

AG Ventures

Agriculture Business Profiles

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Commercial Horse Boarding Stable Industry

The purpose of this factsheet is to introduce boarding stables as potential business opportunities. The focus in this profile is on the key management issues associated with developing and operating a boarding stable in Alberta. This overview isn't intended to be a substitute for individuals making their own thorough assessment of all the key factors that would influence the success of their particular business.

1. Industry Highlights

- The primary activity of a boarding stable enterprise is to provide board and related services to horse owners.
- Stables providing basic pasture board for horses may be operated as sideline enterprises to an existing farm business. Boarding stables that provide specialized facilities or services are more often operated as separate business enterprises.
- Training stables are specialized operations where professional trainers provide horse training, riding lessons and other services. Training stables are different businesses from boarding stable operations and have different operating and management requirements. However, a training stable may be part of a boarding stable enterprise.
- Individuals considering developing a boarding stable require a high level of knowledge and experience with horses, as well as the ability to get along with people. In order to be a viable business, a boarding stable requires a good location, the right mix of facilities and services for the market, and strong financial resources.
- The primary market group for boarding stables is horse owners seeking board and related services for their horses. The ideal location for a boarding stable would be within 20 miles of a major population centre with a high population of horse owners needing board and related services.
- The demand for horse boarding services is driven by factors such as horse numbers, income levels, the desire (by owners) to participate in horse related competitions and the number of individuals who ride horses for recreation.
- It's important to recognize that for many horse owners boarding a horse and buying related services is a luxury. As a result, the market for these services may experience reduced demand during periods of economic decline.
- In many urban areas there are established boarding stables that have gained a large share of the market by providing convenience, reasonable prices, a good location and the needed services. Individuals developing an operation in these markets need to determine the combination of services, facilities and price they will use to attract and maintain customers.
- Liability insurance is an important requirement for a boarding stable. Boarding stable operators may have difficulty finding reasonably priced liability insurance.

- Developing and operating a horse stabling business requires:
 - a considerable investment of time for planning, developing and marketing the operation
 - considerable financial resources to invest in facilities and services
 - the ability to sell services and ensure customers are satisfied
 - the ability to train and manage labor
 - the ability to keep control of the financial affairs of the business
 - the patience to deal with people every day, at all hours
 - a working knowledge of equine nutrition requirements
 - the ability to recognize illness and distress in horses

2. Regulatory Basics

- There are numerous regulations to follow when operating a boarding stable. Individuals considering developing a boarding stable operation must be prepared to investigate the following regulations in order to determine the impact on a specific business proposal. The regulations deal with:
 - zoning and building ordinances governed by the local municipality
 - The Alberta Building code requires buildings with public access (such as riding arenas) to meet structural and safety design requirements. This usually means professional engineering services.
 - health regulations set by both provincial and local authorities
 - business license requirements set by local authorities
 - placing signs on private land adjacent to a highway
 - To put up a sign requires permission from the local municipality and Alberta Transportation and Utilities. It is possible to place a sign within a Highway right-of-way, but this requires making an application to Alberta Transportation and Utilities.¹
 - workers' compensation, provincial employment standards and Revenue Canada payroll deductions for hired employees

- Liability coverage is an absolute must to provide coverage against liability resulting from injuries to customers, injuries to horses and damages to property. Insurance coverage and premiums may depend on the context of the boarding agreement/contract with horse owners.
- **The new Water Act** is expected to require that all agricultural users of ground water (wells) be registered. Specific guidelines under this act include:²
 - traditional agricultural users may register their existing water use as long as it doesn't exceed 6,250 cubic metres per year (3,750 gallons/day)
 - new or expanding users of ground water will be required to go through a full licensing process
 - all wells deeper than 150 metres (492 feet) will require an "E.U.B. Well License" from the Alberta Energy Utilities Board
- The current legislation affecting ground water use, *The Water Resources Act*, requires that large livestock operations (using 3,000 gallons or more per day on a mixed farm or having 150 head or more of mature cattle or horses) be licensed.
- *The Livery Stable Keepers Act* provides some financial protection for individuals who board or care for any animals, including horses. The Act provides that outstanding bills owed by the owner of animals can be collected with priority over all other liens and bills of sale, etc without the use of costly, complicated legal processes.³

