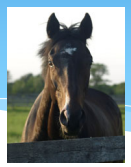
The Reality of Equine Practice 2020 Challenges & Opportunities

Amy L Grice VMD MBA



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The Reality of Equine Practice 2020

Strategic Analysis
- Macro Environment
- Competitive Environment

Resources
- 2016 AVMA AAEP Economic Report
- 2018 AHP Study (Zoetis)
- 2017 AHC Study
- 2018 AVMA Economic Report

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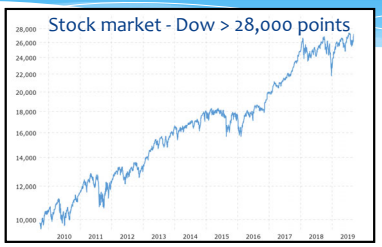
Macro Environment - Economy



https://www.macrotrends.net/1358/dow-jones-industrial-average-last-10-years'>Dow Jones - 10 Year Daily Chart

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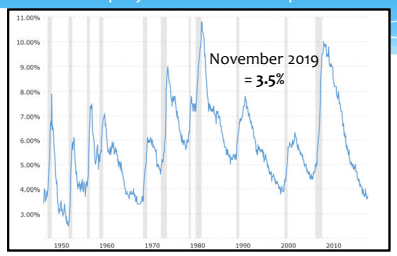
Macro Environment - Economy

Unemployment rate has improved



https://www.macrotrends.net/1316/us-national-unemployment-rate'>U.S. National Unemployment Rate

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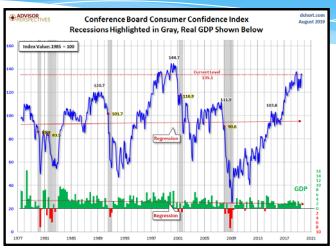
Macro Environment - Economy

Consumer Confidence Index: 11/2019 = 125.5



https://www.advisorperspectives.com/dshort/updates/2017/03/28/march-consumer-confidence-highest-since-2000

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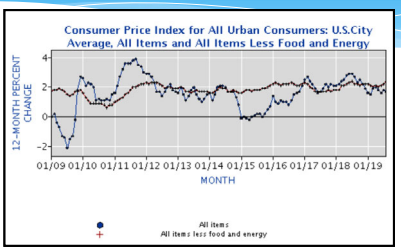
Macro Environment - Economy

Consumer Price Index has remained steady



http://data.bls.gov/pdq/SurveyOutputServlet?request_action=wh&graph_name=CU_cpibrief

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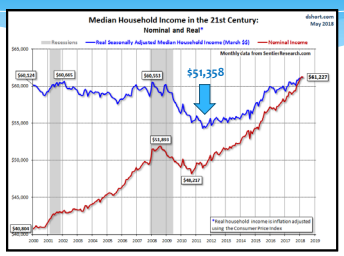
Macro Environment - Economy

U.S. median real inflation-adjusted household income has stabilized from $60,124 in Jan 2000 to $63,378 in March 2019



http://www.advisorperspectives.com/dshort/updates/Median-Household-Income-Update.php

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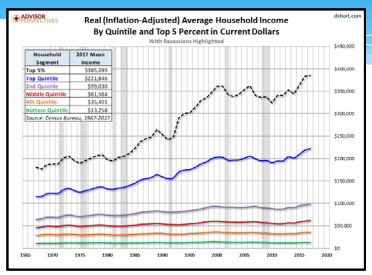
Macro Environment - Economy

Top 25% of households have more wealth



https://www.advisorperspectives.com/dshort/updates/2018/10/16/us-household-incomes-a-51-year-perspective

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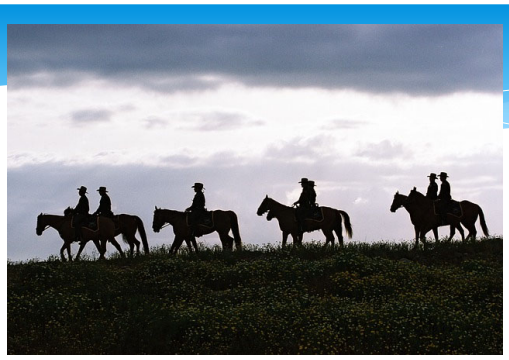

