

That thing called "Food Cost": Start Managing the Basics

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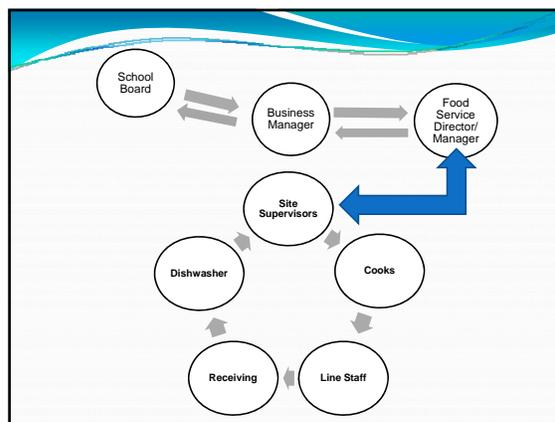


Objectives

- Identify key personnel who should openly communicate food cost goals
- Recall the 8 P's in food service operation that contribute to food cost
- Analyze each area of the 8 P's
- Develop an action plan to begin reducing food cost in your operation

Find your Match!

- say "hello" and match your word or definition to a partners
- share match with group

Setting Cost % Goals

- Food Cost 40-45% of revenue
- Labor Cost 40-45% of revenue
- Other, Equipment & Purchased Service Cost 10-20% of revenue

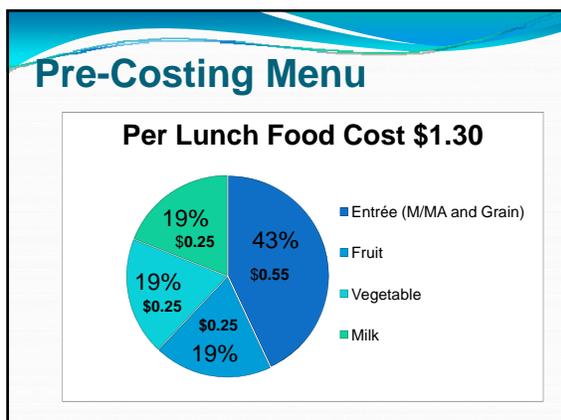
School District A- % of Revenue- \$350,000

Category	Percentage
Labor	45%
Food	42%
Other	13%

Per Lunch Food Cost

Example:

- Total Per Lunch Revenue: \$3.15
- Per Lunch **Food Cost**: \$1.30
- Per Lunch **Labor Cost**: \$1.40
- Per Lunch **Other, Equipment and Purchased Service Cost**: \$0.36
- Total Per Lunch Cost: \$3.06
- Per Lunch Profit: \$0.09



Pre-costing Menu

Plan to serve 250 meals

Cycle 1 - Monday Elementary K-5 Menu

Component	Menu Item	Serving Size	Forecast	Cost per Serving	Total Cost of Menu Item
Meat/Meat Alternate	Grilled Chicken	1 filet	248 / 275	\$0.55	\$136.40 / \$151.25
Grain	Whole Grain-Rich Bun	1 each	240 / 250	0.15	\$36.00 / \$37.50
Vegetable	Broccoli	½ cup	75 / 250	.15	\$11.25 / \$37.50
	Roasted Potatoes	½ cup	175 / 250	.10	\$17.50 / \$25.00
Fruit	Mandarin Oranges	½ cup	160 / 250	.25	\$40.00 / \$62.50
Milk	White 1% Fat-Free Chocolate	1 carton	25 / 250	.22	\$5.50 / \$55
		1 carton	150 / 250	.24	\$36.00 / \$60.00
Condiments	Catsup	2 packs	200 / 250	.10	\$20.00 / \$25.00
	Light Mayo	1 pack	75 / 250	.08	\$6.00 / \$20.00
Average Food Cost per Meal					\$272.65 ÷ 250 = \$1.09 \$473.75 ÷ 250 = \$1.90

**I'm not meeting my food cost goal...
Where do I start?**

- ### The 8 P's
- Planning
 - Production
 - Physical Inventory
 - Purchasing
 - Processing Costs
 - Portion Control
 - Pricing
 - Presentation

Ball Toss

- Groups of 4-5

- Share a strategy to help reduce food cost
- Identify which of the 8 Ps it fits into
- Toss the ball to a new person

Planning

- Meal pattern compliance
- Quantity
- Standardized recipes
- Cycle menu

Physical Inventory

 Beginning Inventory
 +
 Food Purchases
 -
 Ending Inventory
 =
 \$Product Usage

Purchasing

- Competitive
- Packaging
- Delivery frequency
- Refunds and rebates
- Credits in meal pattern



