



More
than just
a meal

Meal Costings within MOW Services



The Importance of Meal Costing within MOW Services

The Benefits of Meal Costing

Examples of Food Costing Models

Examples of Food Costing Tool



The Importance of Meal Costing within MOW



With Food Costs and inflation climbing and clients having less disposable income, Services must routinely check their operations to ensure they are operating within the margins to remain sustainable.

One of the key factors to do this is to know your Food Costs.



Why should Services know their Food Cost?

When selling a product it is essential to know the production cost, this starts with the raw materials. For example: if you were to sell a meal (Soup, Main Meal, Dessert) for \$10, your operating margin food cost goal was 40%, it would have to cost on average \$4 for every ingredient used to make that meal.

Additional costs such as labour, overheads also need to be incorporated into the operating margin.

The Benefits of Meal Costing



- Knowing the raw material cost of production can enable Services to highlight items on the menu that are costly. Identifying these items can lead to changes in the menu to lower Food Costs. For example Leg of Lamb could be costing \$12 per Kg, could be swapped for Lamb Shoulder for \$10.50 per Kg.
- Knowing what items are needed to produce the meals will enable Services to plan and order accordingly. Many foods have a limited shelf life and can be expensive, therefore significant emphasis is placed in ordering exactly what is needed and schedule accordingly reducing wastage.
- Knowing what products are costing the Service will enable the Service to react quickly to price changes in the market place. For example Sweet Potatoes costing \$22 per Kg rose to \$45 per Kg due to the flooding in QLD October 2017.
- Enables Services to be able to identify anomalies such as poor portion control if in reality the Food Costs are a lot higher than predicted.
- Home Care Packages (HCP) and NDIS contracts require the Service to clarify their raw food component when invoicing.

Examples of Food Costing Models

The simplest way to calculate Food Costs is to review the profit and loss statement for the previous year, add up the Food Cost component and divide by the amount of meals made in that period. For Example:

Meat Supplier	\$14,500
Produce Supplier	\$12,500
Other Food Costs	\$24,000
Total	\$51,000
Meals made	12,500
$\$51,000 / 12,500 = \4.08	



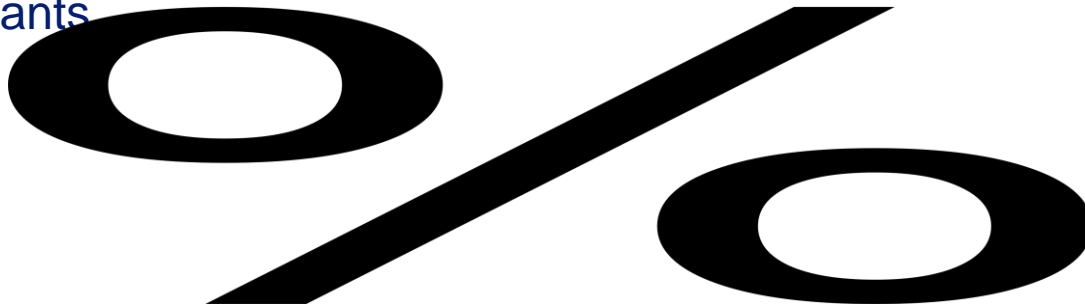
However, this is a vague Food Cost and does not go into enough detail to effectively control and monitor Food Costs. In addition these figures are based on last years figures and may not reflect the current Food Costs resulting in incorrect food costings.

What is a Food Cost percent?

Your Food Cost percentage is defined as the percentage of your sales that you spend on food. The amount that you spend on food is one of the biggest expenses to the organisation so it is extremely important to be able to manage this cost.

Hospitality Standard Food Cost Percentage

In the hospitality sector, the general rule is 28 - 35%. In Meals on Wheels, I like to work on a percentage of 40%. These calculations do not include any subsidies or grants



Examples of Food Costing Models



Desired Food Cost Percentage as a Pricing Method

$$\text{Selling Price} = \frac{\$4.50 \text{ (Average Food Cost)}}{0.40 \text{ (Desired Food Cost Percentage of 40\%)}} = \$11.25$$

Projecting for the next year

Fixed Costs (rent, electricity, etc) of previous year, expected increase of 5%

$$\$55,000 \times 5\% = \$57,750$$

Semi variable costs of labour of previous year %75,000, expected increase of 5%

$$\$75,000 \times 5\% = \$78,750$$

Sales level of meals from previous year \$225,000, no change expected.