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Macro Environment – Equine Industry

How Many Horses?? Recent estimates:

- 6 million (Brakke study 2014)
- 8.9 million (AVMA AAEP Equine Economic Impact Survey 2016)
- 7.2 million (AHC 2017)

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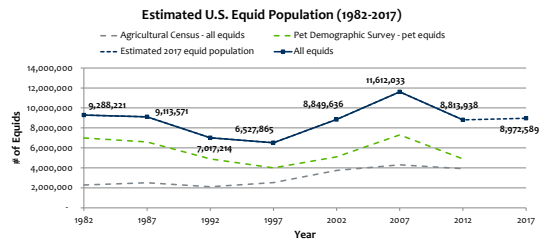
2016 AVMA AAEP Survey Results
Number of horses in the US



Decreased 23% in last 10 years

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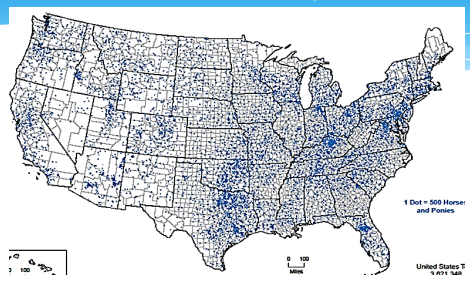
Macro Environment – Equine Industry



http://www.agcensus.usda.gov/Publications/2012

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AHC 2017 Study

Top three states, in order of horse population:

- #1 Texas
- #2 California
- #3 Florida

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AHC 2017 Study - Demographics

Figure 1. Horse Population Estimate by Breed and Sector (000s)

	Racing	Competition	Recreation	Work	Other	TOTAL
Quarter Horse	245	416	929	281	266	2,137
Thoroughbred	506	164	401	14	51	1,136
Standardbred	332	6	180	1	87	606
UPHA Breeds*	88	216	532	181	57	1,075
All Other	54	425	1,099	60	499	2,137
TOTAL	1,224	1,228	3,141	537	959	7,090

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* UPHA breeds are American Saddlebred, Arabian, Friesian, Hackney, Morgan, and National Show Horse

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Macro Environment – Equine Industry

Why less horses?

- Increased costs of grain and hay
- 81.8% spending more for horse related costs (AHP 2012)
- > BUT over 88% of horse owners expect to continue to own the same number or more horses in 2019 (AHP 2018)

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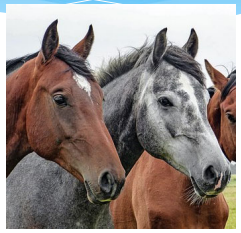
2018 AHP Equine Industry Survey

Sponsored by Zoetis

Future expectations of horse ownership:

- 69.2% of respondents expect to own/manage the same number of horses in 2019
- 19.2% expect to own/manage more!
- 69.2% + 19.2% = 88.4% ☺
- Only 11.6% expect to own/manage less



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2018 AHP Equine Industry Survey

Sponsored by Zoetis

Significance of Owner age:

- 24.5% of 18-24 age respondents report owning or managing more horses in 2018 than in 2017
- 39.1% of 18-24 age respondents expect to own more horses in 2019
- 7.1% of 65+ age respondents report owning or managing more horses in 2018 than in 2017
- 9.0% of 65+ age respondents expect to own more horses in 2019

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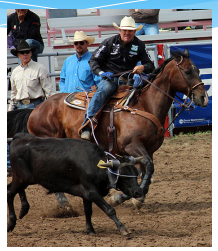
2018 AHP Equine Industry Survey

Sponsored by Zoetis

Significance of Rising Costs:

- 61.6% will reduce expenditures in other areas of their lives
- 26.8% will attend fewer competitions
- 25.1% will pursue opportunities to increase their current income
- 20.3% will reduce the number of horses they maintain



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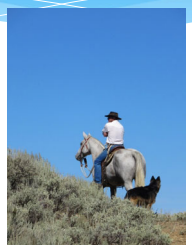
2017 AHC Study Demographics

- 1.3 % of the U.S. population owns horses
- 29.2 % of American household members participate in equine related activities but do not own a horse
- 13.2 % spectate at horse events but do not own or participate
- Almost a third of U.S. households own or participate!