3. Market Basics

- Not all individuals have the experience and skill to work with numerous horses on a daily basis. There are even fewer individuals who have been able to make a living operating a boarding stable. A critical step in developing a successful boarding stable operation is assessing the market potential for the operation prior to investing capital in land and facilities.
- The key marketing activities for a boarding stable enterprise are:
 - determining the number of potential customers in a market area
 - determining the services customers want
 - providing the right services and facilities at the right price at the right location

1 Further information should be obtained from district offices of Alberta Transportation and Utilities.

2 Water Licensing from Wells; Alberta Agriculture, Food and Rural Development; April 1997.

3 For a detailed look at The Livery Stable Keepers Act check the following Internet site [http://www.agric.gov.ab.ca/\\$department/deptdocs.nsf/all/acts4180?opendocument](http://www.agric.gov.ab.ca/$department/deptdocs.nsf/all/acts4180?opendocument)

- developing a clientele for the services and facilities
- maintaining the clientele
- staying aware of services and prices that are available in the market area being served
- Market research is necessary to determine the services and facilities being sought by horse owners in a specific market area. This will help identify what combination of services will allow their enterprise to be profitable. Market research can be done by a consultant or completed by the business operator. Individuals who do their own market research can save the cost of the research and gain insight into the market being studied.⁴
- The information required to complete the market research required for a boarding stable operation can be gathered by:
 - using secondary data available through Statistics Canada, Alberta Economic Development and Trade, and the economic development agencies in the local municipality
 - visiting other boarding stables in order to see what services and facilities are being offered
 - speaking directly with horse owners to determine if there's room for an additional boarding stable in the market, and what services and facilities are needed.
- Individuals considering developing or purchasing a boarding stable in a particular area need to obtain answers to the following questions:
 - Who are the potential customers for the boarding stable operation?
 - How far will customers travel to a boarding stable?
 - How do people first become aware of a boarding stable?
 - What services do customers buy?
 - How much will customers spend on board and other services?
 - How loyal are customers to a boarding stable?
 - What are the riding activities of the customers?
 - What is the location of competing operations?
 - What are the facilities, services and prices of competitors?
- The types of services and facilities that horse owners would expect to find at a boarding stable include:
 - barn care such as box stalls or tie stalls with feed
 - outdoor paddocks with shelter with feed
 - pasture board
 - outdoor riding arenas
 - indoor riding arenas
 - trail riding
 - riding lessons/coaching
 - horse training
 - grooming, basic veterinary services, exercising and farrier services
 - intensive management for horses with injuries or serious health problems
- Services and facilities should project an image that attracts and keeps clients. Some of the factors that can contribute to this image are:
 - providing top quality horse care
 - Quality of care may be more important than price for many horse owners.
 - providing quality feed and enough of it
 - The horses being cared for must be healthy and well fed. Operators must monitor the horses they are feeding, particularly during cold weather when feed rations will most likely have to be increased.
 - providing safe, attractive facilities that are maintained in good repair
 - operating a clean, well-run facility with friendly capable personnel
 - having access to veterinary services for both routine and emergency care
 - providing easy access, room for parking and an area for clients to leave their horse trailers, if needed
 - providing areas for clients to ride such as indoor arenas, outdoor rings and trails
- A pricing strategy is necessary. It's an important element in attracting clients, maintaining clients and achieving profitability. The margin between boarding revenues and costs must be sufficient to cover overhead expenses, risks (increased feed costs) and profit.
- Some common pricing strategies used in boarding stables include:
 - following the lead of other boarding operations
 - Competitor prices are an important consideration in determining where market prices are. However, pricing at the same level as a competitor can be dangerous if costs of production aren't taken into consideration.

⁴ A helpful tool is *Guideline: Do-It-Yourself Market Research*. Although this Federal Business Development Bank publication is no longer available in print, the text can be found on the Alberta Women's Enterprise Association website at: <http://www.aweia.ab.ca>. Click on *Resources, Marketing* and then, *Guideline: Do-it-yourself Market Research*.