Processing Costs

Processed vs. Unprocessed

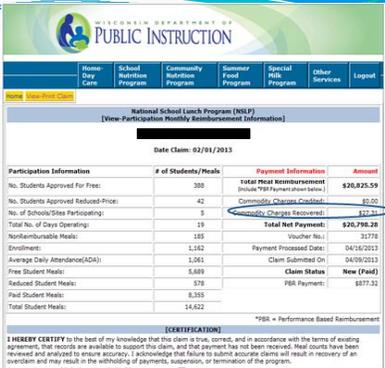



USDA Food Costs Include:

- Shipping and handling
- Processing fees
- Entitlement value*



	Entitlement Value	Processing & Shipping/Handling Cost
Processed		
• Beef Patties,-----	\$ 89.84	+ \$ 24.71
• Beef Crumbles -----	\$ 66.65	+ \$ 23.85
• Chicken Fajita Strips-----	\$ 34.17	+ \$ 48.00
• Chicken Nuggets-----	\$ 19.24	+ \$ 35.1
Brown Box		
• Peaches, diced, canned	\$ 28.46	+ S/H
• Pears, diced, canned	\$ 28.69	+ S/H



Participation Information
 No. Students Approved For Free: 388
 No. Students Approved Reduced Price: 42
 No. of Schools/Sites Participating: 5
 Total No. of Days Operating: 19
 Nonreimbursable Meals: 185
 Enrollment: 1,662
 Average Daily Attendance (ADA): 1,061
 Free Student Meals: 5,689
 Reduced Student Meals: 576
 Total Student Meals: 6,265

Payment Information
 Total Meal Reimbursement (Include FFR Payment where applicable): \$26,825.59
 Commodity Charges Paid/Reimb.: \$152
 Commodity Charges Recovered: \$27.34
Total Net Payment: \$26,798.25
 Voucher No.: 31779
 Payment Processed Date: 04/16/2015
 Claim Submitted On: 04/09/2015
 Claim Status: New (Paid)
 FFR Payment: \$877.32

*FRB = Performance Based Reimbursement

CERTIFICATION
 I HEREBY CERTIFY to the best of my knowledge that the claim is true, correct, and in accordance with the terms of existing agreement, that records are available to support this claim, and that payment has not been received. Mail courts have been reviewed and analyzed to ensure accuracy. I acknowledge that failure to submit accurate claims will result in recovery of an overclaim and may result in the withholding of payments, suspension, or termination of the program.



Payment Information
 Total Meal Reimbursement (Include FFR Payment where applicable): \$55,467.88
 Commodity Charges Paid/Reimb.: 80.00
 Commodity Charges Recovered: \$387.43
Total Net Payment: \$55,580.43
 Voucher No.: 39370
 Payment Processed Date: 10/07/2014
 Claim Submitted On: 10/06/2014
 Claim Status: New (Paid)
 FFR Payment: \$1,653.42

*FRB = Performance Based Reimbursement

CERTIFICATION
 I HEREBY CERTIFY to the best of my knowledge that this claim is true, correct, and in accordance with the terms of existing agreement, that records are available to support this claim, and that payment has not been received. Mail courts have been reviewed and analyzed to ensure accuracy. I acknowledge that failure to submit accurate claims will result in recovery of an overclaim and may result in the withholding of payments, suspension, or termination of the program.



Pricing

- Reimbursable Meal Prices
 - Paid Lunch Equity Tool
 - All costs covered
- Non-Program Foods Prices
 - Adult Meals
 - Extra Entrees
 - A la Carte
 - Catering




Pricing

	Raw food cost	\$.76
	+	
	Labor cost	\$.94
	+	
	Purchased services	\$.16
	+	
	Other	\$.14
	=	=
	\$ Price to charge	\$2.00

Pricing

National Food Service Management Institute's recommended food cost percentage for non-program foods is **38%** 

Example: Raw Food Cost of \$.76/.38 = Selling Price of \$2.00 

Other Costs

- Paper 
- Chemical 

Presentation

- Menu is promoted
- Food is good quality
- Eating atmosphere is pleasant
- Personnel are friendly
- Service is fast

The diagram consists of two green circles. The left circle contains the word 'Presentation' and the right circle contains the word 'Participation'. They are connected by a thick black horizontal bar with two parallel lines, suggesting a relationship or flow between the two concepts.

ACTION PLAN

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