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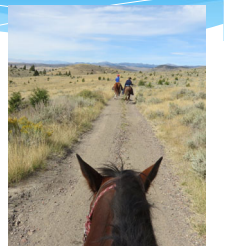
2017 AHC Study Demographics

- Median age:
  - Horse owners 38 years
  - Participants 22 years
  - Spectators 36 years
- 38 % of horse activity participants (non-owners) < 18 years of age
- Among horse owners:
  - 22 % have income $100,000 - $149,000
  - 28 % have income ≥ $150,000



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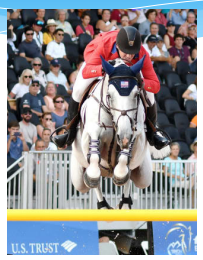
2017 AHC Study Demographics

- The participants and spectators are estimated to have spent $27 million on expenses (travel, dining and lodging) related to their participation in or attendance at equine events
- >10 % of U.S. households have participated in trail riding
- 8.4 % have taken riding lessons



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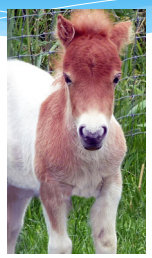
AVMA 2017 U.S. Pet Ownership & Demographics Survey

- 0.7 % of U.S. households owned pet horses at the end of 2016
- Highest % of horse-owning households are West South-Central Region (1.3%), and the Mountain Region (1.1 %)
- Largest absolute numbers of households that owned horses are the South Atlantic with ~25 million households, the East North Central with 18.9 million households, and the Pacific with ~18 million households

American Veterinary Medical Association, "US Pet Ownership and Demographics Sourcebook" (Schaumburg: AVMA, 2018)



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AVMA 2017 U.S. Pet Ownership and Demographics Survey

Horse-owners consider them:
42% pets
47% family members
11% property

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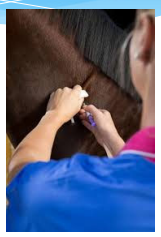
2018 AHP Equine Industry Survey

Sponsored by Zoetis

Vaccinations

	2018	2015	2012
Veterinarian administers vaccines	63%	61.4%	58.2%
Administered by owner	29.7%	31.5%	34.7%
Not vaccinated	2%		
Discuss AAEP vaccination recommendations with veterinarian	46.7%	27.3%	



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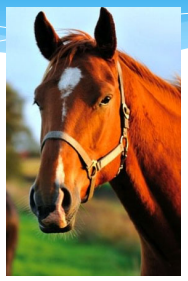
2018 AHP Equine Industry Survey

Sponsored by Zoetis



Influences on Vaccine Purchases:

- ~70% of respondents indicate that their veterinarian is the leading influence for where they purchase their equine vaccines (80% purchase from their veterinarian)
- 14.7% indicate price is the second leading influence
- 20% of respondents report requesting a specific brand of vaccine

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Competitive Environment – Ethical & Political Concerns

The Sad Cruelty Behind The Tennessee Walking Horse

Lawsuit: Falsified vet X-rays at Keeneland horse sales led to buyers playing 'Russian roulette'

23 Thoroughbred Deaths Force Santa Anita To Change. Will The Racing Industry Follow?

4 Calgary Stampede horses die in 2015 chuckwagon races

2 outrider horses died over the weekend after suffering leg injuries in the Rangeland Derby

CBC News · Posted: Jun 15, 2015 9:49 AM MDT | Last Updated: Jun 15 · Politics · Horse racing

BREAKDOWN | Death and disarray at America's racetracks

BLM: Mustangs mistreated

Mangled Horses, Maimed Jockeys

Woman charged with starving horses that were found dead on Wake County property

Who Speaks for the Carriage Horses?