- using prices established in the previous year to develop prices for the coming year
 - cost of production
 - The minimum acceptable price for boarding services covers all costs including production costs, marketing costs, overhead costs, the cost of unpaid accounts and a return to the owner's capital and management contributions.
 - client perceptions are also an important factor in pricing
 - Clients should be questioned to determine how they rank the importance of price as compared to the quality of facilities and services. An understanding of client perceptions of value allows operators to determine a maximum acceptable price that clients would be prepared to pay for their boarding services.
 - supply and demand
 - Boarding stable operators require an understanding of the market forces that affect the supply and demand of the services they offer.
 - The ability to get along with people is an essential requirement for individuals undertaking a boarding stable operation. Dealing with clients requires being friendly and outgoing, having marketing skills, having the necessary knowledge of horses and being prepared to work long hours, seven days a week.
 - Customer service and client relations are important factors in increasing customer perceptions of value, and attracting and keeping clients. Suggestions for improving customer service include:
 - ensuring that clients are highly satisfied with the care their horses are receiving
 - making it easy for clients to speak with staff
 - checking to see what people need or want
 - being staffed with people who are experienced and knowledgeable about horses
 - being a good listener when clients want to talk about their horses
 - Boarding stable operators must be prepared to advertise their business. The advertising practices used to create awareness and gain customer support include:
 - signage
 - advertising in newspapers and horse publications
 - trade shows
 - bulletins posted at feed stores, stores serving horse owners and public riding arenas
 - yellow pages
 - developing a strong word of mouth campaign by asking existing clients to spread the word
 - Word of mouth advertising is an important factor in marketing a boarding stable. Dissatisfied clients will certainly tell others. Satisfied clients will also tell others. The most important issue is to provide quality horse care and services that meet the needs of clients.
 - Boarding stables should develop marketing strategies based on the strengths of their operations. Some strengths on which marketing strategies can be developed are:
 - a training facility with an established well-respected trainer
 - It's important to note that training stables have very specific operating and management requirements.
 - specialized services and facilities for a group of clients with specialized needs, eg. cattle for practice penning or cattle work
 - skilled labor and good training for labor
- #### 4. Operating Basics
- The key operating issues for a boarding stable operation are:
 - to determine the best location, site and facilities for the operation
 - to determine the horse management programs
 - to develop well-balanced nutrition programs and to establish a feeding schedule
 - to provide routine health-care and be prepared for emergency situations
 - to hire high quality employees and provide high levels of training
 - Boarding stable operators require a high level of knowledge about horses. They need to understand nutritional needs, health needs, living requirements and handling requirements.
 - New entrants to the business of operating a boarding stable should be prepared to study both existing operations and published material. This will allow them to gain information to assist with establishing the enterprise and providing high quality services to their customers.
 - *Horse Handling Facilities*, is a publication from Alberta Agriculture, Food and Rural Development. It provides a detailed resource for planning and developing horse facilities.

