


Food Price Outlook

May 2011 in Review

Operators Maintain Positive Outlook on Sales

NRA's Restaurant Performance Index flat in April, but still in positive territory

www.nrn.com May 31, 2011
Article by Paul Frumkin

Positive same store-sales and traffic levels in April helped keep the National Restaurant Association's index of foodservice activity in expansion territory for the fifth consecutive month.

The NRA's Restaurant Performance Index, a monthly composite that tracks the health of and outlook for the foodservice industry, stood at 100.9 in April, essentially flat compared with the March level of 101.0, the association said.

A result above the benchmark 100 signifies expansion in the key industry indicators.

"The restaurant industry continued to build momentum in April, with restaurant operators reporting positive same-store sales and customer traffic levels for the sixth time in the last eight months," said Hudson Riehle, the NRA's senior vice president of the research and knowledge group. "Barring any significant external shocks, restaurant sales and traffic levels will continue to improve in the months ahead."

The Restaurant Performance Index consists of two components: the Current Situation Index, which measures current trends in the same-store sales, traffic, labor and capital expenditures; and the Expectations Index, which measures restaurant operators' six-month outlook for same-store sales, employees, capital expenditures and business conditions.

The Current Situation Index rose slightly to 100.3 in April, compared with the March level of 100.2. This marks the second consecutive month the Current Situation Index stood above 100.

Fifty percent of restaurant operators surveyed reported increases in same-store sales between April 2010 and April 2011, down from 52 percent of operators who reported higher same-store sales in March. Thirty-one percent of operators reported same-store sales declines in April, which was flat compared with March results.

The Expectations Index was 101.5 in April, a slight decline from 101.7 in March. Even with the decrease, the Index remained above the 100 level for the ninth consecutive month, which reflects expansion in the forward-looking indicators.

Operators appeared to be retaining their optimism about sales growth in the coming months. Forty-seven percent said they expect to have higher sales in six months, down slightly from 50 percent who reported likewise last month. Only 13 percent of restaurateurs anticipate that their sales volumes in six months will be below what they were in the same period a year ago. That figure is flat compared with results in March.

But while operators tend to be optimistic about sales, they remain wary about the general direction of the economy, the NRA said. Only 33 percent of operators anticipate that economic conditions will improve in six months, up from the 32 percent who reported likewise in March.

The RPI is based on responses to the NRA's monthly tracking survey. The full report is available online:
http://www.restaurant.org/research/economy/rpi/

Operators' thoughts on how 2011 is shaping up

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Improving sales trends have many restaurant operators cautiously optimistic about the year ahead, but they remain concerned about the threats posed by soaring gas prices and commodity costs.

Nation's Restaurant News asked operators to share their thoughts on 2011 so far, and what the rest of the year holds for their businesses. A few of their responses follow. Visit NRN.com for the full article.

"This year is shaping up really nicely. We can definitely tell consumers are getting back out there and into the restaurants eating. It's an exciting year for us because we're in a great growth mode. It feels like we're graduating from elementary school and into high school. We have eight restaurants open, and we've been able to bring in great people, which has really helped strengthen the company. The rest of the year will continue as a year of growth — in systems and people and in development, all of the things that make a great restaurant company. We just opened the eighth unit in Cerritos, Calif., and No. 9 is scheduled to open in November in West Covina, Calif. Next year we have three more planned, so we will have 12 by the end of 2012."
— Chris Simms, chief executive of Lazy Dog Cafe, an eight-unit casual-dining chain based in Huntington Beach, Calif.

"We think things have definitely improved in 2011. We're optimistic about that improvement continuing the rest of the year, and I base that off the Knapp-Track data for casual dining, not only nationwide but especially here in California."
— Mimi Somerman, senior vice president of marketing for Mimi's Cafe, a 145-unit casual-dining chain based in Irvine, Calif.

"2011 is the same as 2010, only more hopeful. There's not some upsurge in cover counts for us or some great revival in the land. The floor count is up 10 percent, but private dining is down, so overall we're flat. But there is a brightness and energy on the floor, and the nights are more dynamic. You might have someone come in and order a $1,000 bottle of wine. That didn't happen last year."
— Mark Canlis, partner in Canlis Restaurant in Seattle

"So far we're off to a great start. We're up 8 percent. The headwind we're facing is commodities pressures. All the proteins are up considerably across the board. Unfortunately we can't do a whole lot in prices with this fragile economy."
— James McNab Jr., owner of six Sonny's Real Pit Bar-B-Q restaurants in eastern Florida

"I expect this to be an incredible year. Our competition is not doing as well as we are, and the McCafé Frappés and Smoothies have really become a big part of our business. And McDonald's is doing really well promoting them. They understand it's a people business, not just burgers and beverages, and their training and support philosophies will continue to make great things happen."
— Wayne Galante, a McDonald's general manager in Uniondale, N.Y.

