

Pricing Nonprogram Food Items

Definition of Nonprogram Foods

- Foods and beverages sold in a participating school, other than reimbursable meals, and purchased using funds from the nonprofit foodservice account.
- These foods cannot be claimed for reimbursement.
- The *USDA School Lunch and Breakfast Cost Study* found that the average school nutrition program in the study used revenues from reimbursable meals to offset the cost of producing nonprogram food items.

Requirements of Nonprogram Food Revenue

$$\frac{\text{Total Nonprogram Food Revenue}}{\text{Total Program Revenue}} > \frac{\text{Total Nonprogram Food Cost}}{\text{Total Food Costs}}$$

Types of Nonprogram Food Items

There are four types of nonprogram foods that may be sold in school nutrition programs during the school day.

- Adult meals
- Sale of a second meal to a student: Adult price
- Individual components of the reimbursable meal (i.e. milk)
- Other food items not on the menu (à la carte)

Desired Food Cost Percent Mark-up Method

- Determine the raw food cost of the item offered for sale.
- Identify the desired food-cost percentage for the school nutrition program operation.
- To establish a base selling price, divide the item's food cost by the desired food cost percentage mark-up.

Activity: Pricing Nonprogram Food Items

Pricing Method: Desired Food Cost Percent Markup Method

The formula for determining a base price using the desired food cost percent markup method is:

Raw Food Cost ÷ **Desired Food Cost Percent Markup**

Reminder: Convert percent to decimal (i.e., $38\% \div 100 = .38$).

Instructions: Using the formula, determine the base selling price for each of the following nonprogram food items offered for sale if the desirable food cost percentage for a school nutrition program is 38% for the school year.

Calculation Example: If raw food cost is \$0.20 and desired food cost percentage is 38%:
 $\$0.20 \div .38 = 0.5263$ or 0.53 base selling price.

Recommend a final selling price and summarize how you arrived at the price.

Food	Raw Food Cost	Base Selling Price	Recommended Selling Price	Justification for Recommended Selling Price
Bottled Water	\$0.13	.3421	1.00	
Pizza Slice	\$0.45	1.18	2.00	
Fresh Apple	\$0.22	.58	.75	
Ice Cream Cup	\$0.19	.50	.75	
Baked Corn Chips	\$0.16	.42	.75	
Hamburger	\$0.76	2.00	2.00	
Milk 1/2 pint	\$0.21	.55	.50	
Banquet Meal per Plate	\$3.69	9.71	11.00	
Catered Meal per Plate	\$3.21	8.45	9.50	

Question: A school district might charge less for an extra food or à la carte item under certain conditions. What are they?

Answer: Many school districts are encouraging students to consume more fresh fruits and vegetables as part of the wellness policy. In this case, a school district could price extra food items such as the apple or other fresh fruits lower than the approved mark-up because they want to encourage students to consume the food. However, it is important to remember that the loss would need to be covered by selling a popular item at a price higher than the base selling price in order to cover the loss.

Reminder: For more information on methods of pricing nonprogram food items, refer to the *ICN Financial Management Information System (FMIS)* resource.

Nonprogram Foods Sold Away from Campus or Outside School Day

Nonprogram food sales that generally occur either outside the school day or away from the campus include:

- Catered food or meals to outside groups or groups within the school district
- Contract meals served on a regular basis
- Special school function meals such as an athletic banquet

Question: Why is it important for school districts to set prices on nonreimbursable, nonprogram food items so there is NO LOSS to the school nutrition program?

Answer: Federal regulations do not allow the school nutrition program to supplement other food sales outside the reimbursable student meal. Special functions must be priced high enough to cover the entire cost of the food function.