Calculate the food cost:

$$\begin{aligned} \text{Food Cost} &= \text{Sales} - (\text{Labour} + \text{Overheads}) \\ &= \$225,000 - (\$78,750 + \$57,750) \\ &= \$88,500 \end{aligned}$$

Therefore, the projected Food Budget for the next year would be \$88,500 in food Costs.

In this Example, if you were selling Meals for \$10, calculating that 22,500 meals were sold the Food Cost for each meal would be as follows:

$$\$88,500 \text{ (Food Budget)} / 22,500 \text{ (Meals projected sold)} = \$3.93 \text{ (Average Food Cost per meal)}$$

Example of Food Costing Tool

Inventory

A complete list of items used in the production of meals.

Date updated	27/06/2017								
Item Description	Category	Amount	Measurement	Purchase Unit (PU)		Recipe Cost Unit			
				Unit Measure	Current Price	Unit Measure	#RU PER PU	Yield	Cost
Butter	Dairy	5,000	Grams	Case	\$ 49.40	Grams	5,000	100.0%	0.0099
Milk	Dairy	2	Litres	Bottle	\$ 2.00	ML	2,000	100.0%	0.0010
Cream	Dairy	3	Litres	Bottle	\$ 3.00	ML	3,000	100.0%	0.0010
Tomatoes (Tinned)	Dry Store	1	Kilograms	Tin	\$ 5.00	Grams	1,000	100.0%	0.0050
Szechuan Pepper	Dry Store	500	Grams	Packet	\$ 3.00	Grams	500	100.0%	0.0060
Chinese Five Spice	Dry Store	500	Grams	Packet	\$ 3.50	grams	500	100.0%	0.0070
Black Bean Sauce	Dry Store	227	Grams	Bottle	\$ 3.25	Grams	227	100.0%	0.0143
Chilli Oil	Dry Store	375	ML	Bottle	\$ 7.55	ML	375	100.0%	0.0201
Egg Noodles	Dry Store	1	Kilograms	Packet	\$ 6.00	Grams	1,000	100.0%	0.0060
Honey	Dry Store	500	Grams	Bottle	\$ 3.50	Grams	500	100.0%	0.0070
Chicken Stock	Dry Store	1	Kilograms	Packet	\$ 5.00	Grams	1,000	100.0%	0.0050
Brocoli (Frozen)	Frozen	3	Kilograms	Bag	\$ 5.00	Grams	3,000	95.0%	0.0018
Peas, Corn & Capsicum	Frozen	2	Kilograms	Bag	\$ 10.54	Grams	2,000	100.0%	0.0053
Frozen chips	Frozen	15	Kilograms	Box	\$ 33.61	Grams	15,000	100.0%	0.0022
Crumbed Fish	Frozen	30	Each	Box	\$ 49.28	Each	30	100.0%	1.6427
Mushrooms	Fruit & Vegetables	2	Kilograms	Case	\$ 50.00	Grams	2,000	100.0%	0.0250
Celery	Fruit & Vegetables	1	Kilograms		\$ 5.00	Grams	1,000	80.0%	0.0063
Sugar Snap Peas	Fruit & Vegetables	1	Kilograms		\$ 3.75	grams	1,000	100.0%	0.0038
Bok Choi	Fruit & Vegetables	1	Kilograms		\$ 5.00	Grams	1,000	100.0%	0.0050
Beansprouts	Fruit & Vegetables	500	Grams	Packet	\$ 2.20	Grams	500	100.0%	0.0044
Limes	Fruit & Vegetables	1	Each		\$ 1.50	Each	1	100.0%	1.5000
Carrot	Fruit & Vegetables	1	Kilograms		\$ 2.50	Grams	1,000	92.5%	0.0027
Onions	Fruit & Vegetables	1	Kilograms		\$ 1.25	Grams	1,000	90.0%	0.0014
Beef - Rump, diced	Meat	1	Kilograms		\$ 25.00	Grams	1,000	75.0%	0.0333

Example of Food Costing Tool

Inventory

Every item used in the production of meals can be added to the inventory to give an up to date list of items used in the kitchen.

From here you can change prices, products etc. and will populate recipes. This becomes extremely useful to manage/control price changes within the market place.



