



# The Price of School Meals

## Impact of Rising Food Costs

### Information for Business Managers and Superintendents

As costs rise, school food service is struggling to break even. Here are some reasons why:

- **Basic items needed to prepare school meals are becoming much more expensive.** Limited grain supplies are causing increases in the price of wheat, corn, and foods made with these items. Corn is needed to feed livestock, so meat and dairy prices are also increasing. As a result, the cost of foods such as milk, cheese, eggs, pasta, breads and some produce have risen dramatically.
- **Rising energy costs impact the cost of food, transportation, and utilities.** Food service pays for the cost of transporting food and may also pay a large percent of the school's utilities.
- **Labor costs continue to increase** as salaries, wages, and health insurance premiums rise.
- **Government reimbursements and commodities do not cover the entire cost of school meals.** Federal assistance is not intended to be the only source of support. Estimated full cost to prepare a school lunch is \$2.70 to \$3.10. The revenue to offset that cost averages \$2.00 to \$2.60. Free commodities from USDA provide only about 15 -18% of the food served.

Food service needs extra financial support and other solutions. Here are some things to consider:

- **Raise the price of "less healthy" foods and beverages to increase revenue and encourage healthy choices.** A 2004 household survey indicated that 44% supported increasing the cost of less healthy foods.
- **Consider raising school lunch prices, but not too much.** School districts nationwide have raised lunch prices in the 2008-09 school year, an average of 26 cents. Even if prices are raised, school lunch is still a good value compared to the cost of a home prepared packed lunch, which was estimated at \$3.43 nationally last year. However, students may be less likely to purchase school meals if prices go up too much. If you feel you need to raise prices, explain your situation to parents and give them several months' notice.
- **Re-evaluate indirect costs charged to food service.** Indirect costs can put food service "in the red." Many schools charge an arbitrary portion of the school utilities and other costs to school food service that make a huge dent in their budgets and can negatively impact the nutritional quality of meals. School food service is not a business. It is a program to provide students with one of their basic needs.
- **Plan fundraisers that do not compete with school meals.** Do not allow bake sales or other food fundraisers anywhere in the school during meal time. Try fundraisers that do not involve food such as those listed in the following website: <http://www.actionforhealthykids.org/filelib/resources/fundraisingtips.pdf>
- **Utilize cost saving purchasing practices such as:**
  - **Join a food buying group with other local schools.** Get lower prices by buying together in bulk. Go to PEARS Form Download, Resources-NSLP Section, for a list of buying groups.
  - **Review purchasing procedures.** Compare prices from multiple sources to help negotiate lower costs. However, the cheapest item won't save money if the children won't buy it. Use rebates and coupons.
  - **Buy produce and other foods locally and in season.** Local and seasonal items often provide better quality at lower costs. If possible, use the Farm to School Program.
  - **Maximize use of free USDA commodity items.** Allow flexibility to substitute lower cost or commodity items in school menus when they become available. Contact the Pennsylvania Department of Agriculture at 1-800-468-2433 for more information on commodities.
  - **Increase participation.** Solicit student input on healthy items to serve. Try theme days, pasta bars, etc.