Recipe Costing

An important skill for anyone in the food industry is determining the cost of ingredients to prepare a food item and the price of items on a menu.

How to find the price of an ingredient portion

There are three basic steps to this process. The first and third are easiest, while the second requires more thinking and can vary a bit depending on the information you have to work with.

Step 1: Calculate the FACTOR using the yield %. The factor is used to correct the As Purchased (AP) cost to the Edible Portion (EP) cost. Because some food items require trimming, peeling, coring, etc – for a purchased amount, the edible portion is smaller.

FACTOR = 100 ÷ Yield %
(round the factor to 3 decimal places, if necessary)

Step 2: Calculate the EDIBLE PRODUCT COST. The EP cost will be the same as the AP cost when the yield is 100%. For any food item with a yield of less than 100%, we must correct AP cost to account for wastage; the EP cost will always be GREATER than the AP cost when the yield is less than 100%.

EP PRODUCT Cost: The price paid for the edible product

Formula: AP product cost x Factor = EP product cost

Example: A 10 lb bag of apples costs $5.60. The yield percentage of apples is 75%. Find the EP product cost.
Solution: Factor = 100 ÷ Yield % = 100 ÷ 80 = 1.333
             EP Cost = $5.60 x 1.333 = $7.466 for 10 lb apples

Step 3: Calculate the EP Unit Cost. In this step we convert the edible product cost above into units that match the portion size given. In other words, we want to know the price paid per edible unit of item. If the portion size is in grams, the EP unit cost should be in $ per gram.

Formula: Edible product cost ÷ number of units = unit cost
                      Round to 3 decimal places
Example: If a 20 lb bag of flour costs $10.50, what is the unit price of flour?
Solution: $10.50 ÷ 20 lb = $0.525/lb

If an item is priced by the dozen or the case, an extra step is needed to find the unit price of an item by weight.

Example: A dozen eggs cost $4.99. What is the price per egg?
Solution: Total cost ÷ number of units = unit cost
             $4.99 ÷ 12 eggs = $0.42/egg