

FOCUS: RISING PRICES

Restaurants adapt as food costs rise

Local eateries get creative in kitchen to keep costs down

BY JACLYN TROP
The Detroit News

Metro Detroit restaurants are doing solid business even as owners grapple with a rapid escalation this year in the price of gasoline, beef, produce and other commodities.

Most restaurants are resisting raising menu prices for fear of losing customers and are adapting to higher costs by adjusting food choices and portion sizes.

Eateries that have raised prices report that business hasn't suffered. They have persevered in part because their customers tend to be more affluent diners who can better afford higher prices.

"(Restaurateurs are) constantly being challenged to think in new ways to control costs and squeeze every bit of effort out of every thin dime that comes in the door, because profit margins are so razor thin as it is," said Andy Deloney of the Michigan Restaurant Association.

From a freeze in the southwestern United States and Mexico that destroyed lettuce crops to a drought that killed lambs in Australia and New Zealand, world events are forcing local restaurants to get creative, swapping ingredients and putting fewer high-cost items on a plate.

Eateries from Burger King to Morton's are revamping their menus to substitute less expensive ingredients or raising prices on menu mainstays as food inflation reaches its highest levels in at least a decade.

Restaurant costs have gone up as much as 20 percent, said Ed Deeb, president of the Michigan

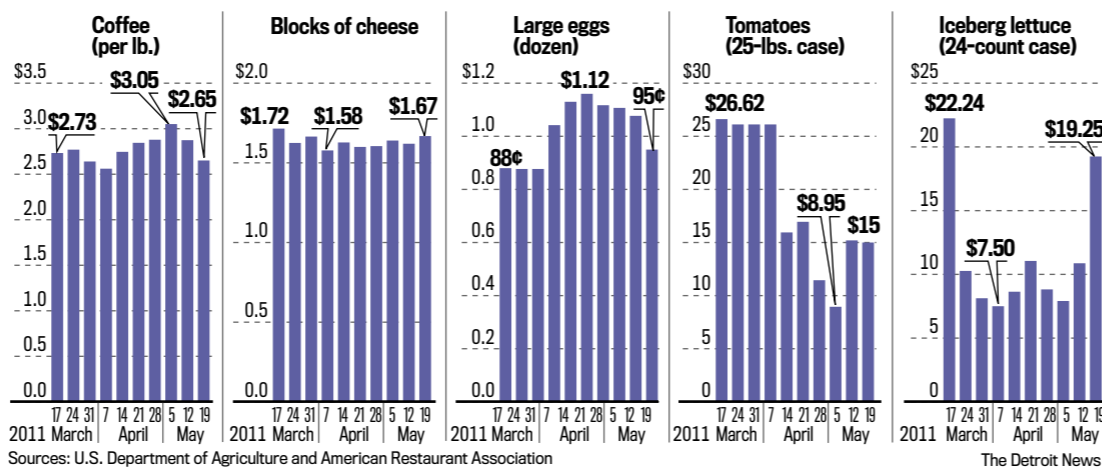


Kiya Gibbons / Special to The Detroit News

Craig Grigsby of Macomb and Nadwa Yono of White Lake Township prepare to order a meal at Morton's in Troy. The restaurant has revamped its menu as the cost of food continues to rise.

Food and drink prices see fluctuations

The prices of restaurant commodities like tomatoes and eggs have experienced wide swings in the past few months.



Sources: U.S. Department of Agriculture and American Restaurant Association

Food and Beverage Association. The prices of some commodities, including coffee and cheese, have

stabilized in recent weeks, while other items, such as tomatoes, experience big swings.

The pressure will likely persist throughout the year, with food prices projected to rise an addi-

tional 2 percent, Deeb said.

In April, Bingham Farms-based Matt Prentice Restaurant Group began raising prices at all of its operations, which include the restaurants Coach Insignia in Detroit' Renaissance Center, No. VI Chophouse in Novi and Northern Lakes Seafood in Bloomfield Hills; four delis in Southfield, Novi, West Bloomfield and Bloomfield Hills; and a catering arm.

"Raising prices is the last thing you want to do," Prentice said, "but lettuce has skyrocketed and beef pricing is just out of control."

Costs rose so sharply that Northern Lakes Seafood over-

spent \$13,000 on its March food budget, Prentice said.

The price hikes haven't garnered much opposition, he said. "Nobody is really voicing the issue. There has been so much media about costs going up that they understand."