Video Reveals Torture of Horses Trained to Win Championships

May 16, 2012

Horse slaughter blocked by federal law

Florida horses found near death in 'worst case of starvation' veterinarian had ever seen, deputies say

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Competitive Environment - Corporate Buyouts

VCA Animal Hospitals · bluepearl veterinary + emergency medicine for pets · MAVANA Power to the Practice · NVA

- Increasing mergers and acquisitions in the equine veterinary industry
- New model : A corporate partner buys 70 - 100%, handles all business management tasks, while the veterinarian manages the medicine
- Smaller corporations "roll up" 20-30 practices, then are purchased by larger corporations, which are then purchased by mega-corporations (e.g. Mars – VCA, Banfield, Blue Pearl, etc.)

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Overall Veterinary Industry

Brakke Consulting predicts that

75% of VETERINARY PRACTICES will be individually owned in **5** years.

25% of PRACTICES will be CORPORATE-OWNED.

They will represent **50%** of VETERINARY VISITS.

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Competitive Environment - Technology

- Constantly changing + need for recurring replenishment of aging technology
- Clients demanding technically higher levels of diagnostics
- Increasingly out of reach of small and solo practices
- Larger practices have:
  - Economies of scale
  - More opportunity to meet these demands

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Competitive Environment – Regulatory Concerns

Compliance:
- Licensing
- Accreditation
- Professional conduct
- Use of controlled substances - DEA
- Disposal of medical waste
- OSHA
- Radiation safety

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Equine Veterinary Industry – Who Are We?

AAEP 2018 Annual Report:
- 7615 veterinarian members (decrease of ~45 from 2017)
- Male 49.5%, Female 50.5%
- 1549 student members - 85% female: 15% male
- 44% are over 50 years old

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Equine Veterinary Industry – Who Are We?

AAEP 2018 Annual Report:
- 37.1% solo practitioners
- 46.7% are 100% equine
- 19% are in mixed practices (< 50% equine)

AVMA 2018
- 4,125 AVMA equine members
- 5.6% of 73,373 private practice veterinarians

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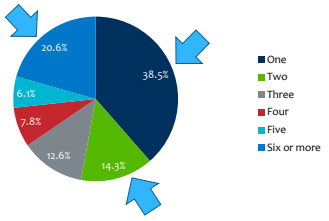
How Many FTE Veterinarians?

Distribution of Full-Time Equivalent (FTE) Veterinarians At A Practice (n=548)

52.8% of Equine practices have 1-2 FTE Veterinarians



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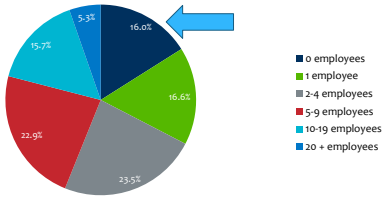
How Many FTE Employees?

Distribution of Number of FTE Employees In A Practice (n=524)

56.1% of equine practices have less than 4 employees



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Equine Professional Income

Equine DVM Salaries	Obs.	Mean	Std. Dev.	1st Quartile	Median	3rd Quartile
0 - 5 years	125	$56,875	$19,824	$43,000	$55,000	$70,000
6 - 10 years	151	$81,914	$34,689	$60,000	$75,000	$96,000
11 - 20 years	140	$107,547	$49,642	$75,000	$100,000	$125,000
21 - 30 years	121	$119,185	$62,487	$75,000	$105,000	$155,000
31 - 40 years	94	$132,055	$65,623	$80,000	$125,000	$162,000
41 - 50 years	33	$138,900	$72,121	$87,000	$125,000	$167,845
51 or more years	4	$94,750	$52,785	$58,500	$102,500	$131,000

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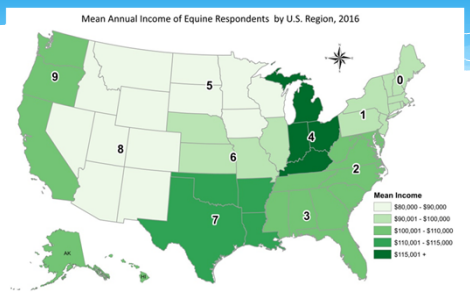
Equine Professional Income



