

DETERMINING PRICES

Student meals:

For lunch, all schools must be gradually increasing their paid lunch prices until the school reaches the paid pricing of the free reimbursement rate minus the paid reimbursement rate. Yearly, the State agency will send to the Food Service Contact the price that the school must increase until they reach the appropriate lunch paid pricing level. Check out the State's Paid Lunch Equity Pricing Fact Sheet - <http://www.doe.in.gov/student-services/nutrition/snp-pricing-guidance>

There are no specific regulations for breakfast prices, but schools should be pricing their breakfast appropriately. Appropriate breakfast prices should always be based upon the total average cost per meal per person. There are several ways to determine this figure. One way is to calculate daily breakfast costs from the production record and include wages, benefits, and other costs. Use these daily costs per breakfast to determine an average cost per person per breakfast over a reasonable period of time (at least one month).

When a cost per breakfast is determined, the current paid student Federal reimbursement rate should be subtracted. The resulting balance is the minimum amount to charge for a full price student meal in order to attain a breakeven price.

Example:	\$ 1.75	Total food service <u>cost</u> per breakfast per person
	- <u>.27</u>	Federal reimbursement (12/13)
	= \$ 1.48	Minimum breakeven price for paid student breakfast
	\$ 1.50	Reasonable selling price for this example - always round up!

Looking at this process from another angle, one can use current prices to determine the amount of income available to spend for each meal.

Example:	\$ 1.50	Current student breakfast price
	+ <u>.27</u>	Federal breakfast reimbursement (12/13)
	= 1.77	Income per breakfast per paid student

To breakeven in this example, the cost per breakfast per person would need to be lower than \$1.77.

Though the counts may be lower, this meal usually has a higher percentage of free and reduced participation which should be taken into consideration.

Adult meals:

Breakfasts and lunches served to adults must be priced so that the adult payment is sufficient to cover the overall cost of the lunch (or breakfast), including the value of any USDA entitlement and bonus donated foods used to prepare the meal – [SP 01-1988 Pricing of Adult Meals in the National School Lunch and School Breakfast Programs](#). If student meal prices are correctly calculated, adult meal prices and student meal prices should not be the same price. To calculate adult meal prices, prices for adults must be at least your average cost per lunch (or breakfast), plus (for lunch) the per meal value of the USDA donated foods - currently \$.2275 per child per lunch, since there are no commodities distributed based upon adult participation. Any time student prices are increased, it would be appropriate to increase adult prices accordingly.

Example: \$2.20 Total food service cost per lunch per student
 + .2275 Per meal value of the USDA donated foods
 =2.43 Minimum price for adults

 \$2.50 Reasonable selling price for adult meals.

DETERMINING PRICES – OTHER FOODS

This section addresses foods not part of a reimbursable meal and/or those foods sold separately. Prices are set for each item and are the same regardless of age (student or adult). Examples are extra milk, servings from the menu that are sold separately or as seconds, ala carte offerings, banquets, and special parties such as catering events.

Many schools try to increase income and participation by offering foods for sale separately that are popular and nutritious, yet may not fit into the school lunch pattern due to cost or content. There is no regulation against the sale of Other Food (except the USDA-established Foods of Minimal Nutritional Value). For more information about Foods of Minimal Nutritional Value refer to on the School Nutrition Program’s website. The options offered in an ala carte program should complement, but not compete with a nutritionally sound school lunch. An example of this would be selling extra milk.

Food items in this category should be priced as high as the market allows; there is no upper limit! With no reimbursement or commodities, it is imperative to set prices high enough to cover all food, labor, and supply costs.

Because labor and supply costs are difficult to determine without tedious time studies, it is suggested that the raw food cost per serving be the basis. Generally, the cost of labor will be as high as the raw food cost, so doubling the raw food cost will only cover food and labor costs. An even higher price will take care of supply costs, such as napkins, straws, detergent, etc. and maybe help subsidize the regular lunch, which should always be the most economical way to purchase a meal.

A general rule of thumb for setting prices for Other Food would be to multiply the raw food cost by two and a half or three. Depending upon the item and what the market will bear, a price should be established in this range. More labor intensive foods should have a higher markup, while prepackaged pre-portioned items may be priced with a lower markup.

Example: Hamburger with bun and condiments (catsup, mustard, pickle)

If the raw food cost is:	the selling price <u>could</u> be:
\$.364 x 2 = \$.728	\$.75
.364 x 2.5 = \$.91	.95
.364 x 3 = \$1.092	1.10

In this example, an appropriate price would be from \$.75 to \$ 1.10 depending upon other factors such as labor and supply costs and pricing it in acceptable range to the students.