Morton's in Troy faced little resistance from customers this winter when it raised menu prices 5 percent to offset price increases on everything from lobster tails to lettuce, said CEO Chris Artinian.

"We have a little bit of elasticity with our core clientele," said Artinian, noting that luxury segment consumers don't mind spending a little more for a good meal, especially for a special occasion, entertainment or business travel.

"Seventy to 80 percent of our business will end up on an expense report."

Fine dining restaurants such as Morton's and Coach Insignia have been able to raise prices because their clientele don't look carefully at the receipt, said Farmington Hills-based retail analyst Ken Dalto.

"They get the bill and they slap the credit card down," Dalto said.

But upscale restaurants aren't the only ones making adjustments. The rising cost of tomatoes has forced Burger King to provide slices on request only, said spokesman V.J. Monzon.

Jeremy Restaurant & Bar in Keego Harbor frequently changes its menu to reflect ingredients that are in season and less expensive to get, said co-owner Jeremy Grandon.

Instead of offering a plate of five lamb chops for \$28, he has designed a menu item that includes two lamb chops and vegetable moussaka topped with braised lamb for the same price.

"It's actually a more interesting dish," Grandon said. "If you're creative, you can get by without having to raise prices. People don't want to spend more than \$30 for an entrée, especially on a weeknight."

The Toast eateries in Birmingham and Ferndale are relying on "fancier presentation" and more obscure cuts of meat to keep costs in check, said co-owner Thom Bloom. For instance, the restaurant will use a less expensive club steak instead of a New York Strip or Delmonico cut.

"It allows you to still charge \$20 or \$25 for a really great entrée and not lose money," Bloom said. "By no means do we cheapen it. It's about being educated."

Angelina's Bistro in Detroit is making more items from scratch, buying whole salmon and organic chickens instead of higher-priced precut portions, said owner Tom Agosta.

"While there is a slightly higher labor cost, it's worth it," Agosta said.

The restaurant is scrapping other items. Eggplant, which more than quadrupled in price, is no longer on the menu.

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Prices at gas pump painful for 4 in 10 Americans

BY JENNIFER C. KERR
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With gasoline prices hovering at \$4 a gallon nationally, many Americans are making tough choices: scaling back summer vacations, driving less or ditching the car altogether. And high prices are hitting seniors harder than a month ago.

An Associated Press-GfK poll shows the share of Americans

who say increases in the price of gasoline will cause serious financial hardship for them or their family in the next six months now tops 4 in 10.

Overall in the poll, 71 percent said rising prices will cause some hardship for them and their family, including 41 percent who called it a "serious" hardship. Just 29 percent said rising prices are not hurting their finances.

By income, 63 percent of those

with annual household incomes over \$50,000 now say rising prices are causing them financial hardship, up from 55 percent in March. More than three-fourths of those with lower incomes report financial hardship.

For older Americans, it's worse. The share of seniors expressing financial hardship over gas prices hit 76 percent; it was 68 percent in March.

Nettie Cash, 65, of Dallas, Ga.,

is cutting back on her medicine because of the cost of fueling up her Buick. Cash is still taking her heart pills but is forgoing her inhaler and ulcer medicine for now.

The public's coping strategies are largely unchanged from March, with 72 percent having cut back on other expenses, 66 percent saying they've reduced the amount of driving they do and 48 percent changing vacation plans. Since January, gas

prices have shot up about 90 cents, with the national average for a gallon of regular this week at \$3.96.

Financial analyst Nicole Polite in Baltimore sold her Nissan Altima recently and is taking the bus and rails and walking to get to work. Gas prices were just too high, she said, so she and her boyfriend downsized to a one-car household. She said they kept their Lexus sedan, which re-

quires pricey premium gas.

"Now you have to reassess everything," said Polite, 32. "We don't go out as much. That \$20 that we could have used to go to a movie — now that money has been absorbed by the gas tank."

But analysts say relief is coming. Fred Rozell, retail pricing director at the Oil Price Information Service, expects the price at the pump to drop as much as 40 cents in the next four weeks.

Prices

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tailors' books and consumers' wallets.

March was the first month in half a year that local retailers reported weaker year-over-year sales, according to the Michigan Retailers Association. Sales then, the latest data available, dipped to the lowest level since July.

Retailers are reluctant to raise prices and alienate shoppers, but being creative and producing goods with less expensive materials "will probably only be helpful in the short term," Bolema said.