"We believe that Sizzler was very fortunate to have developed a strongly connected relationship with our guests through our 'back to the basics' campaign started three years ago. Our focus on providing this value dining experience at the same time as we are remodeling and updating our restaurants has resulted in almost three years of comp-store sales increases. We believe that consumers will continue to be loyal to restaurants that have the guest's best interests in mind. We are poised to have a very big 2011 and 2012, as we reintroduce our franchise program and look for ways to put people in this beautiful country back to work and begin developing some Sizzlers in new markets."
— Kerry Kramp, chief executive & president of Sizzler USA in Culver City, CA., operator & franchisor of 178 limited-table-service restaurants

"2010 was the best year in my career, but so far we're flat in the first quarter of 2011, which I'm grateful for with higher commodities and gas going through the roof. I don't look forward to $4 gas. Four-dollar gas will be a real issue for everyone, not just with us."
— Eric Holm, Holm Restaurants LLC of Orlando, Fla., Metro Corral Partners division, which operates 27 Golden Corral family-dining restaurants in the Southeast

NATION'S Restaurant News

Raising prices is on the menu at certain brands

Operators mull price hikes to deal with rising commodity costs

www.nrn.com May 16, 2011
Article by Sarah E. Lockyer

From quick-serve McDonald's to high-end Ruth's Chris Steak House, first-quarter earnings were dominated by discussions of two items — commodity costs and menu pricing.

Chains large and small are evaluating the pricing power they hold with customers and are looking at other ways to mitigate rising costs of food. Bread and pasta, beef and produce — nearly all commodity costs are rising, forcing operators to assess their supply and demand expectations.

Making matters more uncertain, gas prices have increased, as have grocery prices, meaning consumers may cut back on dining out, even after a few months of traffic and sales gains for most chains in the industry. The return of the one-two punch — rising costs, possible slowed sales — harkens back to 2008, when commodities spiked and consumers, in the grip of the recession, stopped spending.

There is one major difference this time around: Operators feel they can take price.

According to research from RBC Capital Markets, restaurants that participate in a monthly survey have projected menu price increases of 1.8 percent during the next six months — the biggest jump in a year. In those same six months, restaurants are expecting their commodity costs to increase at least 3.2 percent, the research showed.

"Operators' sales outlook over the next six months improved for all subsegments except fast food, which fell slightly," the research, headed by RBC securities analyst Larry Miller, showed. "The margin outlook over the next six months fell to [a] 12-month low, likely owing to food inflation expectations."

The list of restaurants that have said they will raise menu prices this year is long: Applebee's, McDonald's, BJ's Restaurants, Buffalo Wild Wings and Texas Roadhouse, among others. McDonald's, which operates and franchises 32,000 restaurants globally, took a 1-percent increase in U.S. markets in March, and said additional small increases may be made throughout the year. BJ's Restaurants, which operates 104 casual-dining restaurants, said it would raise prices a total of 3 percent this year. Applebee's, a chain of 2,000 restaurants, is looking at 2 percent, Buffalo Wild Wings, with 750 units, at 2 percent as well, and Texas Roadhouse, which operates 345 locations, at 1 percent, some of which was already taken.

"Since January, the global commodity markets have experienced significant increases," Pete Bensen, chief financial officer at Oak Brook, Ill.-based McDonald's Corp. said during a conference call with investors April 21. "As a result, we expect additional pressure as we move throughout the year.

"We believe we have some pricing elasticity," Bensen added. "We expect to offset some, not all of the increase, with price increases."

In December nearly 60 percent of survey participants to the NRN a.m. Restaurant Operators Survey said they expect to raise menu prices this year. The survey goes to more than 80,000 subscribers to the NRN a.m. newsletter, and more than 100 restaurant executives participated.

In April the First Quarter NRN a.m. Restaurant Operators Survey also heard from nearly 100 restaurant executives. Forty-two percent said they had already taken increases between 1 percent and 3 percent so far in 2011, 18 percent said they took increases between 4 percent and 6 percent, and 6 percent said they took increases of more than 6 percent. About 34 percent of respondents have yet to raise menu prices.

