

# The Case for Doing Monthly Inventories

MANAGEMENT CONNECTION



How monthly inventories can improve the operation of your facility

Ask anyone who is responsible for a professional foodservice operation what keeps them up at night, and be prepared to hear a pretty long list of concerns. In one category will be things like providing guests with enough variety, making seasonal menu changes, serving hot food hot and cold food cold, and mastering basic cooking techniques. Another category of concerns includes keeping food costs on budget, not running out of anything, reducing waste, stocking products with the correct specs, and maintaining an organized and spotless kitchen.

One of the best and most important tools for tackling all the challenges in the second category—and helping with concerns in the first category, too—is taking a monthly inventory of

all the products in your kitchen. Monthly inventories are absolutely the norm in any free-standing or hotel restaurant, whether big or small, corporate or mom & pop. Monthly, or even weekly, inventories are also a given in any corporate, hospital, prison, or educational foodservice operation. As far as I've seen, it's only in senior living that, for some reason, inventories are frequently not part of the standard operating procedure. Let's take a look at just how inventories work, and how they can help your operation in many concrete ways.

## HOW MONTHLY INVENTORIES WORK

First, let's consider the concept of "food cost." For most of us, this is a monthly budgeted amount that we can spend on food.



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If we go under that amount, we pat ourselves on the back. If we go over, we hear about it. The key point here is to realize that the amount of money we spend on food invoices in any given month does *not* tell us how much money we've spent on the food we *used* that month. This is where doing a monthly inventory comes in. Here's how it works:

- Take an "opening" inventory of all the food, and its value, that you have in house. Do this at the end of the last day of the month preceding the first month you plan to track.
- At the end of the first month you're tracking, add the value of the opening inventory to the cost of any food purchased during that month. (Exclude any non-food items on your invoices, like cleaning supplies.)
- Do a "closing" inventory at the end of the last day of the first month you're tracking, and subtract its value from the sum of the opening inventory and purchases for that month.
- This will tell you your cost for the products *that were actually used* that month, not what was purchased. There's a difference.
- Continue to take an inventory on the last day of every month and perform the same calculations.

Here's the equation:

$$\text{Opening Inventory} + \text{Food Purchased} - \text{Closing Inventory} = \text{Food Costs}$$

If you've never done inventories before, this can sound like an awful lot of busy work. I promise, after you and your staff do it a couple of times, it gets much easier, faster, and more efficient. Writing a spreadsheet containing all of your items, along with columns for amounts and values, will help a lot. If you give the task of writing that spreadsheet some thought and effort, it will pay off every month.



You can organize it by category (Dairy, Canned Goods, Produce, Frozen Meats, etc.), and even put it together so that the items are in the same order that you'll encounter them as you go around your kitchen doing the inventory. You can modify it every month to make it easier and more efficient to use. Some people like to do their

inventories on an iPad, others like to print out the pages and put them on a clip board. Do whatever makes the most sense for your operation.

Try dividing up the work so that one or two people (wearing coats) inventory the walk-ins, another does the dry storage, another does the reach-ins, and so on. If you've got the staff, using the buddy system can help it go faster.

## HOW INVENTORIES CAN HELP YOUR OPERATION

If you have any doubts about whether it's worth doing inventories to see what food is

**SEEING WHAT YOU HAVE ON HAND** is helpful when developing specials. One of your cooks can come up with a soup, appetizer, or even a garnish for the next day, depending on the food items you have available.

used in a month, and not what food is *purchased*, consider this one example. Let's say your chef decides to take advantage of a great deal on frozen shrimp and buys three months' worth. If you didn't do an inventory and just went by what you paid in invoices that month, it would look like

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your food expenses went through the roof that month, instead of reflecting what, in time, would be an actual savings. Not only would you have an incorrect idea of your actual costs, but you wouldn't be doing your chef's morale much good, either. It would be a similar situation if you happened to get a big delivery on the last day of a month.

