CHEF'STORE INDUSTRY REPORT:

How to Calculate Food Cost Percentage (and What's Ideal for Your Restaurant)

A food cost percentage measures food and beverage expenses relative to sales generated from menu items.

Paying attention to these costs is critical for analyzing profits. Spending more than you earn is an obvious problem, but strong revenue doesn't always guarantee strong profits. If your expenses consume too much of your sales, your restaurant may be earning less than it should. Keep reading to learn how to calculate your food costs and use key formulas to make smarter pricing and budgeting decisions.

HOW TO CALCULATE FOOD COSTS: SIMPLE TIPS FOR EVERY RESTAURANT

To understand and improve your profit margins, you need to know how your costs compare to your sales. Luckily, calculating food cost percentages involves simple, straightforward formulas.

Food Cost Percentage Formula for Menu Items

Start by calculating the total cost of the ingredients and other direct food costs required to prepare a dish, also known as “cost of goods sold (COGS)”. Next, divide your COGS by the revenue generated from selling that menu item.

The result is your food cost percentage, which shows how much of each sale goes toward food costs. Use this percentage to determine whether you've priced the dish to achieve your desired profit margin.

FORMULA:

Ingredient Cost/ Menu Price

×

100

=

Food Cost Percentage

What Is the Ideal Food Cost Percentage?

Typically, restaurants aim for twenty-eight to thirty-five percent[1]. However, every establishment is unique, so there isn’t always a straightforward answer. Follow this breakdown to help determine the best percentage for your restaurant type[2]:

- **Bakery:** twenty-five to thirty-two percent
- **Burger Joint:** twenty-five to thirty-two percent
- **Cafe:** twenty-eight to thirty-five percent
- **Full-Service Casual Dining:** twenty-eight to thirty-five percent
- **Family Restaurant and Diners:** thirty to thirty-six percent
- **Pubs and Sports Bars:** thirty to thirty-six percent
- **High-End Steakhouse:** thirty-two to forty percent

Calculating Overall Restaurant Food Cost Percentage

Knowing your overall food cost percentage gives you a clear picture of how much you're spending on ingredients compared to how much you're bringing in from food sales. It's one of the most important metrics for keeping costs under control, protecting your profit margins, and making smarter pricing decisions.

Here's how to calculate it:

Take a beginning inventory

Count the value of all the food inventory you have on hand at the start of the week (or whichever accounting period you use). Don’t forget to factor in items needed to execute dishes, such as to-go containers for food truck menu items or skewers for beef kabobs. Include those items in your inventory.

Track all food purchases

Record every food purchase you make during that same period using the actual prices from your supplier invoices.

Take an ending inventory

At the end of the week, count the value of the inventory you have left.

Review your food sales

Pull your sales report and total your food sales for the same period. If you also sell beverages, it's best to calculate food and beverage costs separately for the most accurate results.

Example:

Let's say your numbers for the week look like this:

- **Beginning Inventory:** $18,000
- **Food Purchases:** $4,000
- **Ending Inventory:** $19,000
- **Food Sales:** $13,000

First, calculate your food cost used:

$18,000 + $4,000 − $19,000 = $3,000

Then divide your food cost used by your food sales and multiply by 100:

($3,000 ÷ $13,000) × 100 = 23.08%

In this example, your restaurant's food cost percentage is **23.08%**. That means you spent just over 23 cents on menu-related products for every dollar in food sales.

STRENGTHEN YOUR RESTAURANT FOOD COSTS

If your food cost percentage is higher than expected, there are multiple ways to get back on track to profitability.

Reduce Food Waste

Restaurants lose $165 billion a year[3] to food waste. When performing inventory audits, pay attention to which ingredients are being tossed out rather than used. If you discover unnecessary or slow-moving items, consider removing them from your menu rotation.

Create Value Perception for Customers

Close to sixty-four percent[5] of diners consider a positive dining experience to matter more than pricing alone. Well-trained staff, consistent quality dishes, and loyalty perks can go a long way to pleasing customers.

Make Menu Changes

Maximize inventory and enhance profits by streamlining your menu[4]. Adjust dishes to cross-utilize ingredients and rethink portions to keep expenses down.

Get Savvy with Operations

Partner with a reliable wholesale restaurant supply store that stocks premium products at competitive prices. Not only will you save on menu essentials[6], but your guests will enjoy dishes prepared with high-quality ingredients.

Sources

[1]https://www.chefstore.com/about/blog/finance-metrics-every-restaurant-should-track-daily/
[2]https://restaurantcalcs.com/blog/food-cost-percentage-by-restaurant-type/
[3]https://www.chefstore.com/about/blog/mid-q1-restaurant-inventory-audit-how-to-find-fix-cost-leaks/
[4]https://www.chefstore.com/about/blog/boost-profits-without-raising-menu-prices/
[5]https://www.chefstore.com/about/blog/how-full-service-restaurants-win-through-customer-centered-trends-in-2026/
[6]https://www.chefstore.com/about/blog/why-chefstore-is-the-top-warehouse-store-for-restaurants/