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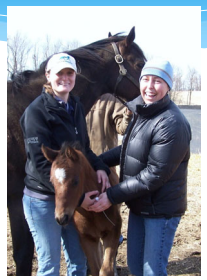
Fragmented Industry

High degree of variability between practices:

- Type of service, breed, or athletic discipline.
- Type of practice structure & size
- Amount of revenue earned
- Number of hours worked



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Equine Veterinary Industry – Commonality

- Emergency care 24/7/365
- On-the-farm care is essential
- One of clients' top priorities in choosing a veterinarian
- Most stressful and alienating aspect of equine practice - contributes to high attrition

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The Future

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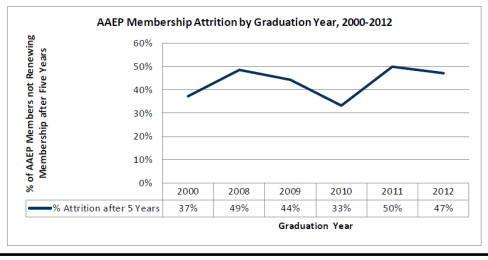
Leaving the Profession

% of graduates leaving AAEP after 5 years in practice



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Veterinary Education is Expensive!

- Total of 4832 seats in 2017
- Average tuition $27,096 x 4 = $108,384
- Most expensive 4-year cost = $288-$353 K
- Least expensive 4-year cost = $115-$128K

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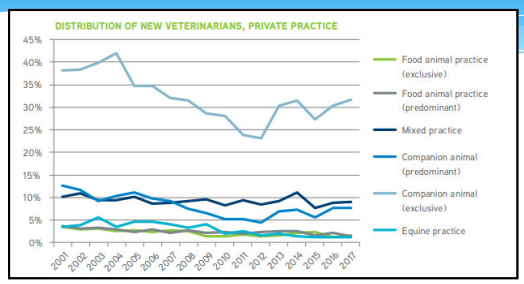
2018 AVMA Economic Report



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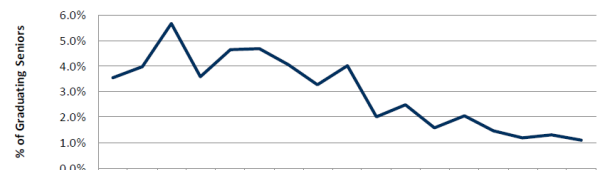
Not Enough Equine Veterinarians?



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Equine practice	3.5%	4.0%	5.7%	3.6%	4.7%	4.7%	4.1%	3.3%	4.0%	2.0%	2.5%	1.6%	2.1%	1.4%	1.2%	1.3%	1.1%

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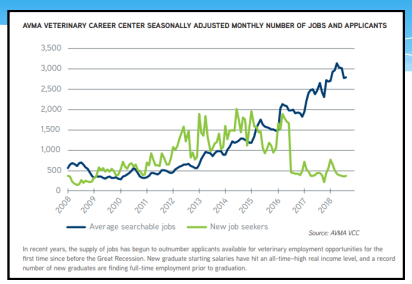
Lots of Jobs!



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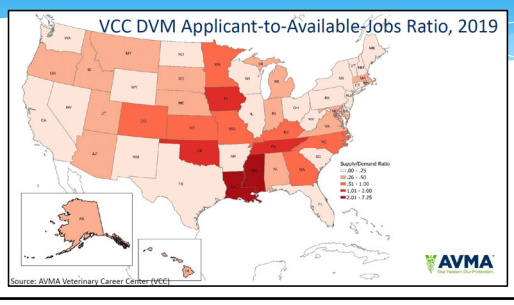
Not Many Applicants!



