

Food & Beverage - Prime Market Deal - By Joe Dunbar

2008-02-11

Market prices for prime beef tenderloin has plummeted from last year's \$14 plus levels to below \$11 a pound.

These are market prices so you won't see anything close to \$10 on your invoices. It's possible for savvy high end operators to find a sweet spot. Normally, a Beef Tenderloin yields 6 nice steaks from a 6 pound piece. This is a huge drop in the cost per portion (almost 25%).

If a typical operation serves 1,000 steaks a week from the tenderloin, the savings is \$3,500. Major dollars. Two factors seem to be in play. Oil has declined from the \$100 per barrel level and the supply/demand mix has changed. Fewer people are buying prime filet in relation to the supply. I see this as logical. During the period of rising prices, many operators shifted from prime to choice. The market statistics on the excellent industry portal Foodservice.com for the week of February 1, 2008 support this observation.

The change in average price per pound for choice is down only 4.4% from last year's figure. This is a minor drop which can be accounted for in the modest recent energy cost improvement. In sharp contrast, the average price for prime is way down - over 24%.

How much would you pay for a wonderful prime Filet Mignon steak? For fantasy purposes, let's pretend our restaurant is right next to a major beef producer and we can get market prices. We'd need a selling price of \$35 to offer the meat with some rolls and butter at a 33% food cost percentage. Back a year ago, we would need to offer the same steak for over \$45 to obtain the 33% result. Many operations have increased their selling prices over the year. If they are charging the \$45 plate charge, a 25% food cost percentage is possible.

Back to reality, most operators live far from the huge beef producers and pay a fair markup. The food cost percentages are far above my fantasy example. Regardless, if you locked in for the quarter with your supplier last week, you may have pulled the trigger at a great prime market time. Let's stay tuned to see if it was a good deal.

Thanks!!!

Joe

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This article comes from Hotel News Resource

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The URL for this story is:

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