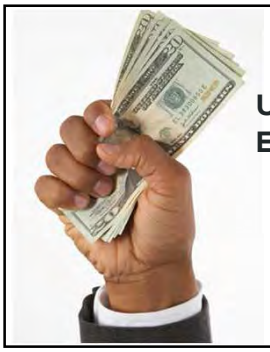

USDA Foods Evaluating Menu Costs

ILSNA USDA Foods Committee
June 2017

USDA Foods Update

American Commodities Distribution Association Conference takeaways:

- USDA Entitlement dollars-They are Not Free!
- 65% of USDA Donated Foods are for Child Nutrition Programs Commodities
- Four Choices of use for USDA foods-DOD, Direct Delivery, Processing and Nothing-give it to someone else
- USDA works hard to add new products. Many factors affect if a product is added. Examples: demand, 100% grown and processed in US, versatility and available from multiple vendors
- USDA is open to suggestions for items: e-mail USDAFoods@fns.usda.gov
- USDA wants to know complaints about products: USDAFoodsComplaints@fns.usda.gov or 800-466-6991
- New products: Butternut Squash, Diced [illegible]es, Sliced Strawberries, Blueberries, Pollock Fish Sticks, Whole Liquid Eggs, Hig[illegible] Yogurt.
- USDA publishes lists yearly of all foods [illegible] New Product preview sheets. Products Available list fns.usd[illegible]-expected-be-available

Menu Costing

Financial Management

- Pricing of products and services offered in a Child Nutrition Program must cover the cost associated with producing them.
- Before adequate pricing can be set, the cost to produce menu and food items must be determined through pre-costing.

Financial Management

Reimbursable meals – The total cost to produce the meal should be equal to or less than the amount of revenue received from federal reimbursement and the student portion payments.

Non-reimbursable meals or food items – The revenue received must be equal to or greater than the cost.*

**Customer perceived value will influence the pricing of some items.*

Pre-Costing

•Determine if a food or menu item should be purchased already prepared or made from scratch.

•Determine price to charge for a la carte, vending and catering.

•Determine if a product or service should be continued.

•Sets the standard on how much a menu should cost. Post costing of meals checks to see if goals were met.

Pre-Costing

•Determine if a menu item is affordable.

•Determine if product should be sold. Will the customer consider the price reasonable and be willing to pay the price that needs to be charged?

•Program compliance for nonprogram revenue tool, and nonprogram food pricing (Policy Memo SP 13-2014.)

Pre-Costing Food Items

- Determine the number of servings or portions each purchase unit will provide.
- Divide cost per unit, as indicated in inventor number of serving or portions per unit.

Pre-Costing Food Items

1 case of individual cereal bowl packs has 96 bowls and costs $32.85

Number of servings per purchasing unit: 96

Cost per unit (case): $32.85

$32.85 ÷ 96 = $.34

Pre-Costing Recipes

•The cost of food items per quantity used in the recipe divided by the number of portions that the recipe yields.

•If portion sizes are different for age/grade groups – the cost of the recipe for each age/grade group should be determined.

Recipe:

Cheeseburger Sandwich			
Age/Grade Group:	k-8		
Number portions:	100	Total Cost:	$73.47
Recipe Yield:	100		
Portion:	1 Sandwich		
Component Contribution:			
Ingredients	**Quantity**	**Cost**	**Per portion**
Hamburger Pattie	100	$36.97	0.37
Cheese, Slice	100	$14.50	0.15
Hamburger Bun	100	$9.00	0.09
Pickles, Dill slices	400	$3.00	0.03
Catsup, 5/8 oz, pkt	100	$8.00	0.08
Mustard, 5/8 oz, pkt	60	$2.00	0.02
		Per Portion Cost:	0.73

Practice Costing Recipe

Recipe: Cheese Burger

	Quantity	Cost	Per Portion
Beef Patty			
Slice Cheese			
Hamburger Bun			
Dill Pickle Slices			
Ketchup, 2 Tbsp.			
Mustard, 1 Tbsp.			
Sandwich Wrap			
		TOTAL per Portion =	

Pre-Costing Menus

- For menus that are offered without providing a choice between menu items or using OVS, the total menu cost is simply sum the cost of each menu item.

Examples: grab and go meals or sack lunches on field trips.

Total Menu Cost

Cheeseburger	$0.73
Green Beans	$0.08
Mashed Potatoes	$0.10
Apple	$0.11
Banana	$0.10
Milk	$0.20
Juice	$0.18
Total menu cost:	$1.50

Pre-Costing menus with Offer Verses Serve

OVS impacts the number of food items that will be selected by students from the planned menu.

- Total number of meals forecast to be served Cost per serving of each menu item
- Forecast of the number of servings for menu item (derived from prior production records that demonstrates what was actually served.)

OVS – Step 1

Divide the number of servings forecast for each menu item by the total number of meals that are forecast to be served. This will determine the proportion of meals that are expected to be selected for each menu item.

200 Reimbursable meals are planned. Green beans cost .08 per portion to produce. 125 serving are forecasted to be served on the day that the green beans are on the menu.

125 servings ÷ 200 total meals = .625

OVS – Step 2

Multiply the proportion of students expected to select each menu item by the cost per serving of the menu item.

200 Reimbursable meals are planned. Green beans cost .08 per portion to produce. 125 servings are forecasted (planned) to be served on the day that the green beans are on the menu.

.625 X .08 = .05

(Proportion of students expected to select X cost per serving)

Total Planned Reimbursable Meals: 200

Menu Item	Forecasted Number of Servings	Cost Per Serving	Average Cost of Lunch
Cheeseburger	200	$0.73	$0.73
Green Beans	125	$0.08	$0.05
Mashed Potatoes	150	$0.10	$0.08
Apple	75	$0.11	$0.04
Banana	50	$0.10	$0.03
Milk	125	$0.20	$0.13
Juice	75	$0.18	$0.07
		Total Cost Per Lunch:	$1.11

Pre-costing menus with choices

- When offering choices between menu items the same process that was demonstrated for OVS is utilized.
- Identify all menu items, the forecasted number of servings for each and the cost per serving.

Total Planned Reimbursable Meals: 200

Menu Item	Forecasted Number of Servings	Cost Per Serving	Average Cost of Lunch
Cheeseburger	125	$0.73	$0.46
or Hamburger	75	$0.58	$0.22
Green Beans	100	$0.08	$0.04
or Side Salad	25	$0.12	$0.02
Mashed Potatoes	50	$0.10	$0.03
or Potato Rounds	100	$0.12	$0.06
Apple	75	$0.11	$0.04
or Banana	50	$0.10	$0.03
Milk	125	$0.20	$0.13
Juice	75	$0.18	$0.07
		Total Cost Per Lunch:	$1.07

Menu Cost Comparison

- Total Menu Cost $1.50
- OVS Menu Cost $1.11
- Choice Menu Cost $1.07

Activity

Pre-Costing Menus

Computer Software Programs
can be a benefit when it comes to costing menus

Questions