restaurant association of new zealand

business resource.

Food costing

[PLEASE NOTE. Restaurant Association members are strongly advised to seek guidance from the employment team on 0800 737 827 if you have any employment questions.]

1. **How do I calculate the food cost of each dish?**

2. **How do I calculate my weekly food percentage?**

3. **How do I calculate food costs?**

4. **Common reasons for high food costs**

5. **What can I do if my food costs are high?**

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Food cost guidelines

You need to be aware of the cost of each dish so you know which dishes are contributing most to high food costs.

HOW DO I CALCULATE THE FOOD COST OF EACH DISH?

- O   You must prepare a recipe or a list of all ingredients, with quantities, used in each dish
- O   You must have a list of prices for each ingredient
- O   Using the individual ingredient prices calculate the cost of each element and then total them to obtain the cost of the food components of each dish

See attached Recipe Card and template

Note:

You can also calculate the food cost of each dish using specialist Food Costing software. With food costing software, the result is only as good as the information input:

- O   You put the recipes in and you put in the prices of the ingredients, but you must keep your prices up to date. Some software packages include market price ingredients and update them to save you having to do this.
- O   Recommended software packages: Menucoster or Starchef.

Alternatively, use the internet to check for information: Google 'food costs' or use www.Wikihow.com

HOW DO I FIND MY WEEKLY FOOD PERCENTAGE?

- O   Each week make a total of all your food purchases using supplier invoices.

NOTE: You can divide them into product categories if you want (keeping meat together, vegetables together, dry goods together) to keep a running comparison

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O   Total your **food sales** using till receipts

O   Divide your **food sales** into <u>food purchases</u> and multiply x 100/1

O   This gives you your food percentage

Remember:

- Make sure you either include or exclude GST on both figures, not one with and one without.
- Use your computer to assist – use an Excel spread sheet or see attached costing sheet.

CALCULATING FOOD COSTS

Note: To achieve a meaningful comparison, it is important to calculate your costs at the same time each period so your calculation covers the same number of service periods

Method 1 – Follow this formula for **Actual Food Cost**

<u>**Opening inventory + Purchases – Closing inventory**</u>
Food sales

1.   Opening Inventory

Take a physical count of the food you have on hand

This should be the same as the closing inventory for the previous period.

For example: if last week you ended up with a closing inventory of **$10,000** that should match this week's opening inventory

2.   Purchases

Add all purchases for the new period.

In this example: let's say this week you purchased **$3,000** worth of food products. Add that amount to the opening inventory. That will give you a **total inventory** of **$13,000**

3.   Closing inventory

After all sales are complete, take a physical count of all food you have left and cost it out.

In this example: let's say you have a Closing inventory to the value of $10,500. Subtract that amount from your opening inventory following the **formula below**

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Add: Opening inventory ($10,000) + Purchases ($3,000) = Inventory ($13,500)

Subtract: Closing Inventory ($10,500) = Total Inventory ($2,500)

4. Food Cost

Divide the value of your Total inventory by the Total sales.

For example: You sold $6,500 this week.

Divide $2,500 by your sales of $6,500 = 0.38 or 38%.

This resulting percentage is your food costs.

This means you spent 0.38 cents for every dollar in sales, giving you a 38% cost of food

CALCULATING FOOD COSTS

Note: To achieve a meaningful comparison, it is important to calculate your costs at the same time each period so your calculation covers the same number of service periods

Method 2 – Follow this formula for **Potential Food Cost**

- Total cost = cost per item multiplied by number of items sold
- Total sales = sales price multiplied by number of items sold
- Potential food cost = total cost x 100 divided by sales cost

Total cost x 100 ÷ Total cost of sale

For example:

$3,000 x 100 = $30,000

$8,000

= 37.5%

This means you spent 0.37.5 cents for every dollar in sales, giving you a potential 37.5% food cost

Not happy with results?

Determine if food cost is too low or too high. If you suspect something is wrong with the results, check for errors in the physical count of inventory, discrepancies in pricing, inaccurate invoicing, or transfers not being credited to your costs.

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COMMON REASONS FOR HIGH FOOD COSTS

The most common reasons for Food Costs being too high are:

O Portion sizes are larger than what has been allowed for in your recipe.

O Waste – ordering too much and having to discard produce.

O Unexpected increase in ingredient prices, especially seasonal produce.

O Weight of delivered goods not being checked against invoices.

O Staff being provided with meals or taking food from premises

WHAT IF MY FOOD COSTS ARE TOO HIGH?

There is no easy way; you must deconstruct each dish and weigh the ingredients to check if the portion size is as costed. **Be accurate - don't guess.**

- If for example you are making PIES:
    o check how many pies you have
    o cost out the total ingredients
    o divide the cost of the ingredients by the number of pies to check the cost of each one.

- Check your ingredient prices are up to date.

- Spot check each dish every now and again.
    o Take stock of what product you have left at end of each day.
    o Next day add any purchases to your inventory
    o At the end of that day, stock take again
    o This should provide you with total sales
    o Check this against till sales
    o Is it the same? If not, why not?

Note: Doing regular checks makes the process easier.

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Standard Recipe Card

Name of dish:		Portion no's:	
Ref source:			
Total cost:		Portion size:	
Portion cost:		Sale price at	

%

(Food Cost)

Sales Price:		Food Cost%:	

Commodities

Item	Specifications	Weight kg/Unit	Costs per kg/Unit	Actual cost
			Total cost	
			Portion cost	

Method:

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