THE PURCHASING OF FOODS

When purchasing food it is necessary to consider what the true cost of the item will be in relation to what the printed price list from the supplier states it to be. The true cost calculation has to take into account the invoice price less any discounts claimable; storage cost of the item (this is particularly relevant when purchasing large quantities at a special price and includes the problem of a further security risk); and the production costs. The calculation of a true cost may well indicate that it is cheaper to buy in five-case lots as against a fifty-case lot at a lower price, or that the production costs involved with an item make it too expensive to buy it in that state, and that it may be cheaper in the long run to buy the item already processed by a manufacturer.

There are 7 main buying methods that may be used for purchasing foods. The particular method chosen often depends on the location of the establishment, the type and size of the business, its purchasing powder and the type of food being purchased.

It is important for buyers to have accurate figures available of the consumption/usage of major items so that they may decide which method of purchasing to use and also as essential data for negotiation of the purchasing price.

Purchasing by contract:-

There are 2 common types of contract used:-

1. *The specific period contract* which aims at determining the source of supply and the price of goods for a stated period often of 3 or 6 months. This reduces the time and labor of negotiating and ordering to a minimum, plus it has the added advantage of assisting with budgeting and pricing, when the prices of items are fixed for a period of time. Items with a fairly stable price, such as milk, cream, bread etc., can be contracted in this way.
2. *The quantity contract* which aims at ensuring continuity of supply of a given quantity of an essential item at an agreed price over a particular trading period. The purchase of frozen fruit and vegetables for use in a banqueting or a summer season are typical examples when the supply could be affected by the weather conditions with subsequent price fluctuations and where a quantity contract is advisable used.

A point to be noted here is that a contract is a legal document and that the conditions of the contract should be prepared by the firm's solicitors to safeguard against possible areas of dispute or, alternatively, prepared using the guidelines as laid out by one of the professional bodies.

The contract is in 2 parts: the general conditions; and the particular requirements or specifications.

The general conditions would include clauses such as the period of the contract, where deliveries are to be made, where invoice are to be sent, the method of payment, samples of commodities, etc. The specific conditions would normally be given as detailed specifications for particular items as explained.

Purchasing by daily market list:-

This method is used when purchasing perishable foods on a daily basis and when it is possible to have two or more approved suppliers.

A senior member of the kitchen staff who would take a quick stock take of the foods left after each lunch service, pass the information to the head Chef who would complete the 'daily market list' by entering the quantities of all items he/she requires to be purchased for the next day's business in the 'wanted' column. The list would then be processed by a member of staff in the purchasing office.

Each approved supplier would be telephoned and asked to quote a price for each of items required. The price quoted would be based on the quality of the item required, the quantity required and the esteem placed by the supplier to supply a particular establishment. The prices quoted would be entered on to the 'daily market list' and then a decision made by the purchasing manager as to where to place the order for each item. This may result intwo or three suppliers each receiving part of the total order.

Purchasing by weekly / fortnightly quotation list:-

This method is used to purchase grocery items where a delivery of once a week or fortnight is adequate. The method is similar to that described when purchasing perishable foods by daily market.

The head storekeeper would complete the stock in hand column on the master list and also fill in the wanted column for each item, based on the normal order quantity and the volume of the business expected. Meanwhile the purchasing office would send out to each grocery suppliers a copy of the list on which suppliers should quote their prices. On receipt of quotations these would be entered on to a master quotation list and a decision then made about where the orders for each item are to be placed. This would be based on the requirements in the next week/fortnight, the prices quoted and the storage space available which may allow for special offers for large quantities purchased to be considered. It should be noted here that the specifications for items will usually be just by brand name of the product together with the size, weight and count. This is because the buying power of most catering companies is not large enough to interest foods to their specific requirements.

Purchasing by 'cash and carry':-

This method is of particular interest to the medium and small establishments whose orders are often not large enough to be able to get regular deliveries from wholesalers and food manufacturers. 'Cash and carry' food warehouses are situated in all towns and resemble in layout and operation that of very large food supermarkets. The

main difference is that the 'cash and carry' food warehouses is only available to traders.
The particular advantages of buying by 'cash and carry' are:

1. The warehouses are situated near to most catering establishments and their hours of business are usually longer than those of most food wholesalers.
2. Small or large quantities may be purchased at competitive prices.
3. Customers are able to see what they are buying, as against buying just from a price list or catalogue. They may also see special displays of a particular food company's products and be able to taste them.
4. Customers may use the warehouse as often as they like and in doing so keep the level of stocks held low. Also, when there is a sudden increase in their business it is easy for caterers to replace their stock.

There are two disadvantages of buying by 'cash and carry':

1. Caterers have to provide their own staff and transport to collect the items from the warehouse.
2. Caterers have to pay cash for the items they purchase.

Purchasing by paid reserve:-

This method is used when it is necessary to ensure the continuity of supply of an item for the menu which is of particular importance to a restaurant. Caterers are buying in advance a large quantity of a commodity to cover the needs for several months ahead, and requisitioning their weekly requirements from suppliers, who would hold the stock. Examples of products which are purchased by this method are frozen jumbo size pacific prawns and frozen fillet of beef.

Total supply:-

This method is relatively new. It is a method offered only by a few major suppliers who are able to offer a full supply service of all commodities to caterers. This has the advantages of only having to negotiate with one supplier; a reduced volume of paperwork; and far fewer deliveries. The main disadvantages is that of being tied to one major supplier, whose prices may not be as competitive as when using several suppliers and whose range of certain commodities may be limited.

