TOOL: CALCULATING DISTRIBUTION OF LABOUR AND PROFIT

- This tool can be used to determine how two parties will split profits in a profit-sharing scenario (e.g. a joint venture).
- This tool can also be used to retroactively assess who has been doing what on the farm in the case that you don't have labour records. It is recommended that you keep a log of labour.
- To use this tool, sit down together and list all the tasks and who does what/how much time they spend on that task over the season.
- This will allow you to understand how labour will be, or has been, divided.
- Decide on an hourly value for each person's labour to help you translate the share of labour into a share of profits (e.g. you may put $25/hour on the current farmer's labour and $15 on the entering farmer's labour. If each person is doing 50% of the labour, the experienced farmer would receive a higher share of the profit based on the higher hourly value).
- Once you have a sense of how many hours each person is working and the dollar value of their time, you can see how the labour is split and determine the profit share owed each person.
- You may opt not to use hourly dollar values to determine the final profit share, and rather use a percentage split based purely on the number of hours put in.
- Key questions to ask: How much time does each want to put in, and what do they need to get out of it?

TASKS (by category)	CURRENT FARMER hours / year	ENTERING FARMER hours / year
(e.g.) Pruning orchard	50 hours	150 hours
TOTAL	= ____ hours x $ __	= ____ hours x $ __

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