Each restaurant concept has a unique relationship with customers as well as different mixes of food needs, from produce heavy to beef centric, making menu price increases a very brand-specific decision.

Numerous securities analysts have pointed to Chipotle, the operator of 1,100 restaurants, as a brand with the most pricing power in the restaurant industry, especially as recent marketing campaigns have focused on the quality of its food.

Securities analyst Jeff Bernstein at Barclays Capital said in a research note May 6 that Chipotle already took a 4-percent increase in March in its Pacific market, and will likely roll out increases through other markets in the third quarter this year. Bernstein noted that Chipotle likes to keep its menu prices lower than other fast-casual competitors like Panera and Qdoba, and prefers to keep away from core items like the burritos and take price on beverages and side items.

At Ruth's Hospitality, taking price increases at a time when many consumers are not yet back to enjoying premium meals is a bit tricky, executives said.

"I like being the least-expensive house in the wonderful neighborhood," Michael O'Donnell, chairman, chief executive and president of Heathrow, Fla.-based Ruth's Hospitality Inc., said during an April 29 conference call. "The idea that we can keep our pricing down is something that we think has been contributing to the increase in traffic. … Having said that, … if we're to see sort of increasing, rising commodity costs past what we think those opportunities are, then we would rethink that."

O'Donnell said the chain holds pricing power, especially in certain markets, like New York. There, the chain already has increased certain prices, and O'Donnell said other markets would be evaluated separately.

McDonald's raised its U.S. prices by 1 percent in March.

Bloomberg Businessweek

By Alan Bjerga and Leslie Patton

May 25, 2011 http://www.bloomberg.com

Food inflation to quicken as Nestle, McDonalds lift prices

U.S. food-price inflation may top the government's forecast as higher crop, meat, dairy and energy costs lead companies including Nestle, McDonald's Corp. and Whole Foods Market Inc. to boost prices.

Retail-food prices will jump more than the U.S. Department of Agriculture's estimate of 3 percent to 4 percent this year, said Chad E. Hart, an economist at Iowa State University in Ames. Companies will pass along more of their higher costs through year-end, said Bill Lapp, a former ConAgra Foods Inc. chief economist.

Groceries and restaurant meals rose 2.4 percent in the four months through April, the most to start a year since 1990, government data show. During the period, rice, wheat and milk futures touched the highest levels since 2008, and retail beef reached a record. Yesterday, J.M. Smucker Co. announced an 11 percent price increase for Folgers coffee, the best-selling U.S. brand, after the cost of beans almost doubled in a year.

"It's going to be a tough year" for U.S. shoppers, said Lapp, who is president of Advanced Economic Solutions, an agriculture consultant in Omaha, Nebraska. "You're looking at an economy where a lot of consumers are under some serious pressure from food and fuel costs."

Even after a drop in commodities this month, seven of eight tracked by the Standard & Poor's GSCI Agriculture Index are higher than a year earlier as adverse weather damages crops, rising demand erodes inventories and a weak dollar boosts demand for U.S. exports. Corn futures are up 98 percent, wheat gained 67 percent, raw sugar advanced 44 percent, and rice jumped 25 percent.

Crop Damage

Dry weather during this year in Europe, China and the southern Great Plains of the U.S. may cut crop yields, while floods along the Mississippi River this month may slow planting of corn, soybeans and rice. The U.S. is the world's largest agricultural exporter.

The United Nations Food and Agriculture Organization said May 23 that price swings will persist in coming years because of mismatches between supply and demand. The FAO said May 5 that global food costs rose in April for the ninth time in 10 months, near the record reached in February. Signs of inflation have prompted at least two dozen central banks, including in China and Europe, to raise interest rates this year.

Higher wholesale costs over the past two years are still working their way through the supply chain, and companies including foodmakers and grocers are showing more willingness to pass along the increases to consumers, said Hart, the Iowa State agricultural economist. U.S. farmers, the world's biggest agricultural exporters, will earn a record $94.7 billion this year, the USDA estimates. North Dakota, the largest wheat-growing state, has a jobless rate of 3.6 percent, the lowest of any state.

Delayed Retail Increases

Surging prices for corn, used mostly as livestock feed, have contributed to the rally in wholesale beef and pork costs during the past year, as livestock producers limited herd expansion to limit expenses on feed.

