

American Horse Council

Economic Impact Analysis Methodology

The economic impact of an industry can be broken down into three components: direct impacts, indirect impacts, and induced impacts. Direct impacts are the expenditures made by an industry in other industries: for example, the purchase of horse feed by a horse farm. Indirect impacts are the effects of the direct expenditures on other business sectors: for example, the feed mill purchasing grain from farmers. Finally, the induced impacts result from the spending of labor income: for example, feed mill employees or farmers using their income to purchase consumer goods locally. The total economic impact of an industry is the total of the three components.

Determining the direct economic impact is a critical first step in conducting a valid economic impact analysis. Surveys of industry participants are used to collect detailed, first-hand information regarding expenditures by an industry. The information collected through industry participant surveys is combined with representative-sample surveys of the population to calculate direct expenditures for the horse industry in the United States and in individual states.

Once the direct expenditures are identified, the total impact of the horse industry is calculated using multipliers derived from an input-output model of the economy. The input-output model identifies the relationships between various industries—for example, which industries in a state or nationally are involved in producing \$1,000 worth of feed and by how much is each industry affected? The model is then used to estimate the effects of expenditures by one industry on other industries so that the total impact can be determined.

For the economic impact study being conducted on behalf of the American Horse Council, the Innovation Group is undertaking a comprehensive collection of horse industry economic data. The data being collected includes the following:

- Employment and operating data direct from the racetrack and pari-mutuel sector, including annual reports by state racing commissions.
- Employment and operating data direct from non-profit equine associations.
- The results of recent state-level economic impact studies conducted by third parties.
- Breed registries and registration trends.
- Surveys of industry participants—horse owners, industry suppliers, youth clubs, rescues and sanctuaries, equine-assisted therapy operations, and equine academic programs—distributed through equine associations and the American Horse Council asking respondents about expenses related to horse ownership and horse-related activities.
- Representative-sample surveys of the U.S. population to derive statistically valid data on horse ownership on a national basis and for 14 states that have requested state-level reports.

- A survey of randomly selected horse owners and industry participants used to make statistically valid inferences regarding national and state-level economic activity.

The association-disseminated surveys provide detail about the expenses and activities involved in horse ownership. The representative-sample surveys allow for scaling of the survey data to the state or national level. This survey approach provides the best possible estimate for the direct impact of the horse industry that is the basis for an economic impact analysis. This direct impact, combined with standard, best practice input-output methodology, results in a credible and statistically valid national and regional economic impact analysis of the horse industry.