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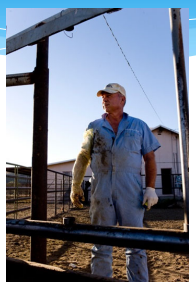
Employment

- Both unemployment (0.8%) and underemployment are currently very low for veterinarians
- Veterinary employment is projected to grow 19% percent from 2016 to 2026, much faster than the average for all occupations
- Geographic maldistribution is a problem in the profession, leaving some areas underserved



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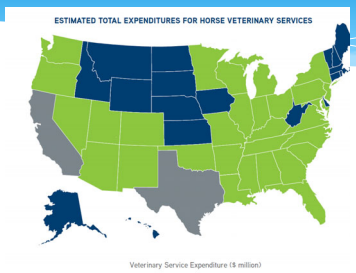
2018 AVMA Economic Report



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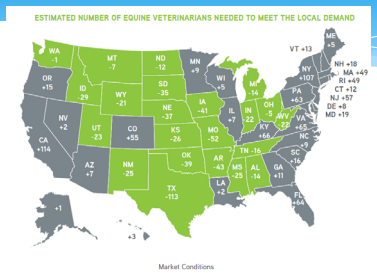
2018 AVMA Economic Report



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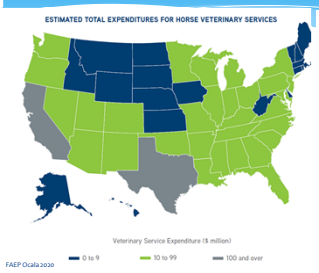
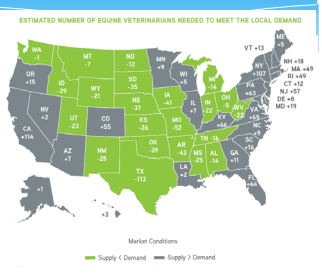
2018 AVMA Economic Report





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Not Enough Veterinarians?

- Veterinary graduates have more power than ever in negotiations for salary and benefits
- Many jobs go unfilled for years
- As the population increases, pet ownership % forecast to remain stable - demand will continue to increase

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Not Enough Veterinarians?

- Due to the rising numbers of new graduates, supply is increasing, but as population rises with same % of pet ownership, demand will increase – possibly more than supply
- Competition for veterinarians = increased salary and benefit offerings
- Equine associates increasingly are lured to small animal practices

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Starting Salaries

Table 1—Mean full-time starting salaries of year-2018 graduates* of US veterinary medical schools and colleges by type of employment.

Employment type	No. (%) accepting positions	Mean ± SD starting salary	No. reporting starting salary
Private practice			
Food animal exclusive	41 (1.7)	82,702 ± 13,830	41
Food animal predominant	58 (2.4)	74,016 ± 11,098	58
Mixed animal	238 (9.9)	73,048 ± 13,024	236
Companion animal exclusive	920 (38.4)	86,982 ± 15,331	916
Companion animal predominant	213 (8.9)	84,830 ± 18,957	209
Equine	42 (1.8)	51,893 ± 21,850	42
All private practice	1,512 (63.1)	82,897 ± 17,273	1,502

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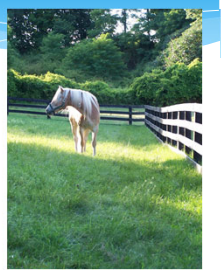
DVM Starting Salaries

Real mean starting salary for all veterinary graduates finding full-time employment prior to graduation:

- $70,117 in 2015
- $72,187 in 2016
- $73,626 in 2017
- $76,633 in 2018
- In private practice, average $82,897 in 2018

JAVMA | MAY 1, 2019 | VOL 254 | NO. 9
https://www.avma.org/News/JAVMANews/Pages/181215f.aspx



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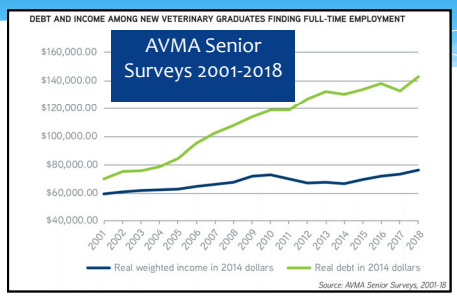
Educational Debt & Income