"The biggest impact is six to 12 months out" for meat prices, Hart said.

Whole Foods, based in Austin, Texas, and the largest U.S. natural-goods grocer, said vendors have increased food prices this year. "Right now, we're able to pass it all on," Co-Chief Executive Officer Walter Robb said May 4 in a telephone interview.

McDonald's, Cracker Barrel

Oak Brook, Illinois-based McDonald's, the world's biggest restaurant chain, raised U.S. menu prices 1 percent in March to help offset higher commodity costs, Chief Financial Officer Peter Bensen said during an April 21 conference call. The company expects food expenses to increase as much as 4.5 percent in the U.S. and Europe this year.

Double-digit gains in pork, butter, coffee and lettuce costs during the three months ended April 29 led Lebanon, Tennessee-based Cracker Barrel Old Country Store Inc. to raise restaurant menu prices by 1.5 percent in March. Commodity inflation has been "above our expectations," Chief Executive Officer Michael Woodhouse said yesterday on a conference call.

A prolonged economic slowdown would curb demand and may halt further price increases, said Lapp, the former ConAgra economist. Unlike in 2008, when food rose at the fastest pace in 28 years, consumers are quick to seek cheaper alternatives, he said.

Alarming Increases

Some of the retail-food increases, including meats, fruits and vegetables, are "alarming," he said. "The consumer's ability to absorb higher prices isn't as robust at this point," and companies may be less willing to charge more because they don't want to forfeit market share, he said.

Paul Bulcke, the chief executive officer of Vevey, Switzerland-based Nestle, the world's largest food company, said May 19 that food-price increases should be gradual and that companies would try to absorb commodity expenses by reducing costs in other areas.

Earlier this month, San Diego-based Jack in the Box Inc., a fast-food chain with restaurants mainly in the western U.S., raised its prices 1.5 percent, saying it was being cautious about increases because of the competitive environment. BJ's Wholesale Club, a discount grocery retailer based in Westborough, Massachusetts, said May 18 that consumers were trading down to less-expensive brands.

The USDA, which bases its forecast on price gains that have already occurred and projections of how increases will play out over the rest of the year, tends to be conservative in its estimates, according to Iowa State's Hart.

New USDA Forecast

The department issued its latest monthly projection for 2011 food inflation today, leaving its estimate unchanged at 3 percent to 4 percent. Dairy products was the only category that was revised, with prices now estimated to climb 5 percent to 6 percent, up from 4.5 percent to 5 percent.

The USDA last raised its forecast in February. Since then, adverse weather has limited prospects for crop supplies more than the government expected, and crude oil is up 42 percent from a year earlier, putting more pressure on agricultural prices, Hart said.

Food prices measured by the Bureau of Labor Statistics rose 0.3 percent in April, bringing this year's gain to the highest since a 3 percent increase in the first four months of 1990.

In the first four months of 2011, meat and fish prices rose 4.3 percent, according to the bureau. Consumers paid about $2.722 for a pound of ground beef, a 14 percent increase, while a fresh whole chicken cost $1.261 a pound, slightly lower than $1.28 at the start of the year. The price of a pound of field-grown tomatoes last month reached $2.27, the highest since 2004 and up 43 percent from the beginning of the year, the bureau said. Fresh fruit and vegetables, which are more volatile because of weather, fell 1.3 percent in April. They have already risen 3.4 percent this year, according to government data.

Bloomberg

By Whitney McFerron
May 27, 2011 www.bloomberg.com

Corn-Crop Delays Signal Price Gain as Farmers Switch to Soybeans

U.S. corn farmers are running out of time to plant this year's crop after wet weather swamped fields from North Dakota to Ohio, signaling higher costs for livestock and ethanol producers as growers switch to soybeans.

About one-fifth of the corn crop had yet to be sown as of May 22 in the U.S., the world's top producer and exporter, government data show. In Ohio, where some areas got 10 inches (25 centimeters) of rain in the past month, the pace of seeding was the slowest in 15 years. Fields planted after mid-May yield less, while soybeans can be sown until late June.

"I have not planted the first kernel," said Fred Yoder, a farmer in Plain City, Ohio, who may switch to soybeans if fields don't dry out by next week. Soggy fields are the norm in central Ohio, Yoder said. "A few guys have tried to mud in some corn, but the stuff that has been planted looks horrible."

