

MAINESENSE

MAKING SENSE OF YOUR FOODSERVICE BUSINESS

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Your Guide to Food Inflation in 2012

Food prices are expected to continue to rise throughout 2012, but with the right knowledge and strategies to battle inflation, you can also expect to end up on top.

It's no secret that rising food costs are one of the greatest challenges faced by restaurateurs in today's economy. Financial forecasters predict that this challenge is not likely to ease up in 2012 and that the Consumer Price Index for food will continue to rise. This issue of MaineSense discusses those predictions – along with ways to manage these increases in your cost of doing business.

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What is CPI?

The Consumer Price Index (CPI) is the most publicized and widely used measure of general price levels in the United States. Policy makers closely follow the CPI for food as a measure of price inflation for food items. As a restaurateur, you should also closely follow the CPI for food. After all, knowledge is power, and when it comes to inflation, as a business owner the last thing you want to be is powerless.

The CPI for food gives a decent overall picture of the economic food cost landscape. We will also discuss expected rises in CPI for specific food categories in the hope that this information will help you more effectively plan menus in the coming year.

What is the CPI forecast for 2012?

The U.S. Agriculture Department predicts that food costs will increase between 2.5 percent and 3.5 percent in 2012. The good news is that they predict a smaller increase than last year; the bad news is that prices are still going up.

“The cost of food at supermarkets and restaurants will remain slightly above the long-term historical average of the past two decades,” reported MarketWatch. “Most brand-name food manufacturers began to phase in price increases during the first quarter [of last year].” More price hikes continued to occur throughout the course of 2011.

The USDA's Economic Research Service reports the following changes in prices for individual food categories:

Expected Changes in Food Price Indexes in 2012

Food Category	Expected Percent Increase
Meats	3.5 to 4.5
Beef and Veal	4.5 to 5.5
Pork	3.0 to 4.0
Fish and Seafood	4.0 to 5.0
Other Meats	2.5 to 3.5
Poultry	3.0 to 4.0
Eggs	3.5 to 4.5
Dairy Products	3.0 to 4.0
Fruits (Fresh & Processed)	3.0 to 4.0
Vegetables (Fresh)	3.5 to 4.5
Vegetables (Processed)	3.0 to 4.0
Sugars and Sweets	2.0 to 3.0
Cereals and Bakery Products	4.5 to 5.5
Non-Alcoholic Beverages	1.5 to 2.5





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Why the increase?

One might assume that the generally poor economic climate is to blame for the expected price increases. However, while gas prices certainly play a role, experts say inflation is largely due to poor weather.



10 Tips to Battle Food Inflation

Don't just lie down and accept an increase to your cost of doing business – fight back! Below you'll find a variety of ideas to help you conquer rising food costs. If you need additional help, don't hesitate to ask your Maines representative. Our team would be happy to help you strategize the best ways to fight food inflation. We are committed to helping you grow because if you don't succeed, we don't succeed!

1 Exercise good portion control.

Be sure to use digital scales, portion bags, and containers to control prepared food. Also, make sure your staff sticks to the portions specified in recipes. This will make your cuisine more consistent while helping you to control food costs.

2 Conduct a thorough analysis of your menu.

Make sure you know the food cost of every dish you serve and never serve an item that doesn't deliver a profit. Analyze plate cost, portion size, price to customer, and gross profit dollars for each dish on your menu. Use this information to figure out ways to make your menu more profitable. Utilizing an integrated POS system will help you run real-time reports and streamline your operation.

3 Take control of food waste and spoilage.

Train your staff on how to properly prep and store foods to keep them fresh for as long as possible, and to make raw ingredients stretch as far as they can. Also, come up with creative menu items that utilize portions of ingredients that are usually discarded.

4 Monitor energy usage – and conserve!

Encourage employees to turn off lights, keep cooler doors closed, and perhaps even have a team brainstorming meeting on ways to conserve energy. Cooler gaskets should be checked regularly to ensure optimum efficiency.

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5 Alter your offerings.

Creative menu engineering is a great way to combat price hikes. Add more of those items that are most profitable, and less of those that are not. Challenge your chefs to come up with delicious and thoughtful dishes made from inexpensive ingredients. You can also cut costs by creating dishes that highlight produce. Since fruits and vegetables are usually less expensive than meat, making produce the center of the plate reduces food costs.

6 Offer a variety of portion sizes.

Today's patrons are increasingly health-conscious. This type of guest, or those with small appetites, will appreciate you offering a smaller portion. One idea is to offer a half-portion at a reduced price with a heftier margin!

7 Train your staff.

Educate your employees about rising food costs and encourage them to prevent food and energy waste. Incentivize senior kitchen staff to mentor less experienced crew members.

8 Increase guest check average.

If you could get each guest to spend 10 percent more, you'd make a lot more money each month! Work on the old standbys: appetizers, cocktails, wines and beer, specialty coffees, and desserts. Put promo cards on the table advertising an appetizer or selection of desserts. Encourage your wait staff to promote those areas of your menu that yield the most profit.

9 Utilize Maine's product experts and specialists.

They can come up with creative ideas for preparing and serving less expensive products and maximize those items that do deliver the most profit.

10 Offer creative approaches to raise prices.

Across the country, menu prices are climbing as restaurants contend with across-the-board increases in costs. Raising menu prices may seem like a last resort to most restaurant owners, but many large chains like Chipotle and McDonald's raised prices in 2011 and managed to remain profitable. Don't be afraid to make reasonable changes in price when needed, but think deliberately about your price adjustments to avoid driving away your core base of diners. Consider offering higher-end specials, reducing promotions, emphasizing certain menu items, or adding some new items to make things both interesting and less obvious to sticker shock.



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