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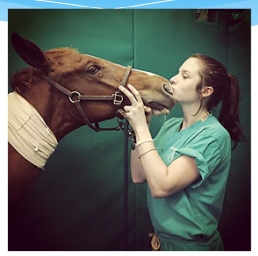
DVM Educational Debt

- 44% of 2017 graduates had debt levels $100,000 - $200,000
- % with no debt has been steadily increasing, up from 14% in 2016 to 17% in 2017

2018 AVMA Economic Report



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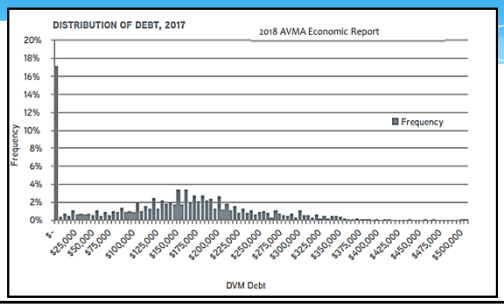
Educational Debt Distribution - 2017



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Equine Educational Debt

- ~30% of graduates who entered equine practice had no debt
- ~20% of graduates who entered companion animal practice had no debt

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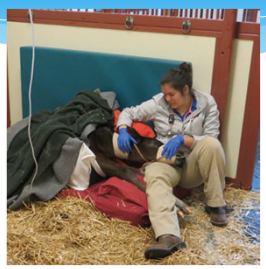
Debt to Income Ratio

2001-2016

- The average DIR of new veterinarians who work full time in equine medicine was 2.48 (median 2.04)
- The average DIR of all new veterinarians working full time was 1.71 (median 1.25)
- DIR of ≤ 1.4 is reasonable



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Equine Debt to Income Ratio

DIR for recent graduates entering full-time equine practice:

* 2017 3.2043
* 2018 4.7528

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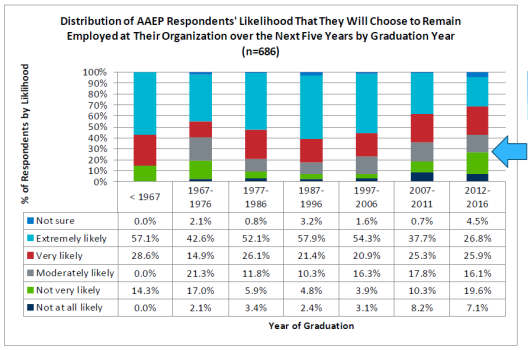

	< 1967	1967-1976	1977-1986	1987-1996	1997-2006	2007-2011	2012-2016
Not sure	0.0%	2.1%	0.8%	3.2%	1.6%	0.7%	4.5%
Extremely likely	57.1%	42.6%	52.1%	57.9%	54.3%	37.7%	26.8%
Very likely	28.6%	14.9%	26.1%	21.4%	20.9%	25.3%	25.9%
Moderately likely	0.0%	21.3%	11.8%	10.3%	16.3%	17.8%	16.1%
Not very likely	14.3%	17.0%	5.9%	4.8%	3.9%	10.3%	19.6%
Not at all likely	0.0%	2.1%	3.4%	2.4%	3.1%	8.2%	7.1%

42.8% moderately likely to not at all likely to remain

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Not Enough Veterinarians?

* For equine practice, will the increased salaries needed to attract and retain associates create a need to increase service prices?
* Could increasing prices decrease demand from lower income horse owners and increase the numbers of animals not receiving care?

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Not Enough Veterinarians?

* Could consolidation of practices by corporate buyouts allow some reduction of expenses to minimize the need to raise fees?
* What about solo equine practices? Or those that are 2-3 doctors?

52.8% of Equine practices have 1-2 FTE Veterinarians

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The Future

* Our profession cannot continue to stay strong into the coming decades with the loss of exceptional talent that we are now experiencing
* New paradigms must evolve that allow our changing workforce to have the flexibility and support that they need while still keeping practices financially healthy
* We must all contribute to bringing about the changes that will keep the equine veterinary industry viable for the future

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Comments? Questions?

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