Corn futures doubled in 12 months, boosting feed costs for meat producers including Tyson Foods Inc. and ethanol makers such as Archer Daniels Midland Co. Prices may reach a record $8 a bushel, said Jeff Sherman, a commodities portfolio manager at DoubleLine Capital LP. Goldman Sachs Group Inc. said farmers are unlikely to meet the USDA's March planting forecast of 92.2 million acres, which would be second-largest since World War II.

World grain output is being threatened by adverse weather, from droughts in China and Europe to excess moisture in the U.S. and Canada.

Tightening supply and rising demand helped boost global food prices in nine of the past 10 months, including a record in February, United Nations data show. Companies including Nestle, McDonald's Corp. and Wal-Mart Stores Inc. are passing along more of their costs to customers.

Lagging Behind

While U.S. planting has advanced near the normal pace in Iowa and Illinois, the biggest corn- and soybean-growing states, smaller producers including Ohio, Indiana and North Dakota are lagging behind because fields were muddied by record rains in the Ohio Valley, flooding along the Mississippi River and a wet spring in northern states.

Ohio, the eighth-biggest corn grower last year, is the furthest behind, with only 11 percent of fields sown as of May 22, compared with an average pace of 80 percent, USDA data show. The department will update the nation's crop progress on May 31 in Washington.

Yoder, who last year at this time completed sowing his corn crop, said he's never seen delays this long in 38 years of farming.

Crop at Risk

As much as 2 million acres of corn are "at risk" of not being planted because of wet weather, Goldman said in a May 24 report. Lost output from that land would cut U.S. stockpiles by as much as 317 million bushels before the 2012 harvest, leaving the smallest ending stockpiles since 1996 for the second straight year, the New York-based bank said.

"There have been long-term global dynamics in play that are causing crops to fall short, and the flood situation in the U.S. is going to be a part of that," said Sherman, who helps manage more than $11 billion at Los Angeles-based DoubleLine Capital. "It's really hard to see the crop meeting the USDA projections. You'd have to hit nirvana for that to be the case, and we've had this massive crop destruction."

The USDA on May 11 forecast that global output in the 2011/2012 crop year would jump 6.4 percent, more than enough to meet rising demand after harvests the previous year fell short of consumption. Corn, used mostly in livestock feed, is increasingly processed to make fuel, with a record 5.05 billion bushels going to make ethanol next year, or about 37 percent of projected U.S. production, according to the USDA.

Key Producers

States including Ohio and North Dakota are more important than usual this year because the USDA had been counting on fringe areas to pick up much of the expansion in U.S. production, said Frayne Olson, a crop economist at North Dakota State University in Fargo. In March, the USDA estimated that planting in North Dakota would jump by 22 percent from 2010. Instead, the 2011 crop may be little changed at 2.05 million acres, Olson said.

"In a normal year, a slight increase in yields in Iowa would offset what we lost in North Dakota," Olson said. "But today, everyone is counting every bushel, even on the margins. A bushel up here is counting more heavily than it used to."

Many acres originally slated for corn or spring wheat, which is also delayed in North Dakota, may be used for soybeans, he said. Other farmers may opt to make insurance claims. In most areas of the state, growers were eligible for prevented-planting insurance on corn as of May 25, he said.

Crop Forecasts

U.S. corn planting may total 89 million acres, down 3.4 percent from the government forecast, Olson said. The shift by farmers means soybeans may jump to 78 million acres this year rather than the decline predicted by the USDA, and spring-wheat planting may drop as low as 13 million acres, compared with the government forecast of 14.427 million, he said. "Will soybean prices be pulled up because corn prices are going up, probably yes," Olson said, without providing forecasts. "But they're not going to go up nearly as rapidly as corn prices would. They will lag behind."

Corn production also may decline along the Mississippi River and its tributaries. Floods swamped almost 3.6 million acres of cropland along the river this month, according to estimates from the Washington-based American Farm Bureau Federation.

In Arkansas, as much as 300,000 acres of rice and 100,000 acres of corn may be used instead for soybeans, said Jeremy Ross, an agronomist at the University of Arkansas in Little Rock.

"Only Option"

"Every day, fewer and fewer guys are planting corn and rice," Ross said. "We're getting to a point where beans are just about the only option to plant."

Rising crop prices are expected to send U.S. farm income to a record $94.7 billion this year, according to the USDA. Those profits won't come if farmers can't plant fields.

"We're out doing flower beds for our wives and trimming shrubs, doing goofy stuff to stay busy, because we're chomping at the bit to get in the fields," said Yoder, the Ohio farmer. "It's very frustrating."