- Important considerations in determining the resource requirements for a proposed boarding stable or assessing an existing boarding stable operation are:
 - the type of boarding stable operation will determine the land requirements and facilities. Various types of boarding stables include:
 - basic horse care operations with outdoor paddocks
 - stables that can provide box stalls or tie stalls for horses
 - stables that have indoor riding facilities in addition to stabling
 - specialized operations such as training stables
 - The location of the boarding stable should be well researched in order to assess the following factors:
 - proximity to a large population of horse owners⁵
 - ease of access
 - drainage
 - good parking
 - room for expansion
 - zoning restrictions
 - environmental requirements such as manure handling
 - the need for snow and wind control
 - Key considerations in developing a boarding stable site include:
 - ensuring that the entrance is highly visible and provides easy access
 - ensuring that the appearance of the operation projects an image of quality care
 - using clearly visible signs that are consistent with the zoning regulations for the area
 - developing a parking area that provides easy access, has lots of room for trucks and trailers, is close to the boarding facilities and has good drainage
 - having a special area for parking trailers, as many horse owners will want to leave their trailers at the stable
 - having a separate and secure area for clients to leave their horse tack as well as a coffee room for clients. (This is so clients are not inclined to come to the house).
 - Future expansion should be considered when developing a boarding stable facility or assessing an existing operation to ensure there is room for future expansion.
- Buildings must be carefully considered. Market research must clearly show that clients are seeking and willing to pay for the type of facilities and services that are being developed. Once the decision has been made to develop or acquire a facility, issues to consider include:
 - the design and type of buildings as well as outdoor pens and shelters
 - the safety of horses and people
 - the cost
 - the heating requirements
 - the ventilation requirements
 - the ease of maintenance
 - whether to include a wash rack
 - feed storage
 - bedding storage
 - zoning requirements
 - ease of clean up
 - availability and access to pasture
- Good paddocks and turnout areas are essential. Pens and corrals need to be carefully assessed for layout, design and construction. Important factors to consider include:
 - size of pens
 - type of fencing
 - location of gates
 - size of gates and alleyways (may want to get a tractor in for snow removal/cleaning)
 - type of shelter
 - access to water
 - type of feeder
- The basic equipment required for a boarding stable includes:
 - equipment for handling feed, bedding and removing manure
 - horse equipment including halters, lead ropes, water buckets, feed tubs and mineral boxes
 - office equipment
 - storage area (with lockers and saddle racks) for clients to keep their tack
- Individuals who are considering developing a new facility should seek the assistance of the engineering specialists at Alberta Agriculture, Food and Rural Development.

5 There are successful trainers located some distance from the main population centers. These individuals are able to attract clients on the basis of their training programs and training results.

- Critical production management issues in operating a horse boarding stable are:
 - **Pasture management** – Pasture requirements will vary according to the type of operation and location. Operations with limited pasture areas may feed year round. Where pasture is a critical part of the feeding program, management practices need to include:
 - using plant species that are suited for the growing conditions and for horse pastures
 - identifying and removing poisonous plants
 - avoiding over grazing
 - harrowing pastures to spread manure
 - **Manure removal** – Operators need to develop a manure management program that provides for cleaning stalls and pens, removing manure to a temporary storage area and disposing of the manure.
 - **Feed and Nutrition** – The feed and nutritional needs of horses are made up of specific requirements for energy, protein, minerals and vitamins. Their maintenance requirements and activity requirements will also determine the needs of individual horses.

Maintenance requirements depend on the body size, digestive and metabolic efficiency of the individual animal, as well as the environment. Mares in foal, growing animals and working horses have additional requirements.

Horses generally consume 2 to 2.5 per cent of their body weight in total feed per day. Horses do best when fed high forage diets. Bulky feeds are needed to maintain the digestive tract function. In some cases supplements may be needed to meet the individual requirements of the animal.

Some practical rules to follow when feeding horses include:

- feed at least twice a day, at regular times
 - be consistent in the amount and type of feed
 - provide access to clean fresh water
 - provide salt
 - regularly monitor the condition of each horse
- **Health** – Boarding stable operations require access to quality veterinary services. Operators must be prepared to provide routine health care and deal with emergency situations. As well, operators must be prepared to develop and implement routine vaccination programs and parasite control programs.

- **Labor management** – Friendly, capable employees with a good knowledge of horses are better able to serve clients, keep existing clients and attract new clients. As a result, attracting skilled employees and providing quality training are significant factors in the viability of a boarding stable.

The key management issues relating to hiring skilled labour and providing proper training are:

- develop job descriptions on which recruitment, selection and performance decisions can be based
- develop performance appraisals in order to assess job performance, establish wage and benefit levels, and identify training needs

5. Economic/Finance Basics

- Key economic issues in establishing and operating a boarding stable operation are:
 - determining the capital investment requirements for the proposed operation
 - assessing the profitability and cash flow performance of the proposed enterprise before committing capital
 - managing the operating costs of the operation
 - acquiring the needed capital at favorable terms
- New entrants must be prepared to estimate the costs and returns for the specific operation(s) they are considering acquiring or developing. Specific estimates for investment costs, start up costs, revenues, feed costs and operating costs are needed to assess the economic viability of a particular operation.
- The following budgets project the investment requirements, operating requirements, cash flow requirements, and returns of establishing and operating a boarding stable operation.
- These budgets use assumptions that are considered reasonable, but individuals need to recognize that key financial variables such as capital investment costs, prices for board and costs for feed will vary for each individual situation.
- These budgets provide producers with a framework to identify the type of information required and the types of analysis needed to assess the viability of their proposed operation.
- Table No. 1 presents capital investment required to establish a small boarding operation.

