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## Rising Food Costs and Money Conscious Customers: A Challenging Situation For the Local Food Industry

By *Sophie Braccini*



Diablo Foods' hundreds of labels have to be changed all the time Photo Sophie Braccini

According to the American Bureau of Labor and Statistics, the price of food has increased by 9.6% over the last year. That fact compounded with the rising cost of energy (a 32.9% increase over the same period) puts a lot of pressure at the end of the food chain industry: the stores and restaurants from whom we purchase our food. In our area, in spite of a difficult economic situation, restaurant and store owners have tried to somewhat mitigate the cost increase, reducing their margins and/or improving their business practices.

Diablo Foods in Lafayette experiences the change in prices every day. "We have an employee who manages the price changes," says Dan Stokes, who manages the day to day operations, "her role is to update the prices in our database as we receive them, adjust the sales price and then make sure that all our labels in the store are kept up to date." The prices are changing so rapidly that this person is working full time to keep up.

For example, prices for bakery and cereal products have been trending upward since late 2007 and posted the largest increase since September 1981 in the 12 months to August. The reports show a 14.9% increase in the prices for bakery and cereal products. "We try not to pass on all of the price increases for the first necessity items," explains Stokes, "we have been stunned by some of the raises."

This approach has been the same in the local restaurants.

Michele Lavecchia, of Amoroma, explains, "We've tried to keep our entry prices low, for example we haven't increase the price of our kids' pasta." The

restaurant that serves Italian cuisine was hit as well with the rising cost of imported goods such as Italian wine, due to the fall of the dollar. Buying locally is not always the solution. Philippe Chevalier, who recently opened a French restaurant in Lafayette, works only with local organic products. "Over the last three months the price of organics has risen by 20%; we cannot pass such a raise to our customers." At Chevalier, that has meant less people hired and the owner working twelve hours shifts to stabilize his margins. "This is the dream of my life," says the young entrepreneur, "I will do whatever it takes to make it work."

Carlos Rangel at Shelby's in Orinda confesses working up to fifteen hours a day and catching up with short afternoon naps when possible. He confirms that rising costs are a difficult challenge.

"The prices have increased pretty substantially," says the business owner, "it's all around and now we are even charged extra for delivery because of the price of gas."

Shelby's has tried not passed on the increase to customers. "We will have to share somehow in the near future," says Rangel, "maybe 20% of the increase, but not more because we know that our customers are watching their expenses, too."

As the margins are eroding, the restaurant has had to reduce the hours of its employees, trying not to make any lay-offs. Beyond the price increases, Rangel is concerned with the recent dramatic reduction of the amount of business generated. "Recently the number of our lunch customers has fallen by 70% and this week (starting October 5th) has been almost dead." He tries to keep a positive attitude and hope for a quick turn around.

Roos Pal from Terzetto Cuisine in Moraga is applying multiple strategies to cope with the changes. "We have to cut somewhere if we do not want to pass the whole price increase to our customers," says the restaurant owner, and her customers have noticed her now full time presence in the restaurant.

The difficult times have sent Pal on the route to further rationalization. "I'm taking classes in Los Angeles once a month to improve my business practices," says Pal. The tricks of the trade she has learned have allowed her to keep choosing the higher quality ingredients while optimizing her management and keeping the prices in check. She has created new menu items like an early bird dinner for a fixed \$9.95, to continue to attract customers.

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