The New York Times

By Christine Hauser

May 13, 2011 www.nytimes.com

Rising Gas and Food Prices Push U.S. Inflation Higher

Consumers continued to feel the pinch at grocery stores and gasoline stations in April as a widely used index of inflation rose at the fastest 12-month rate since the later part of 2008, according to government figures released on Friday.

The Labor Department said in its monthly report that the Consumer Price Index, the most widely used measure of inflation, was up 0.4 percent in April from March, and up 3.2 percent from a year earlier. The 12-month figure represents the biggest increase in the index in any 12-month period since October 2008.

Analysts had forecast the same monthly rise but a slightly smaller increase for the year, at 3.1 percent.

Food and gasoline price rises accounted for most of the increases, with gasoline accounting for almost half of the month-to-month rise.

Food prices were up 0.4 percent in April, smaller than the 0.8 percent rise in March as prices for fresh vegetables slowed their advance. Energy prices rose 2.2 percent in April, the 10th consecutive monthly increase, although the rise was smaller than the jumps of 3.5 percent in March and 3.4 percent in February, the report said.

Gasoline prices were up 3.3 percent in April. According to the report, energy prices have now risen 19 percent over the last 12 months, with gasoline prices up 33.1 percent.

Consumers are "painfully aware" that if high energy and food costs continue, "the cost of living is going to go up," said Stuart Hoffman, the chief economist at the PNC Financial Services Group.

Inflation as measured by the core C.P.I., which strips out volatile prices for energy and food, edged up 0.2 percent in April, making it the third increase of that size in the last four months, the department's Bureau of Labor Statistics said.

Housing and apparel prices each climbed by 0.2 percent, the figures showed.

Core inflation was up 1.3 percent from a year earlier, the department said. The core index, which was also in line with analysts' forecasts, was also pushed up by rises in the prices of new vehicles, shelter, medical care and airline tickets.

"I think that you are seeing inflation drift higher," said Joshua Shapiro, chief United States economist at MFR Inc. "On the core side it is a slow drift, but it is nonetheless there. What will be important to the Fed is the mix between inflation and real growth."

Many economists expect gasoline prices to ease over the summer. But in some regions of the country, consumers have been paying $4 or more a gallon at the pump since demand in emerging markets and turmoil in the Middle East and North Africa in the first quarter of the year sent prices higher.

While consumers are feeling the strain, economists emphasized that the Federal Reserve was unlikely to take any action to relieve it by lowering interest rates or extending its quantitative easing program.

The Fed has raised its forecast of inflation, projecting that prices could rise 2.1 to 2.8 percent this year, mostly because of higher oil prices, although it stressed that those increases would subside. In April, the Fed's policy-making body voted to continue several stimulus policies, like keeping short-term interest rates near zero. In a statement, the committee said it expected inflation from higher prices in energy and other commodities to be "transitory."

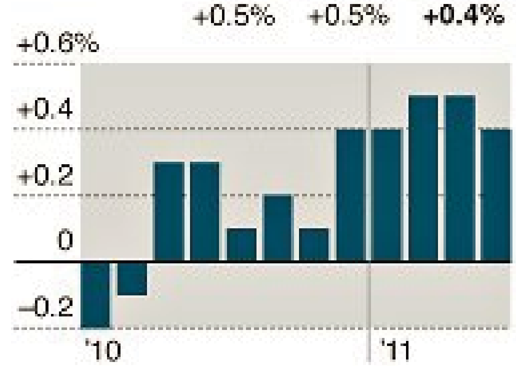
Mr. Hoffman said core inflation, which is the rate the Fed focuses on, had edged up in the last year, meaning the Fed could put deflation concerns behind it. The 1.3 percent rate in the latest report was still below the unofficial target of the central bank of 2 percent or less.

"It is still not of concern to the Fed," Mr. Hoffman said. "We are sort of in the middle, not going up too fast to worry the Fed about inflation."

Consumer Prices

Percent change, month to month, seasonally adjusted.

FEB. +0.5% MARCH +0.5% **APRIL +0.4%**



U.S. and major metropolitan areas

Not seasonally adjusted	Percentage change from previous: MONTH	YEAR
United States	**+0.6%**	**+3.2%**
New York	+0.4	+2.5
Los Angeles	+0.5	+3.3
Chicago	+0.4	+2.7
Boston*(March)	+1.2	+2.0
Dallas*(March)	+1.9	+2.5
Detroit*	+2.3	+3.1
Houston*	+2.2	+3.9
Philadelphia*	+1.0	+2.5
San Francisco*	+1.8	+2.8
Wash.*(March)	+1.2	+3.0

*Two-month change, calculated bimonthly, through April , except as noted.