Table No. 1 Capital Investment Requirements for Small Boarding Stable**Initial Capital Investment**

Land	Acres	\$/Acre	Total Cost	Useful Life	Depreciation \$ per year	Interest Cost \$ per year
Pasture	25	\$6,400	\$160,000			\$8,000
Total Costs			\$160,000			\$8,000

Improvements and Facilities

Fencing			\$10,000	20	\$500	\$250
Facilities			\$59,000	30	\$1,967	\$1,475
Water system			\$9,200	20	\$460	\$230
Total Costs			\$78,200		\$2,927	\$1,955

Equipment

Pick-up truck			\$25,000	10	\$2,500	\$625
Horse trailer			\$8,500	10	\$850	\$212
Manure handling equipment			\$25,000	10	\$2,500	\$625
Total Costs			\$58,500		\$5,850	\$1,463

Total Fixed Costs			\$296,700		\$8,777	\$11,418
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Interest costs are the opportunity cost of using capital estimated at 5%

- Table No. 2 presents estimates for the feed costs for the proposed boarding stable operation.

Table No. 2 Boarding Stable Feed and Bedding Requirements

	Days on Feed	Pounds per Head per Day	Total Tonnes Fed	\$/Tonne	Cost per Head	No. of Head	Total Cost
Full Board							
Commercial feed	365	3	0.50	\$225.00	\$111.73	12	\$1,340.82
Grass hay	365	17	2.81	\$125.00	\$351.76	12	\$4,221.09
Total							\$5,561.90
Pasture Board							
Grass hay	250	20	2.27	80	\$181.41	8	\$1,451.25
Total							\$1,451.25

- Table No. 3 estimates the expected revenues and expenses of the proposed boarding stable operation.

Table No. 3 Estimated Annual Operating Revenues and Expenses

	Monthly Rate	No.	Total Revenues
Revenues			
Full board	\$300	12	\$43,200
Pasture board	\$110	8	\$10,560
Training			
Lessons			
Sales commissions			\$2,500
Specialized care			
Total Revenues			\$56,260
Direct Costs			
Grass hay			\$5,673
Commercial horse feed			\$1,341
Salt & mineral			\$280
Bedding \$1.00/stall/day			\$4,380
Hired labour 2,000 hours @ \$11.50			\$23,000
Utilities			\$6,270
Equipment operating costs			\$3,900
Facilities repairs			\$3,450
Pasture expenses			\$911
Interest on operating			\$1,476
Total Direct Costs			\$50,680
Indirect Costs			
Insurance			\$5,750
Operator labour 1,000 hours @ \$15.00			\$15,000
Depreciation on fencing & facilities			\$2,927
Depreciation on equipment			\$5,850
Land taxes			\$1,725
Total Indirect Costs			\$31,252
Total Direct and Indirect Costs			\$81,932
Gross Operating Profit			\$(25,672)
Interest on Investment			
Land			\$8,000
Fencing & facilities			\$1,955
Equipment			\$1,463
Total Interest			\$11,418
Total Economic Costs			\$93,349
Return to Management			\$(37,089)

- The most important issue (as suggested by the operating loss in Table No. 3) to be recognized by individuals is that profitability isn't easily achieved.
- Some strategies that can contribute to a profitable operation are:
 - purchasing an existing facility rather than developing from the ground up
 - being able to lower operating costs that don't reduce the quality of horse care or market acceptance
 - using existing facilities and developing the boarding stable as a complementary enterprise to an existing farm business
- Another economic issue for boarding stable operators is whether the proposed operation will generate sufficient cash flows to meet the cash outflows required for living expenses, debt repayment, operating expenses and capital expenditures.
- A projected cash flow budget for each operating year is necessary for a boarding stable operation. Key factors to consider in developing this budget are:
 - projected revenues
 - expected expenses
 - operating loan requirements
- Table No. 4 illustrates a projected cash flow budget for the proposed boarding stable operation.