Another key benefit of taking a regular inventory is that your staff will have no option but to really get to know exactly what's in the kitchen, where it is, what condition it's in, and the available quantity. Make the most of the time that inventory is taking place by encouraging your staff to clean, organize, and rotate stock as needed, as they go. It could also be the perfect time to clean up an area, big or small, that may have been neglected. With a little encouragement, your staff will also take more ownership and care in receiving, stocking, and rotating deliveries if they know they're going to have to deal with it all anyway at the next inventory.

An obvious and important advantage of doing inventories is that it will absolutely make your ordering more accurate and proficient. Not really being certain of what you've already got in house will either result in ordering too much of something and increasing the chance of it going bad and being thrown out, or not ordering enough and either running out at service or having to make an emergency run and pay retail for it. Having product delivered with the wrong specs (random chicken breasts instead of 5-ounce portions, 80 percent lean ground beef instead of 90 percent, etc.), and then accepting it, will raise your costs and lower the quality and consistency of the food you serve. If you make sure that your order guide matches your inventory list, everyone will get to know what should be delivered, notice if something is wrong, and correct it before it goes into your stock and then gets prepped and served. In any case, having better control over your ordering and receiving process will improve your food cost, your prep time, and the quality and consistency of the food you serve. It will also lower the stress levels throughout your operation!

Seeing just what you have on hand is also very helpful when it comes to developing specials. If you suddenly become aware of a few pounds of something in your freezer, or a half of a case of a certain vegetable that will spoil in a couple of days, see if you—or one of your cooks—can come up with a soup, appetizer, or even a nice garnish for the next day. You'll get to be creative, give your guests something new, and use up product that would have probably gone into the trash because no one noticed it was even there.

There are a lot of good reasons for monthly inventories to be part of your kitchen operation. The hardest part might be getting over the inertia that's preventing you from taking the first step. The sooner you start, the sooner you'll be reaping the benefits. **E**

### MORE ON CALCULATING MONTHLY FOOD COSTS ON ANFPtv

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This Level 1 article assumes that the reader has entry level knowledge of the topic. The desired outcome is to ensure a foundation of basic concepts of the subject matter.

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1. Monthly inventories
  - A. Can help your operation in many concrete ways
  - B. Are more trouble than they’re worth
  - C. Are rare in most restaurants
2. Knowing your actual monthly food costs
  - A. Usually requires an outside audit
  - B. Is very helpful in many ways
  - C. Is difficult, if not impossible
3. Figuring out your monthly food costs can be summarized as follows:
  - A.  $\text{Opening Inventory} - \text{Food Purchased} + \text{Closing Inventory} = \text{Food Costs}$
  - B.  $\text{Food Purchased} + \text{Opening Inventory} + \text{Closing Inventory} = \text{Food Costs}$
  - C.  $\text{Opening Inventory} + \text{Food Purchased} - \text{Closing Inventory} = \text{Food Costs}$
4. Writing, updating, and using a spreadsheet
  - A. Is just showing off
  - B. Isn’t a practical idea in most situations
  - C. Will make doing inventories much easier and more efficient
5. Using monthly inventories will show
  - A. Which food was eaten during lunch that month
  - B. What food was *used* that month, not what food was *purchased*
  - C. What food was *fried* that month, not what food was *broiled*
6. Not using monthly inventories will
  - A. Paint an inaccurate picture of your food costs
  - B. Free up more time to argue with your ED about food costs
  - C. Put you in the majority of professional foodservice operations
7. Side benefits of doing monthly inventories include
  - A. Improved purchasing, receiving, and stocking
  - B. A cleaner, more organized kitchen and less waste
  - C. All of the above

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**DURING THIS TIME OF DIFFICULTY AND UNCERTAINTY** due to the coronavirus, it’s more important than ever to have tight control over our operations in general, and especially our inventories. Possible shortages, fear that our suppliers will be unable to deliver the products we need, pressure to perform our best with reduced personnel, and less forgiving budgets are all part of our current reality. Accurate monthly inventories can help with all of these concerns and more.

After this crisis—or any other emergency scenario—has passed, it will be important to assess how your department performed in terms of inventory availability. Were there any shortages? Any surprises? Hone your disaster readiness plan after any unforeseen event to enhance your future performance in times of tumult.