

The United States Government recently released its report on inflation. According to Washington, D.C., the latest inflation rate for the United States is 0.7% through the 12 months ended December 2015. The benchmark determines the increase in Social Security checks and other government payments. As such, the budget minders have an incentive to report a low number in order to manage the deficit.

The rate of inflation represents a wide market basket of goods including housing, healthcare and technology. Often the number reported excludes food and energy because these categories are considered too “volatile”. For those of us in the wholesale food business, we know exactly how volatile food prices have been the past few years. We also know that a rate of inflation of less than 1% does not reflect the reality that we have to manage through.

It is true that beef, pork, turkey and dairy have come off their highs from last year. Lower oil prices have also kept the freight component in check. In the last two years, protein prices were higher, due to serious supply issues. The pork supply suffered through the loss of millions of piglets from Porcine Epidemic Diarrhea Virus (PEDV). Beef ranchers culled cattle in record numbers rather than feed them high priced corn. Both of these events shot prices higher. Now that these supply shocks have subsided, prices may seem lower but in reality, are higher than they were five years ago.

Although rain has returned to the West, serious drought conditions remain, especially in California. Multi-year dryness has raised the price of dairy, produce and nuts. Buying smart and managing your food cost is still an important tool to protect your profitability.

Here are some sound tactics:

- **Re-design your menus.** Have your menus incorporate seasonal products such as produce. When produce is abundant, generally the quality is good and the cost lower. Becoming an Axis Purchasing member would give you great benefits such as access to a Weekly Produce Report to keep you abreast of the markets.
- **Review specs and purchase lower** on the “beauty” chain. Smaller and less aesthetically perfect produce is less expensive and helps farmers sell less than perfect looking products.
- **Use the service of a group purchasing organizations (GPO)** to leverage purchasing volume. According to Technomic, GPO’s have grown in popularity because they truly work to lower food cost. To learn more go to www.axispurchasing.com
- **Review your purchase order and delivery processes.** Reduce the vendor pool and negotiate savings by increasing your drop size and getting fewer deliveries. This saves your distributor money, which they will pass on to you.

Commodity prices have temporarily fallen and taken some pressure off food cost. Now is the time for strategic buyers to align with manufacturers, distributors and a GPO to lock in contracts at lower prices.

Please contact Axis Purchasing at 703-310-7607 for more information and ideas.