

Fresh produce could enjoy boost from foodservice

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By Ashley Bentley – THE PACKER FOOD SERVICE MAGAZINE

A good sign for the fresh produce industry: Restaurant operators seem to be looking up, according to a survey by the National Restaurant Association. The Washington, D.C.-based association released its monthly Restaurant Performance Index with April's results at the end of May, and it revealed the highest overall score in 11 months and the highest outlook score in 18 months.

"I think we're still hovering around the bottom," said Kevin Moll, chief executive officer of Denver-based National Restaurant Consultants Inc. "Are we better off today than we were three months ago? Not necessarily, but there's more light at the end of the tunnel today than three to six months ago."

The association's performance index, a compilation of the Current Situation Index and the Expectations Index, sat at 98.6 in April, up less than a point from March, but continuing a four-month climb and reaching its highest point in almost a year. "The main part driving the index is the outlook, rather than current, although the current status has lightened up a little bit," said Annika Stensson, director of media relations. Despite the rise in the overall score, it remains less than 100, the distinction between growth and contraction by this measure. It wasn't the current situation half of the score that brought it up; it was the expectations element.

"What we're seeing right now is different times," Moll said. "We're seeing things we've never seen before, and we have as an industry never seen the challenges we've seen in the last six months."

The individual score for Current Situation Index was 97, up almost a point from March, but less than 100 for the 20th straight month. That index measures same-store sales, traffic, labor and capital expenditures. Traffic was still on the decline this April, with only 23% of operators reporting an increase in customer traffic in the last year. Sixty percent reported a traffic decline.

"Customers are behaving a little bit differently, and they have been over the last year or so," Stensson said. "It's been a natural progression, they're eating out less, but they do still want to dine out." The percentage of operators reporting making a capital expenditure for equipment, expansion or remodeling during the last three months was at its highest level 10 months, the association reported. The survey did not break down how the restaurants were spending that money.

"If I owned a 50-restaurant chain, and I was going to open 15, maybe I'd only open five and remodel the rest," Moll said. When asked about future plans, 46% of operators reported plans to make capital expenditures for equipment, expansion or remodeling in the next six months, up from 37% at the beginning of 2009.

One score did break the 100 mark in April. The Expectations Index was 100.2, its first time breaking 100 in 18 months. This number had been on the rise for the last five months. The breach onto the positive side for this category can be attributed to restaurant operators' outlook for sales and the economy. The association reported a positive six-month outlook for sales growth for the first time in 15 months. Operators also reported a better outlook on the economy, with 7% more than the month before reporting they expect economic conditions to improve in the next six months.

Meanwhile, the trends that continue to prosper are consistent lowered menu pricing, more menu options, and smaller serving sizes. "You've got McDonalds in coffee, Pizza Hut serving pasta, all these chains are looking for new revenue streams, even if they're somewhat inconsistent with the brand," Moll said.

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