



## CHAPTER VI

**FOOD COST CONTROL**

**Learning Objectives :** At the end of this unit learners would be able to :

1. explain the importance of Food Cost Control
2. list the factors affecting Food Cost
3. explain pollution control
4. state measures to control food cost.

**I. IMPORTANCE OF FOOD COST AND ITS CONTROL**

Costing should not be confused with cost accounting. Costing is simply the process of arithmetic, means of memorandum statements or the methods of integral control. Costing is the technique and process of ascertaining costs. The principles and rules, which govern the procedure of ascertaining costs of products or services, is the technique used in ascertaining costs. With the development and changes in methods, the techniques of costing change. To control the Food Cost; purchasing, receiving, storing, issuing, food production, food sales, etc. are to be controlled.

**II. DEFINITION**

Food Cost is defined as the cost of raw material (food) used to prepare a dish or food.

The net stock in hand at the beginning of the day + stock (raw material) purchased or received from store - net stock in hand at the end of the day is defined as Food Cost for the day.

Points to be remembered for Food Cost Control and its Objectives and Advantages:

In hotel industry, the food cost is classified into materials (raw food cost). It is a major portion of the total cost. The smaller, the hotel/restaurant more is the food cost and larger/exclusive the hotel/restaurant less is the food cost. Food Cost is one of the major costs of the Restaurant and there is always a risk of food cost going high and low due to the negligence of the staff. In case the food cost goes high then that means direct loss to the hotel/restaurant; as the cost of sale (Food Cost) will go high and the gross profit (sale - food cost) will come down. On the other hand, if the food cost is low then that means either the guest is given a small portion or he is served sub standard quality of food. This will subsequently result in losing permanent customers and hence will reduce sale and profit. In case food cost is not controlled carefully then in spite of restaurant making good sale it may run into net loss.





To control the Food Cost one must remember the following points.

### a) Purchasing

The purchase department must ensure that the right quality of food, at competitive price and right quantity of raw material should be procured to keep the cost control.

### b) Receiving and Storing of Raw Material

The raw material received by stores must be inspected for the quality and the quantity desired, and in case found not up to requirement, it should be returned to supplier for replacements. Everything received must be stored at a proper place. It is saying that in stores there should always be, '*a place for every thing and every thing at its place*'. The store keeper must ensure that no food item should get spoilt and if it happens then it is charged from store keeper.

### c) Issuing

All goods should be issued after a proper requisition. The store keeper must follow the rule of 'FIRST IN FIRST OUT (F.I.F.O.)', which means the goods received first are issued first.

### d) Wastage

The wastage, at all levels, i.e. Portioning, Cooking, Storing, etc. should be as minimum as possible. The wastage of food should be avoided. All trimmings of vegetables, bones, and other raw material wastes should be used to cook stock, soups, gravies, sauces, etc.

### d) Proper Storing of Cooked Food

In case the cooked food is left at the end of the day then it must be stored at a proper temperature so that it can be used on the following day, if so required.

### e) Spoilage

The cooks must ensure that there should be as far as possible no spoilage of food in the kitchen.





**f) Ensure no Food is Served Without Bill**

In case food is allowed to be picked up without proper bill then this will increase the food cost.

**g) Portion Control**

The chef must ensure that dish is as per the standard portion, as both the larger portion and smaller portion is harmful to the hotel/restaurant. A large portion will increase the food cost and a small portion will dissatisfy the guest.

**h) Standard Recipe**

The Chef must ensure that standard recipes are always followed, or otherwise, the guest may not find the standard of the dish satisfactory to his hope.

The objectives and advantages of Food Cost Control are to satisfy the guest and make reasonable good profit at all times.

### III. PURPOSES OF FOOD COST ACCOUNTING

**i) To Know Cost**

It is through the mechanism of cost accounting that costs of products or services are ascertained. Any of the methods may be used to know the cost but it should be near to the actual costs.

**ii) To fix the selling price**

Only if one knows the total cost then one can fix the selling price of a dish. In restaurants selling price is fixed, keeping in view the food cost. More the luxury restaurant, low is the food cost and vice versa. A small road side restaurant may have as high as 45-50% food cost and a speciality restaurant may have as low as 20-25% food cost.

**iii) Cost Controlling**

The Chef/Restaurant Manager/Cost Accountant while fixing the selling price of a dish must know its exact recipe. He must also keep in mind the labour cost, the over heads while fixing the food cost and its variances.







#### iv) Preparation of Account and Control of Food Cost:

He will regularly review the production, sales and operating results, stocks of raw material and finished food and other items are valued at cost price or market price, which ever is lower. The stock inventory is taken by physically verifying each item. After ascertaining the stocks and taking a note of costs and sales, he is able to control the food cost.

#### v) Operating Policies

The Food Cost Accounting helps management in formulating operating policies like what should be the food cost, whether to bake bakery products in house or out source. Even desserts can be bought from outside if the sale of the same is not sufficient to keep a dessert chef.

### IV. LIMITATION OF FOOD COST CONTROL

It looks very simple that if the standard recipe and portion size control is followed then the food cost will be always under control. In actual in spite of following standard recipe and portion size the food cost may differ. The following factors affect the food cost, which may or may not be under the direct control of Chef and the Management.

