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Restaurants as the bellweather of the new normal: Even if costs and prices rise, people will still eat out

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If you haven't been in the bowels of the restaurant industry, if you aren't talking to owners consistently, if you're not in sync with the ebb and flows of our economy and its impact on the food and beverage industry, you shouldn't be giving opinions on the state of our industry in Massachusetts.

Fortunately, New England Restaurant Brokers has been a prognosticator for 30+ years.

In all my years as a restaurant specialist, I've never seen such ominous clouds on the horizon with such tainted optimism permeating the industry.

Grocery Prices to Increase

by as Much as 4%

Meat, poultry, and dairy prices are all expected to rise thanks to this summer's drought. Feed corn and grass were most affected, and the impact from their scarcity will soon be felt at the grocery store. Since drought conditions forced farmers to reduce the size of their herds to combat higher feed costs, the price of beef risen as much as 20% this year and with chicken also slated to rise. The cost of dairy products, too, will be affected, as fewer and leaner cows produce less milk. On a national scale, the USDA expects food prices to rise 3.5% to 4% in 2013.

Grain Prices Affected by Drought

Cereal and bakery product prices will rise too, as a result of the 2012 drought and lower wheat yields. Prices in this category began creeping up in October, and the USDA's Economic Research Service forecasts cereal and bakery product prices to rise 2.5% to 3.5% next year.

In Massachusetts, food prices rose 8.1% last year, the highest increase in about 30 years, according to the Massachusetts Restaurant Association.

Healthcare Premiums

on the Rise

Obamacare notwithstanding, employee healthcare premiums are expected to rise an average of 6% in 2013, and fully vested in 2014, according to Aon Hewitt, a human resource consulting firm. That amount will vary by state and type of plan, but overall, employers will face higher premiums and the increased cost will be passed along in part to employees. Tax increase will put a damper on consumer spending and hiring.

According to Jim Sullivan, contributor to the Nation's Restaurant News, the additional cost burden of mandatory healthcare coverage for all full time employees will be significant for most multiunit operators. Costs will be mitigated by either menu price increase or organizational realignment of full time employees to part time employees.

When taxes and costs go up, dining out suffers

Historically, over the last 40+ years, U.S. consumers have spent 5% of their disposable income on

eating out. It's fair to assume that when this disposable income is diluted, meals eaten away from home will shrink proportionately. A wise suggestion is that when disposable income shrinks food service operators might focus first on keeping the customers they already have and then take business away from your competitors.

Despite all the gloom and doom predictions, Mr. Sullivan feels that with unbridled optimism and hope, the restaurant industry could grow by nearly 2% next year

Fortunately we all have to eat

The new normal is that we are going to have to live with higher taxes and higher prices for almost everything we buy. People will still eat away from home but will be trading down on what they eat and where they go to eat. They'll seek out restaurants closer to home, eliminate the cocktail or wine with dinner, forgo the dessert, and skip the coffee. "Bring me another glass of water, please."

With a government insistent on redistributing wealth, keeping people on welfare, embracing the throngs of illegal aliens, and burying our nation in debt, we have no one to blame but ourselves. While we worked, Nero fiddled. While Rome burned, we were watching 'Dancing With The Stars'.

With the government scrutinizing everyone's paycheck to squeeze as much as they can out of it, maybe the smart people are buying cash- flowing businesses and controlling their taxable income. Until cash disappears, maybe owning a coffee shop, breakfast & lunch place, a pizzeria, or a bar is not such a bad way to make a living.

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