Source: Bureau of Labor Statistics

How You Can Fight Food Cost Inflation

RUN A TIGHT SHIP

Menu Analysis- Know the food cost of every plate. You can't serve an item at a loss. Concentrate on the gross profit dollars per plate, not the margin percentage. Evaluate portion cost, sell price, and gross profit dollars per plate served, then make decisions to make your menu more profitable.

Portion Control- Make sure portion sizes are consistent with the recipe specifications. It will keep customers more satisfied and help keep costs in line. Digital scales, portion bags, and containers help control what is prepared for production.

Limit Food Waste and Spoilage- Investigate how your kitchen is managing this valuable resource. Train your staff on proper preparation and storage techniques to keep food fresh and the yield of raw product as high as possible. The color-coded Day Dots system quickly and clearly identifies food preparation dates.

Purchase Differently- Consider purchasing portion controlled, value added, further prepared or frozen items wherever you can without compromising quality. These items save labor, waste, and offer consistency of product.

Conserving Energy- Turn off lights and keep cooler doors closed. Old light bulbs should be replaced with more energy efficient bulbs. Consider limiting hours of operation during slow, unprofitable times. Inspect gaskets on coolers and freezers to maintain efficiency. Get your entire team involved in auditing energy usage to find ways to save energy and reduce energy costs.

MENU ENGINEERING

Change up the Mix of Offerings- Add additional, more profitable items to your menu. Consider expanding offerings in the more profitable areas and discontinue slower moving, more unprofitable items from menus.

Reprint Effective and Nimble Menus- Consider reprinting your menus in a way that is easily updatable and allows you to change prices and update offerings quickly and inexpensively.

Offer Different Portion Sizes- Consider offering half portions at a lower price, but with a healthier margin. Today's health conscious consumers appreciate having the flexibility of being able to order different portion sizes.

Leverage Culinary and Product Experts at Sysco- Our Associates can offer creative preparations with less expensive protein items. Consider offering sub primal cuts of Beef. In addition, items like Side Dishes, Soups, Salads and Desserts offer great profit and help increase customer check averages.

Raise Menu Prices- Consider raising prices where you have to.

ADDITIONAL EDUCATION AND TRAINING

Train the Staff- Educate your staff about rising food costs and train them to conserve energy and watch food waste in the kitchen. Leverage your highly skilled culinary team members to mentor those with lesser preparation skills.

Educate Your Customers- It's more than likely that restaurant consumers already understand food inflation because of the rise in prices at their retail grocer's. Explain how the establishment is affected and the things you are doing to keep costs down.

Fire up the Sales Team- Train your staff to promote areas that drive gross profit. Beverages, Appetizers, and Desserts will increase check averages and gross profit per customer. Create internal competition and promotions to drive sales in these categories.

HOW SYSCO CAN HELP

Sysco is layered with experienced foodservice professionals that can support you in combating today's industry challenges. Our team ranges from your Marketing Associate, Sales Management, Product Specialists, Business Resource Managers, Graphic Designers as well as our in-house Chefs. Each department understands that Our Mission is Your Success.

Service and Support Review

Our team can help you determine how you can best fight back against food inflation. From Menu Analysis to Menu Layout and Design to tips on motivating your employees, we can guide your business toward continued growth and success.

Good things come from Sysco®

Stay Informed

The best way to prepare for whatever the future holds is to stay informed.

You can find up to date market reports at our website:
http://www.sysco.com/customer-solutions/market-reports.html

For the most comprehensive source of of free market information,
visit the USDA's Economic Research Service site: **http://www.ers.usda.gov**

Sysco Cares About Your Success

Sysco Columbia is committed to exceeding your expectations by delivering the best customer service available form the foodservice industry. We continue to invest in information technology and e-commerce to provide you with more accurate and timely deliveries, ease of order entry, as well as information services you need to be more successful. Sysco also provides you with the highest quality products available, more menu variety and many fresh health-conscious offerings. Our largest asset is the people who are committed to do their very best for you every day. Change is constant; our adaptability to change will play a major roll in the success of foodservice operations long into the future.

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