Cost plus:-

This is a method used frequently in the welfare sector of the industry. The establishment agrees to pay an approved supplier exactly the same price that the supplier paid for the commodities plus an agreed percentage, often 10-12.5%. This percentage would include the cost of handling, delivery charges, and a profit element for the supplier.

Purchase specifications for food

Purchase specifications should be used when ever possible in purchasing, in particular when purchasing by the first three methods discussed.
A purchase specification is a concise description of the quality, size and weight required for a particular item. Each specification would be particular to an establishment and would have been determined by members of the management team (for example, the purchasing manager, head Chef and the food and beverage manager) by reference to the catering policy, the menu requirements and its price range. Copies of the specifications should be kept by the relevant members of the management, the goods received clerk and the food control clerks and sent to all suppliers on the 'approved suppliers list'.
The reasons for preparing specifications are:

1. It establishes a buying standard of a commodity for an establishment so that a standard product is available for the kitchen and restaurant to prepare for the customer.
2. It informs the supplier in writing (and often aided by a line drawing or photograph) precisely what is required, and it assists the supplier in being competitive with pricing.
3. It provides detailed information to the goods received clerk and the store man as to the standard of the foods to accept.
4. It makes staff aware of the differences that can occur in produce, for example, size, weight, quality, quantity etc.

Specifications are easy to write when there is an official recognized grading scheme for the particular commodity. It is necessary, however, to know and understand any grading system fully to be able to obtain the maximum benefit.
When writing specifications it is convenient to write them in a standard from giving the following information:

1. Definition of the item. Care must be exercised here that the common catering term used by the buyer means exactly the same thing to the supplier.
2. Grade or brandname, for example apples grade extra class; Lea and Perrins 'Worcestershire Sauce'.
3. Weight, size or count, for example pounds, hundred weights, kilos, etc.; A2$^{1}/_{2}$s, A10s, etc.; Lemons 120s, pineapples 12s etc.
4. Unit against which prices should be quoted, for example per pound, per case etc.
5. Special notes for the commodity, for example for meat it could contain details of the preparation of a particular cut of meat or details of special packaging requirements.

What is important, is that the layout chosen should be one that minimizes the distance walked by the storekeeper.

When this is determined the stock taking list should be printed in the same order in which items appear in the stores so as to enable stock-taking to be done quickly and efficiently.

Issuing of food

This should take place at set times during the day and only against a requisition note signed by an authorized person, for example head Chef or restaurant manager. When the requisition is a large one it should be handed in several hours before the items are required to allow the store keeper plenty of time to collect all the food items together. The pricing of issues is usually at the 'as purchased price', ignoring any small discounts. This is made easy in the case of non-perishable foods by marking the current price on all items when they first come into the store. The pricing of perishable items is often done by the control office after they have been issued as they have access to the suppliers' invoices.

Stocktaking of food

The main objectives of taking stock are

1. To determine the value of goods held in stock. This will indicate if too much or too little food is held in stock and if the total value of stock held is in accordance with the financial policy of the establishment. The total value of food held in stock is also required for the profit and loss accounts and the balance sheet, by the organization's accounts department.

2. To compare the value of goods actually in the stores at a particular time with the book value of the stock which will have been calculated with the simple formulae of:

Value of Opening Stock + Purchases during the period - Requisitions made in the same period = Value of closing stock.

This will highlight any differences and indicate the efficiency of the storekeeper and of the system used to obtain goods when the storekeeper is off duty.

3. To list slow moving items. This will bring to the attention of the purchasing officer, the head Chef, etc., those items which are in stock and for which there has been no demand, since the last stock take. Usually these items will then be put on to a menu to sell them before they deteriorate, or returned to the wholesaler and credit obtained.

4. To compare the usage of food with food sales to calculate the food percentage and gross profit.

5. As a deterrent against loss and pilferage.

6. To determine the rate of stock turnover for different groups of foods. This is calculated by the formula:

$$\frac{\text{Cost of food consumed}}{\text{Average value of stock at cost price}} = \text{Rate of stock turnover in a given period}$$

For example, in a 28 day trading period the cost of food consume was Rs.3,000. The opening stock on day 1 was Rs.800 and the closing stock on day 28 was Rs.700.

$$\text{Rate of stock turnover} = \frac{3000}{\frac{800+700}{2}} = \frac{3000}{750} = 4.0$$

This means that in the 28 day trading period the total value of stock turned over four times and that an average of one week's stock was held during the period.

The rate of stock turnover will vary depending on the frequency of delivery, the commodity, the size of storage space available and the amount of money the establishment is prepared to tie up in food stocks.

Typical stock turnover figures for a month are at least twenty for perishable items and four for non perishable items.

Stocktaking lists should be printed in a standard format and in some way related to the layout of the storeroom. This is so that stocktaking can be done methodically moving around the storeroom so that nothing is missed out; also, so that it aids the checking of figure-work by facilitating the comparing of like pages with like pages from previous stock takes to ensure that there is normally a near standard stock of items between periods.

Stocktaking will typically be done every trading period, by staff such as the storekeeper and head cellarman, under the supervision of a member from the food and beverage management or control staff. Ideally, the stocktaking should take place at the end of a trading period and before the operational start of the next trading period. This usually means that the stocktaking will take place late in the evening or early in the morning. The end-of-year stocktake is uasually done in greater detail and with some more thoroughness than for a trading period and will involve more staff, usually including the head of the control department to oversee and manage it. Professional stocktakers will often be used particularly for the end-of-year stocktake.