

## Is your Project a By-Product?

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Many, many years ago I had a course in accounting, or more specifically, cost accounting. You learn about direct and variable costs of materials and labor, fixed costs, and tricky issues around allocations when some costs like real estate, heating, legal, accounting itself, insurance, and a zillion other possible factors are shared between different departments or projects. The killer question on the final exam in this course involved calculating the cost of an item that was a manufacturing by-product.

According to google, a byproduct is “an incidental or secondary product made in the manufacture or synthesis of something else” or “a secondary result, unintended but inevitably produced in doing or producing something else.” So, a by-product can be intended or unintended! In woodworking, sawdust is a byproduct of making something else, typically. You’re really lucky if you can sell your sawdust. Here on Cape Cod, falling leaves are a byproduct of planting trees – I’m still hoping to sell my leaves, but I digress.....

My woodworking conundrum about by-products first involved those fancy cutting boards. As everyone in the Guild knows, I am pretty much a rank amateur when it comes to making sawdust, and more to the point I don’t do it for a living. But a while back I had enough scraps to make an interesting end-grain cutting board. So, when a friend asked me what it cost to make my board, and would I consider making them for sale, I had to think.

The wood was leftover pieces from other projects, as was the finish; so, did they cost me anything? The direct (variable) cost of the glue had to be at least 25 cents, sandpaper was about \$1, and three hours of my labor at my standard rate adds another 51 cents. If I were in business making cutting boards or answering a problem on an accounting quiz, I would have to add wear and tear on my jointer, planer, and table saw blades. I consider clamps to be sustainables – capable of being used without being used up. But clamps are not free, so how would I allocate their cost to the cutting board? If you are trying to make a living as a woodworker, these questions are not rhetorical.

Sometimes people bring up the concept of opportunity cost. Sages wiser than I still argue about whether these costs are real or not.

Since I am not in the business of making and selling woodworking end-products, the cost question is pretty much an irrelevant pondering. Truth is – my cutting board is a true by-product – an intended one. (I save scraps.) But if someone were to ask me to make a cutting board, table, or any other handiwork for them, I would have to think about what the real cost might be. Besides variable and fixed cost allocations, I’d have to include my labor rate – based, of course, on opportunity costs.

I am aware that finished cutting boards generally sell for \$30 to \$200 depending on size and complexity and maybe the particular holiday season. (Rockler sells “kits” ranging from \$30 to \$60.) It’s hard to imagine that anyone can make a living designing, manufacturing, and marketing cutting boards unless you can pound them out at high volumes (automated?) or have access to very low-cost wood. The alternative is to make exotic, complicated boards that will never see the edge of a kitchen knife. These fall onto the “art” category - for which people will pay.

I’m sure that the Guild members who make furniture for a living or who take commissions while having a day job elsewhere deal with these cost estimating challenges all the time. For the rest of us, we’re just having fun.