

Food Cost Control

Food Cost Control – Key Concepts & Practical Steps

1. Why Food Cost Control Matters

Benefit	Explanation
Profitability	Food cost is typically the largest expense in a food-service operation (30-40% of total sales). Keeping it within target directly boosts net margin.
Pricing Accuracy	Knowing true ingredient costs lets you set menu prices that cover expenses and meet desired profit margins.
Waste Reduction	Monitoring usage highlights over-production, spoilage, and pilferage, leading to less waste and lower purchasing bills.
Operational Efficiency	Clear cost data supports better purchasing, inventory, and staffing decisions.

2. Core Metrics

Metric	Formula	Typical Target
Food Cost Percentage (FCP)	$(\text{Total Food Cost} \div \text{Food Sales}) \times 100$	28% – 35% (varies by concept)
Prime Cost (Food + Labor)	$(\text{Food Cost} + \text{Labor Cost}) \div \text{Total Sales} \times 100$	55% – 65%
Cost per Portion	$\text{Total ingredient cost for a recipe} \div \text{Number of servings}$	Use to set menu price
Yield Percentage	$(\text{Edible portion weight} \div \text{Raw weight}) \times 100$	80% – 95% depending on product
Inventory Turnover	$\text{Cost of Goods Sold} \div \text{Average Inventory Value}$	Higher turnover = less capital tied up

3. Steps to Implement an Effective Food Cost Control System

Food Cost Control

3.1. Standardize Recipes (Recipe Costing)

1. **List every ingredient** with precise quantity (weight or volume).
2. **Assign current purchase price** to each ingredient.
3. **Calculate total recipe cost** ? divide by yield to get **cost per portion**.
4. **Set menu price** using a desired markup (e.g., $2.5 \times$ cost for a 40% food cost target).

Tip: Keep the recipe master file in a spreadsheet or dedicated costing software; update whenever supplier prices change.

3.2. Accurate Purchasing

- **Create a par level list** for each item (minimum stock needed).
 - **Use purchase orders** that reference the exact item, brand, and price.
 - **Negotiate contracts** based on volume, delivery frequency, and payment terms.
 - **Record all receipts** immediately; note any variances (shortages, over-deliveries).
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3.3. Rigorous Receiving & Inspection

Action	Why It Matters
Check delivery against PO	Prevents over-billing & unauthorized items.
Inspect quality & temperature	Reduces spoilage & customer complaints.
Record actual weight/volume	Ensures cost calculations are based on real quantities.
Reject out-of-spec items	Stops bad product from entering inventory.

3.4. Inventory Management

1. **Choose an inventory method** – *First-In-First-Out (FIFO)* is standard for perishables.
2. **Conduct regular physical counts** (weekly for high-turn items, monthly for dry goods).
3. **Reconcile counts with system** ? calculate **shrinkage** (the difference between recorded and actual).
4. **Adjust par levels** based on usage trends and seasonality.

Tools: Spreadsheet, POS-integrated inventory module, or dedicated inventory software.

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3.5. Portion Control

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