained per full-time groom is:

**Mares**
- 1-5 horses: 21%
- 6-10 horses: 29%
- 11-15 horses: 21%
- 16-20 horses: 6%
- 21-25 horses: 4%
- More than 25 horses: 17%
- Not applicable: 2%

**Foals**
- 1-5 horses: 26%
- 6-10 horses: 34%
- 11-15 horses: 19%
- 16-20 horses: 4%
- 21-25 horses: 6%
- More than 25 horses: 9%
- Not applicable: 2%
EMPLOYEES

The majority of farms that responded have maintained consistent staffing levels during the past year; 41% of the responding farms saw growth.

While many of the farms that responded maintained consistent staffing levels, a greater number of farms reported an increase in staffing versus our last survey.
The hourly rates for grooms and watchmen increased versus our last survey by between $1 to $2 per hour for most farms.
Just over half (54%) of the responding farms employ sales staff. Most of these farms pay sales staff between $200 and $249 per day.
AVERAGE PAY RATES: SALARY

Operational Managers:
- General Farm Manager
- Division Manager
- Stallion Manager

Salary Rate Per Year

Office, Accounting, and Finance:
- Office Manager
- Business/Financial Manager
- Farm Accountant
- Accounts Payable Clerk

Salary Rate Per Year
EMPLOYEE WAGES

An impressive 96% of responding farms provided a wage increase for 2018, which ranged from 1% to 10%.

While some farms projected wage increases for the upcoming year, nearly half of the farms that responded were unsure of raise amounts when completing this survey.
EMPLOYEE WAGES

Most of the responding farms treat sales staff, trainers, and jockeys as independent contractors, and grooms as employees.

<table>
<thead>
<tr>
<th></th>
<th>Independent contractor</th>
<th>Employee</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales staff/help</td>
<td>57%</td>
<td>9%</td>
<td>34%</td>
</tr>
<tr>
<td>Trainers</td>
<td>55%</td>
<td>9%</td>
<td>36%</td>
</tr>
<tr>
<td>Jockeys</td>
<td>47%</td>
<td>2%</td>
<td>51%</td>
</tr>
<tr>
<td>Grooms</td>
<td>6%</td>
<td>77%</td>
<td>17%</td>
</tr>
</tbody>
</table>
81% of responding farms offer a bonus program.

Eligible Participants:

- Owners: 8%
- Management: 75%
- Full-Time Employees: 93%
- Part-Time Employees: 48%
- Dependent on owner’s selection: 3%

(Note that multiple groups above may be eligible to participate in a farm’s bonus program.)

Two-thirds of responding farms use a key metric when evaluating bonuses for eligible farm employees. The most popular metrics are horse sale results (used by 46% of these farms) and overall net income (used by 42% of these farms). Other key metrics used by farms include tenure, farm awards, and racing results.

Only 16% of responding farms have established a specific percentage of their key metric as the bonus amount.

Most bonuses are paid annually, as illustrated below.
Most of the responding farms provide some type of health insurance. More than half of the farms pay the entire premium for their employees, and about one-quarter of the farms pay the entire premium for families.

75% of responding farms saw an increase in their health insurance premiums. This increase ranged from 1% to a very high 29%, with an average of a 9% increase in premiums.

81% of responding farms use Anthem as their insurance provider (many farms go through Kentucky Thoroughbred Association/Kentucky Owners and Breeders). The second most used insurance provider is Humana (9%). Other providers used include KEMI, Old Colony, and United Health.
48% of the responding farms provide an employee retirement plan. This is a significant increase from our 2016 survey, in which only 32% of responding farms provided an employee retirement plan.

Of these farms that provide a retirement plan, 83% provide a 401(k). Other plans provided include simple IRA (13%), profit sharing (9%), and defined benefit pensions (4%). None of the responding farms provide money purchase, simplified employee pension (SEP), or deferred non-qualified compensation plans.

