Calculating Food Costs

Overview: The certified dietary manager (CDM) is the financial and budgeting expert in the foodservice department to help their facility’s bottom line. After labor costs, food cost will use up much of the budget. Fitting food costs into your budget is a vital skill for the CDM.

Supplemental Material: Access the [Gap Analysis Tool](#) to supplement your practices.

### Standard 1
The CDM calculates food costs in order to make decisions and meet budgeting goals.

<table>
<thead>
<tr>
<th>CRITERIA</th>
<th>IMPLEMENT &amp; EVALUATE</th>
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</table>
| **1.1** The CDM calculates their department’s Monthly Food Cost. | Example:  
Beginning Inventory  $21,745.00  
PLUS Purchases  + $7,976.00  
MINUS Ending Inventory  - $17,365.00  
__________________  
$12,356.00  |
| **1.2** The CDM calculates their department’s Food Cost as a Percentage of Sales. | Food Cost as a Percentage of Sales  
Monthly Food Cost DIVIDED by Sales  
Example  
Monthly Food Cost  $12,356.00  
DIVIDED by Sales  ÷ $36,421.00  
__________________  
33.9% (.339)  |
| **1.3** The CDM in Healthcare calculates their Raw Food Cost Per Patient Day (PPD). | **Per Patient Day (PPD)**  
Monthly Food Cost DIVIDED by Total Patient Days  
(Total Patient Days = the number of patients MULTIPLIED by # of days in the month)  
Example  
Monthly Food Cost  $12,356.00  
DIVIDED by Total Patient Days*  ÷ 2,850  
__________________  
$4.33 PPD  

*Total Patient Days = 95 patients x 30 days

*ANFP Benchmarking 2016 Data shows $5.35-$7.41 Food Cost Per Patient Day for Skilled Nursing Facilities*
### 1.4 The CDM in Healthcare calculates their Total Cost Per Patient Day.

**Total Cost Per Patient Day (including labor)**

1. **Monthly Food Cost**
2. **PLUS Labor Costs***
3. **DIVIDED by Total Patient Days**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Monthly Food Cost</td>
<td>$12,356.00</td>
</tr>
<tr>
<td>PLUS Labor Costs*</td>
<td>$15,600.00</td>
</tr>
<tr>
<td>DIVIDED by Total Patient Days</td>
<td>$27,956.00</td>
</tr>
<tr>
<td></td>
<td>$27,956.00</td>
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<tr>
<td></td>
<td>$2,850</td>
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<tr>
<td></td>
<td><strong>$9.81</strong></td>
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</tbody>
</table>

*In this example, Labor Costs include:

- **Wages:**
  - 5 cooks x 40 hours/wk @ $15.00/ hour = $3,000/week = $12,000/month
  - Benefits: $12,000 x 30% = $3,600/month

**Total Labor Costs = $15,600.00**

As a CDM, you will estimate personnel/labor costs (use HR as needed). Factors to consider:

- Should you calculate in benefits?
- Should you calculate in all employees such as waitstaff, sanitation, etc.?
- Should you just calculate those preparing the meals?
- You may also want to consider utilities or other costs that are worked into your department’s costs or budget.
- The key is to choose a method to count Labor Costs and be consistent with it to compare from month to month.

### 1.5 The CDM calculates their Raw Food Cost per Meal.

**Raw Food Cost per Meal**

Monthly Food Cost DIVIDED by Total Meals Served (using whatever you define as a meal served)

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Monthly Food Cost</td>
<td>$12,356.00</td>
</tr>
<tr>
<td>DIVIDED by Total Meals Served*</td>
<td>$1.45</td>
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<tr>
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<td>$12,356.00</td>
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<td>8,550</td>
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<tr>
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<td><strong>$1.45</strong></td>
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</table>
References


Kristin Klinefelter, MS, RDN, LD has been in the dietetics field for 20 years, working in a variety of consulting and education capacities. She has been working with the University of North Dakota’s Nutrition and Foodservice Training Program for ten years and served on the Certifying Board for Dietary Managers (CBDM) for six years.