Table No. 4 Projected Cash Flow Budget

	Year 1	Year 2	Year 3	Year 4	Year 5
Cash Outflows					
Land	\$160,000				
Facilities	\$78,200				
Equipment	\$58,500				
Total Capital Investment	\$296,700				
Direct expenses	\$50,680	\$50,680	\$50,680	\$50,680	\$50,680
Insurance	\$5,750	\$5,750	\$5,750	\$5,750	\$5,750
Land taxes	\$1,725	\$1,725	\$1,725	\$1,725	\$1,725
Personal withdrawals	\$5,000	\$5,000	\$4,000	\$5,000	\$5,000
Annual debt payment 7% - 15 years	\$5,127	\$5,127	\$5,127	\$5,127	\$5,127
Total Cash Outflows	\$364,982	\$68,282	\$68,282	\$68,282	\$68,282
Cash Inflows					
Borrowed capital	\$46,700				
Equity capital	\$250,000				
Total revenues	\$56,260	\$56,260	\$56,260	\$56,260	\$56,260
Total Cash Inflows	\$352,960	\$56,260	\$56,260	\$56,260	\$56,260
Net Cash Flow	(\$12,022)	(\$12,022)	(\$12,022)	(\$12,022)	(\$12,022)
Cumulative Cash Flow	(\$12,022)	(\$24,045)	(\$36,067)	(\$48,090)	(\$60,112)

- The cash flow performance of a boarding stable enterprise is strongly influenced by the profitability of the operation, the level of hired labor and the cash withdrawals taken out of the business.
- Financing a boarding stable operation is a separate, but related issue. Conventional lenders, such as banks, may still see this type of enterprise as a high-risk venture. In order to acquire the capital needed to develop an enterprise, individual managers will be required to:
 - have a solid business plan with developed markets
 - have high levels of equity capital to put into the venture
 - have access to capital from private sources such as family and friends
 - have marketing strategies for attracting and maintaining customers
- Individuals who consider the purchase of an existing boarding stable operation need to undertake the following analysis.
 - Obtain the most recent financial statements for the business.
 - Use the financial statements to identify and value (at liquidation value) all of the assets involved in the business.
 - Evaluate the operating profit as well as cash flow performance for the last three to five years.
 - Carefully examine all contracts that the business may be bound by. These include leases, employment contracts, insurance contracts, claims against assets and partnership agreements.
- Individual managers must be prepared to keep accurate records of their production costs to be used in:
 - developing price strategies for their services
 - monitoring the profitability of the enterprise
- *The critical economic issues* for a boarding stable operation are to achieve *all* of the factors necessary for their enterprise to be profitable. These factors are:
 - attracting and maintaining customers
 - achieving a competitive and profitable market price for boarding services
 - managing both capital costs and operating costs

6. Resources

The following resources are available to individuals seeking to take a more detailed look at the horse boarding stable business.

Industry Associations

Publications

Horse Handling Facilities
 Information Packaging Centre
 Alberta Agriculture, Food and Rural Development
 7000 - 113 Street
 Edmonton, Alberta T6H 5T6

Alberta Agriculture Services

Government Resources

Alberta Ag-Info Centre
 Telephone: 1-866-882-7677

Alberta Agriculture, Food and Rural Development
 website: <http://www.agric.gov.ab.ca>

7. Key Management Issues

If you continue to investigate this agricultural business opportunity, it's essential that you are able to answer the following questions concerning the development and operation of a horse boarding stable.

- Have you clearly defined the services you will be marketing and the target market that you will be marketing to?
- Have you determined the product mix for gaining and keeping customers?
- Have you clearly defined the resources that you will require to establish the boarding operation?
- Have you clearly defined the marketing strategies and merchandising activities that you will be required to perform in order to market your product or services to specific customers?
- Are you aware of the amount of time you will have to devote to operating your proposed facility and the activities that you will need to perform to meet the needs of customers?
- Are you aware of the labor requirement, the training requirements and the ability to manage labor that will be required in order for your business to be successful?

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