The percentage of employees participating in a farm’s retirement plan varies significantly.

Of the farms which provide a retirement plan, most plans are funded by both the employer and employee. Only 4% of the plans are fully funded by the employer.
PAID TIME OFF

While all responding farms provide paid vacation for full-time employees, only 12% of farms with part-time employees provide them with paid vacation.

- **No paid vacation time provided**: 88%
- **5-6 days**: 4% (2% for part-time employees)
- **7-8 days**: 11%
- **9-10 days**: 10%
- **11-12 days**: 10%
- **13-14 days**: 13%
- **More than 14 days**: 4%
- **Vacation time is dependent on tenure**: 48% (10% for part-time employees)
While two-thirds of responding farms provide paid sick leave for full-time employees, only 7% of farms with part-time employees provide them with sick leave.
ON-FARM HOUSING

81% of the responding farms provide on-farm housing for one or more of the farm's employees.

Of the farms that do provide on-farm housing...

- 97% No rent charged
- 3% Rent charged below market rate

None of the responding farms which provide housing charge rent at market rates.
ON-FARM HOUSING

45% of the farms that provide housing require signed agreements with tenants.

According to most of our survey participants, the employer is responsible for expenses related to on-farm housing.

<table>
<thead>
<tr>
<th>Service</th>
<th>Employer</th>
<th>Employee</th>
<th>Both</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilities</td>
<td>66%</td>
<td>21%</td>
<td>13%</td>
</tr>
<tr>
<td>Insurance</td>
<td>92%</td>
<td>5%</td>
<td>3%</td>
</tr>
<tr>
<td>Maintenance</td>
<td>84%</td>
<td>13%</td>
<td>3%</td>
</tr>
</tbody>
</table>
49% of the responding farms provide a housing allowance to offset off-farm housing costs. Of those, just under half (46%) base the amount of housing allowance on an employee’s position or title.

The remaining 54% which do not base the amount of housing allowance on an employee’s position or title provide a monthly allowance at varying rates.

- Minimum: $150 per month
- Maximum: $400 per month
- Average: $255 per month
VEHICLES

85% of the responding farms provide vehicles for one or more employees. All of these farms are responsible for insurance and repairs/maintenance on the farm vehicles, while 90% of the farms cover fuel.

73% of the farms restrict vehicle use to farm business. Of these farms, only 45% maintain a written vehicle policy to formalize the arrangement.
Located in Kentucky, known for its world-class horse farms, racing, and sales, our firm has provided accounting, tax, and business consulting services to the horse industry for over 38 years. Our clients cover a broad spectrum of organizations involved in the horse industry, from small boarding farms to large multi-departmental farms involved in boarding, breeding, selling, and stallion management; from racing stables to a racetrack; from bloodstock agents to equine veterinary firms; and from industry associations to equine insurance agencies.

Not all of our clients are based in Kentucky; horse industry clients from other parts of the country and from outside the United States also gain comfort from having our industry specialists work with them. As a firm, we endeavor to know the business of horses, not just accounting and tax rules relating to the industry. We accomplish this in a number of ways, including, most usefully, by working with our many clients in the industry on their business matters.

We perform a variety of services for our clients involved in the equine industry. And, we welcome inquiries, whether from new participants in the industry who want assistance in properly structuring and administering their stables or farms or from longtime industry participants seeking to improve the performance and administration of their operations.
The Dean Dorton equine team is available to assist you with your needs throughout the year.

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Dean Dorton is a full-service accounting and business consulting firm which provides services to clients of all sizes in a variety of industries. The firm has grown to be one of the largest Certified Public Accounting firms based in the Commonwealth of Kentucky.

At Dean Dorton, our philosophy centers on an unyielding commitment to provide services that exceed our clients’ expectations and are consistently superior to our competitors in quality and timeliness. Further, we strive to do so in a setting that is satisfying professionally and personally for firm employees.