1. Fluctuation in Raw Material Cost
2. Wrong Purchasing of Raw Material
3. Reduction in Sale
4. Wastage during preparation of Food
5. Pilferage in Food Sale
6. Spoilage due to wrong storage

### V. ESSENTIALS OF FOOD COST CONTROL

1. Proper Purchasing
2. Control in Purchasing
3. Follow Purchasing Procedure
4. Control Food Production
5. Follow Standard Recipe
6. Follow Standard Portion Size





## VI. PORTION COTROL

It is very important for hotels to have a standard portion size along with the standard recipe. If the size of the dish varies with the chef's mood then it has an adverse affect on the marketing of menus. Even restaurant staff will be confused as they themselves will not be very certain about the portion size. If a guest gets a larger portion comparatively then he will be very happy but on the contrary if he gets smaller portion comparatively then he will be annoyed. If standard portion size is not maintained then it will also affect the maintenance of food cost. The standard portion size may differ from table d'hotel menu to a la carte menu. The question here is not that what should be the size of portion as this may differ from hotel to hotel depending upon the management policy, price of the dish/menu. But the question is that what ever standard portion size is decided by the management then the same portion size must be served on ail days by the restaurant/kitchen. Even the accompaniments served along with the main dish must have a standard portion size. Even the decoration/presentation of the dish and the container in which it is served must have the uniformity.

## VII. STANDARD RECIPES

Standard recipes are prepared to have a food cost control.

The following are the objectives of preparing standard recipes:

1. **Quantity and Quality of Food Ingredients:** Standard Recipes help in deciding the quantity and quality of raw material used for preparing a standard dish. It helps in making a standard purchase specification for each raw material for different dishes. For example the standard specification of Tomatoes for Green Salad will be different than for other recipes.
2. **Yield:** It helps in deciding the size of carcass or type of meat to be purchased to minimise the wastage. Standard recipes guide chef in fixing the size and weight of each portion and hence the maximum yield can be obtained from the raw material purchased.
3. **Food Cost per Dish:** It helps in maintaining the food cost of each and every dish and hence in maintaining the gross profit.  $\text{Sale per dish} - \text{food cost per dish (variable cost)} = \text{gross profit}$ .
4. **Nutritional Value of Dish:** It is very useful especially for hostels, hospitals, industrial canteens. The nutritional value can be accurate when known quantities and qualities of raw material will be used.
5. **Menu Planning:** It helps in planning menu as far as colour, method of cooking; basic





raw material, etc. are concerned because the quantity and quality of all raw materials is known in advance.

6. **Purchasing, Requisitions and Departmental Transfers:** if the exact quantity and quality of each ingredient is known in advance because of correct forecasting and standard recipes then it helps purchase department to make the correct-purchasing, kitchens can send the exact requisition of commodities required and even inter department transfers are done more accurately (departmental transfers are more common for kitchens to make inter departmental transfer of food items from butchery).
7. **Standard Food:** If standard recipe is used then the standard of all dishes will remain same even if the main chef goes on leave or resigns.
8. **Portion Control:** Standard recipes help in maintaining the portion control and hence the food cost.
9. **Standard Recipe Book:** Hotels usually prepare standard recipes, take a colour photograph of each dish, write the exact quantity and quality of ingredients required and mention in detail the method of cooking. This Recipe book helps new employees in maintaining the same standard. Restaurant staff can also be trained by showing the standard recipe book and while taking orders they can explain to guests better and this helps in selling the right food to guest.

### VIII. STAFF MEALS OTELS

As compared to small hotels, the larger hotels have a separate staff dining hall and all staff members are required to have their meals in the staff cafeteria. Some hotels maintain a separate dining hall for executive and called Executive Dining Hall (EDR). But these days only one dining hall is made and all staff members are required to eat there only. The food cost of the staff meals dining hall is prepared separately. The kitchen attached to dining hall maintains its own food cost. Like any other kitchen they are audited. Hotels usually charge a very nominal cost from the staff for serving them meals on duty.

Smaller hotels who can not afford to maintain a separate kitchen for staff meals, serve food to its staff from the main kitchen only. But a separate costing is done for the staff meals and it is debited to the labour cost and not to the food cost.

### IX. CONTROL OF FOOD COST

Food Cost is one of the major costs of the Restaurant and there is always a risk of food cost going high and low due to the negligence of the staff. In case the food cost goes high then that means; direct loss to the hotel/restaurant, as the cost of sale (Food Cost) will go







high and the gross profit (sale - food cost) will come down. On the other hand, the food cost is low then that means either the guest is given a small portion or he is served sub standard quality of food. This will subsequently result in losing permanent customers and hence will reduce sale and profit.

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The wastage, at all levels, i.e. Portioning, Cooking, Storing, etc. should be as minimum as possible. The wastage of food should be avoided. All trimmings of vegetables, bones, and other raw material wastes should be used to cook stock, soups, gravies, sauces, etc.

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***(x) Ensure No Food is Served Without Bill***

In case food is allowed to be picked up without proper bill then this will increase the food cost.

***(xi) Portion Control***

The Chef must ensure that dish is as per the standard portion, as both the larger portion and smaller portion is harmful to the hotel/restaurant. large portion will increase the food cost and a small portion will dissatisfy the guest.

***(xii) Standard Recipe***

The Chef must ensure that always standard recipe should be followed, or otherwise, the guest may not always find similar standard of the dish and this will dissatisfy him.

**Review Questions**

- Q.1 Define food cost and explains in detail its importance.
- Q.2 Write in detail the objectives and advantages of Food Cost Control.
- Q.3 What do you mean by Food Cost? Write in detail its limitations.
- Q.4 What do you mean by Standard recipe and what are its objectives?
- Q.5 List out factors which affect the food cost.

