



Spud story

EVERYONE IS BUZZING ABOUT THE HIGH PRICE OF MEAT, POULTRY, DAIRY, WHEAT AND eggs. What about potatoes—another top commodity purchase for operators.

“The 2008 Idaho potato harvest was generating headline news before the first field was even harvested because some industry experts believe it may be smaller—total U.S. potato acreage is down 8 percent while Idaho is down an estimated 14 percent,” says Frank Muir, CEO of the Idaho Potato Commission. “However, despite fewer acres planted, we experienced very favorable growing conditions in Idaho, which typically results in a high yield of quality potatoes.”

The United States Potato Board issued a statement with a similar assessment: “Supplies of potatoes, especially Russet varieties, may be somewhat limited, but potatoes continue to be priced lower than most other commodities. This fall, more than 930,000 acres of potatoes will be harvested. Increasing costs of production and higher returns for other commodities have contributed to reduced potato acreage, but a healthy growing season is likely to bring supplies into balance with demand.”

CHALLENGE:

Frying up profits

SOLUTION:

Hedging potato prices

AN ADEQUATE POTATO SUPPLY IS GOOD news for Bagger Dave's, a new burger concept with two locations in metro Detroit. The purchasing department of parent company Diversified Restaurant Holdings, Inc. buys a lot of fresh potatoes for the menu's two signatures: Belgian-style Idaho Potato Fries and Dave's Sweet Chips. The fries

are fresh-cut with a hand-operated device, while the chips are sliced to uniform thickness with a commercial food processor. Both are prepped onsite and fried to order in peanut oil. “Our goal from the beginning was to fit into the fresh niche in the burger segment and do everything from scratch,” says Michael Ansley, president and CEO of Diversified.



MICHAEL ANSLEY

He admits it's been a tough buying environment since Bagger Dave's opened its first store in January 2008. “Everyone is fighting for the same potato,” Ansley claims. “Prices have gone up 100 percent this year on Burbank Russet #2 potatoes from Idaho—the type we all spec for fries. I was paying \$9.75 for a 50-pound bag and now they're \$17.50.” Even so, that's good compared to the wholesale market price of \$22 to \$23. With its buying power, Bagger Dave's was able to work out a deal with its regular Detroit distributor who hedged for them.

Ansley took a different tack to source product for his chips. “We found we could get North Carolina sweet potatoes at the cheapest price from our produce supplier—not our broadliner. We're paying \$12.75 for a 40-pound box,” he reports. Even so, the peanut oil to fry up both potato items is taking a toll—prices have jumped from \$35 to \$62 for a 35-pound container.

Although he's had to pass some of these costs on to customers, Ansley expects things to stabilize as the fall potato crop comes in and supplies increase. Meanwhile, Bagger Dave's continues to spec and cook-to-order as they've been doing.

“There's more training and labor involved, but we've created an efficient system and customers love our homemade, fresh-cut potatoes,” he adds.



FRESH-CUT FRENCH FRIES AS SERVED AT BAGGER DAVE'S