Price concerns continue

Sterling Heights-based computer manufacturer Rave Computer Association Inc. is staving off price increases for its customers and reducing shipping costs by using less costly ground transportation instead of air, said Chief Operating Officer Dave Nannini.

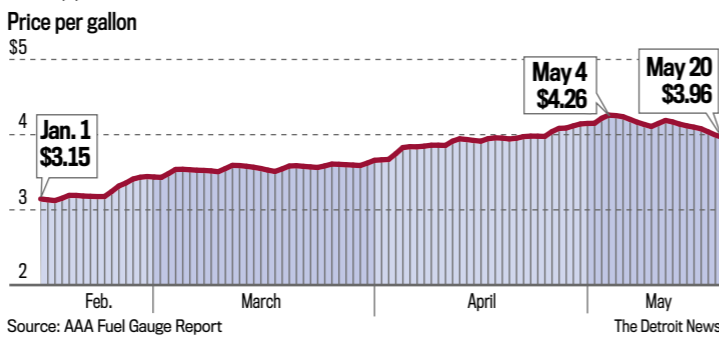
Computer chip prices soared for the company after three of its four supplier plants were destroyed by the earthquake and tsunami in Japan, Nannini said. Those prices have stabilized, but shipping costs rose 15 percent during the past two months over those a year earlier, he said.

The price of oil and gas continues to worry consumers, economists and businesses.

If gas prices stay above \$4 a gallon for a year, the extra costs would drain more than \$134 million from the national economy as consumers spend less and cut

Gas price volatility

The average price of unleaded regular gasoline in Michigan this year has had a bumpy ride.



Source: AAA Fuel Gauge Report

Goods prices on rise

A sample of price increases announced within the past three months.

Company	Price hike	On what
Steelcase Inc.	4%	Almost across board on office furniture
Cooper Tire & Rubber	8-9%	Tires
Hershey's	9.7%	Candy and grocery products

Sources: Detroit News research, Associated Press

back on savings, said David Littmann, senior economist with the free-market Mackinac Center for Public Policy.

In Michigan, gas prices hovered above \$4 a gallon for more than three weeks before dipping below that mark this week, hitting \$3.96 on Friday.

Nationwide, gas rose to \$3.98 in recent weeks, but was \$3.89 Friday.

"The rise in oil and gasoline prices have already reduced confidence and growth in the U.S. economy and threaten a great deal more damage as time goes on," Littmann said.

In addition to pinching consumers, "higher oil prices also increase the cost of doing business and thus the profitability of firms, particularly in the transportation and manufacturing in-



Todd McInturf / The Detroit News

William Mann is a delivery driver for Gorman's Furniture, which is buying fuel for its trucks in bulk instead of at gas stations.

industries," said Mark Zandi, chief economist for Moody's Analytics.

Opinions vary on where the price of gas is headed.

Tom Kloza, chief oil analyst at Oil Price Information Service, has projected that prices will fall to between \$3.25 and \$3.75 a gallon by mid-June in the Midwest, while the Michigan Public Service Commission predicts gas in Michigan will average about \$4 a gallon throughout the summer.

Lower profits, higher prices

Companies will have difficulty coaxing consumers already squeezed by unemployment and high gas prices to pay more for the same items, said Alex Rosaen, a consultant with Anderson Economic Group in East Lansing.

"It's a tug-of-war between lower profits for producers and higher prices for consumers when

commodity prices go up," he said. But consumers largely believe the price increases are temporary and the skyrocketing costs of oil and gas trickled down to raise the price of everyday goods.

"Retailers who thrive are the ones who can figure out how to keep costs low" as suppliers raise prices, he added. "For a company like us, logistics is huge."

Southfield-based Gorman's Furniture is offsetting higher fuel and fabric costs by changing vendors, dropping its California manufacturers and buying fuel for its fleet of trucks in bulk instead of filling up at gas stations, said President Tom Lias.

"The freight rate was becoming exorbitant," he said. But the five-store chain eventually may have to pass those costs on to consumers.

"We're going to do everything we can not to," Lias said, "but you can't ever say never."



Steve Perez / The Detroit News

Rave Computer Association's Dave Nannini said the company is using less costly ground transportation instead of air.

Inc. spokesman Frank Guglielmi. "We've seen this before," he said. "It's very similar to 2008," when the skyrocketing costs of oil and gas trickled down to raise the price of everyday goods.

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