Example of Food Costing Tool



Recipe

Listings of ingredients used in each meal

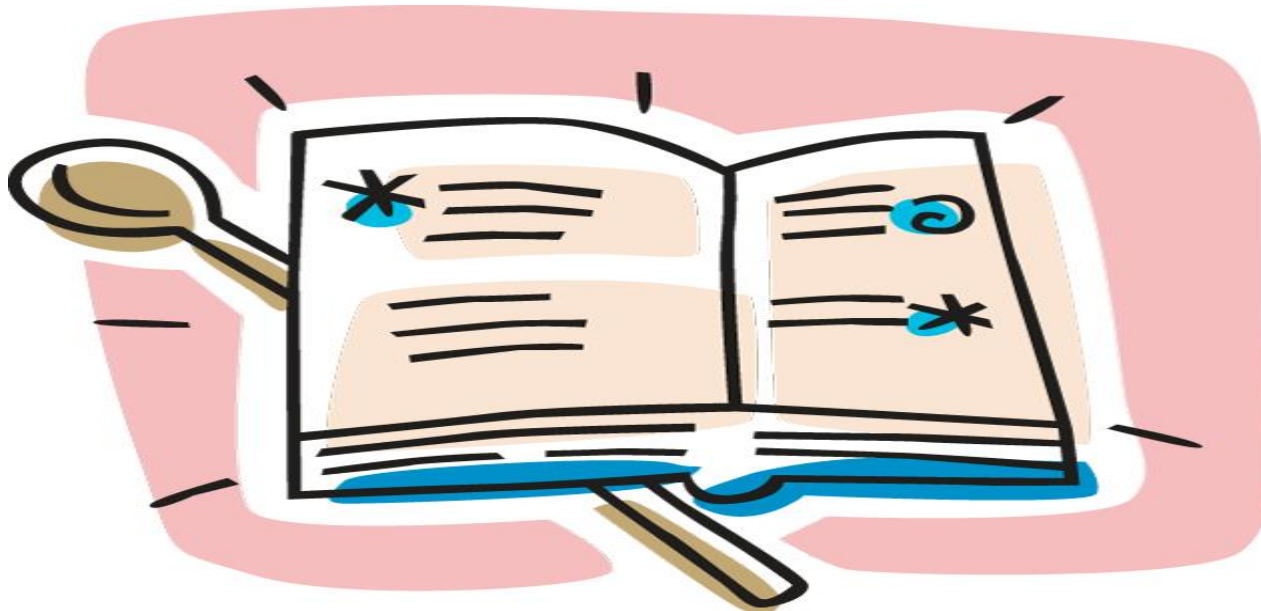
Recipe Title:	Rib Eye Stir Fry					
Ingredient	Amount	Unit of Measure	Grams	Cost	Portions per Recipe	Cost Per Portion
Minced Beef	5	Kilograms	5000	\$ 50.00		
Onions	2	Kilograms	2000	\$ 2.78		
Carrot	1	Kilograms	1000	\$ 2.70		
Chicken Stock	250	Ounces	7500	\$ 37.50		
Brocoli (Frozen)	1	Kilograms	1000	\$ 1.75		
Celery	1.5	Kilograms	1500	\$ 9.38		
Tomatoes (Tinned)	500	Grams	500	\$ 2.50		
		Grams	0			
Total Cost of Meal				\$ 106.61	50	\$ 2.13

Example of Food Costing Tool

Recipes

Listing all the ingredients used to make each meal will show the amount that it costs to make a particular meal.

From here you can manage portions, products etc.



Example of Food Costing Tool



Dashboard

After all the data has been collected for the Inventory and Recipes, this will feed into the Dashboard.

From here we can look into the menu cycle, individual items, sides, juices etc.

As Meals on Wheels charge one price for the meals, it is very difficult to invoice individual meals in relation to their cost. Therefore, we can average across a set period of time to find an average Food Cost.

For Example:

Week 1 – Total Weekly Cost \$24.06 / 5 = \$4.81

Week 2 – Total Weekly Cost \$26.24 / 5 = \$5.28

Average Cost for this period $(\$4.81 + \$5.28) / 2 = \$5.05$

If we are to use the Desired Food Cost Percentage as a Pricing Method, it would look as follows:

Seeling Price = $\frac{\$5.05 \text{ (Average Food Cost)}}{0.40 \text{ (Desired Food Cost Percentage 40\%)}} = \12.63

Reviewing Food Costing

It is essential to review the Food Costing once this exercise has been done. This is the opportunity to remove/substitute products to try and reduce Food Costs.

It is important to update new prices/products to give an accurate reflection of ongoing prices.



Questions/Discussion ??

