

RESTAURANTS & SUSTAINABLE FOOD SOURCING -- A GLIMPSE AT THE ECONOMICS --

Restaurant customers are increasingly asking for humanely sourced meats and other sustainable foods. But, restaurants operate on very slim profit margins. How can they respond to customers and still stay in business?

Restaurant owners generally assume that sustainable food (e.g., organic, local, fair trade) costs more than conventional food, but this is not always the case. Price varies item-by-item and based on factors such as geographic location, season and supplier density. Though organic produce carries an average premium of 20%, some organic produce is much closer in price, and some actually is cheaper than non-organic produce. For example, in May 2012, organic apples carried approximately a 10% price premium, organic tomatoes and thyme carried zero price premium, and organic mesclun mix, sage and marjoram were priced between 10% and 20% below non-organic varieties.¹

Sourcing non-organic, yet sustainable, food is often even more cost-effective than sourcing organic food. For example, in-season local produce is often comparably priced to commercial produce. And, sustainable seafood can be less expensive than conventional seafood. According to director of purchasing strategy for Bon Appétit Management Company, restaurants that look at their fish program as a whole and plan their purchases properly can source more sustainably without a cost increase.

In cases where increased food costs are unavoidable, some restaurants choose to absorb the extra costs, while others strive to pass them on to their customers. New York City-based Chop't Creative Salad Company is a good example of a chain that chooses to absorb the costs associated with sourcing from more humane suppliers. As of 2011, Chop't sources its chicken (which represents 80% of its proteins) from only organic and antibiotic-free chickens raised on Pennsylvania family farms. According to the company's Vice President of Food and Beverage, the cost increase was "significant", but the company believes the investment is "absolutely worth it. . . . 'It was about investing in the best ingredients, and we had to find efficiencies in our business to offset the costs.'"² The fast-growing and profitable Chipotle restaurant chain is another good example of a chain that makes adjustments to account for the additional costs associated with sourcing high quality, sustainable and organic food whenever possible.

Restaurants also could consider passing some (or all) of the increased food costs on to their customers. Yes, cost is a barrier (in fact, the #1 barrier) holding Americans back from sustainable behavior, according to OgilvyEarth's 2011 report "Mainstream

¹ See Final Report, Appendix H, University of Chicago Green Restaurant Research Team, <http://eaf.uchicago.edu/grrt/final-report-report/attachment/grrt-final-report-july-2012>.

² "The Push For Humane," *QSR*, <http://www.qsrmagazine.com/consumer-trends/push-humane> (10/15/2012).

Green: Moving Sustainability From Niche to Normal.” However, 57% of Americans surveyed by Mintel in the same year, said they were willing to pay 1-5% more for local and sustainable food. And, the market for organic food, in particular, is growing every year, with a full 75% of U.S. families purchasing some organic products in the past two years, according to the Organic Trade Association, and 63% of consumers under age 35 saying they choose organic food when possible, based on a 2011 Thomson Reuters-NPR Health Poll.

The economics of sustainable food sourcing is complex. For any restaurant considering a switch to more sustainable food sourcing, the options will depend upon the type of restaurant, its location, its customers and the value proposition of the food served. Sustainable food sourcing might very well be a cost-effective way to attract and retain customers.

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