



### Current Business Conditions

- Food costs continue to rise. The cost of all proteins (beef, pork, poultry) has risen 5% YTD. Commodities prices are up 12% YTD. There is no indication from suppliers of price stabilization for the remainder of the calendar year.
- Workforce shortages continue. A recent survey from Compass Restaurant Consulting & Research indicates 74% of restaurant owners surveyed are operating understaffed. In some cases, they are operating at 50% of normal staffing levels. As a result, many operators are closing their restaurants on days they would normally be open, just to give staff some needed time off. If you have dined out recently, the shortage is evident from the wait times experienced and overall level of service.
- The Delta Variant has impacted restaurant sales. A survey completed by the National Restaurant Association August 13-15, 2021, indicates that 19% of adults have stopped dining out, and 9% have canceled plans to dine out. 37% have ordered takeout and delivery, and 19% have chosen to dine outside instead of inside the restaurant.
- **As a result of the increases in prime costs (food and labor), menu prices have increased by 3.4% YTD. For some menu items, like steak and seafood, the increases have been much more. This is all in an effort to protect their already low profit margins.**

### Impact of a Sales Tax Increase

- There are 73 special tax levies on restaurants and hotels. Ten are assessed by counties and the remainder by cities. In some cases, a 2.5% sales tax increase would make the effective sales tax rate 13.5% (Pascagoula and Southaven for example).
- A study performed by the Zwick Center for Food and Resource Policy at the University of Connecticut indicates that although taxes are not posted on a shelf at the grocery store, or on menus in restaurants, **consumers are still attentive to food sales taxes.** Consumer behavior changes in response to a tax increase, resulting in a decrease in sales.
- **Given current business conditions, and resulting menu price increases (necessitated to protect profit margins), a sales tax increase, or any measure, that could potentially affect sales, would not benefit members of our industry at this time. Under normal circumstances, the consumer's sensitivity to any price increase, results in a reduction in the frequency of dining out, or the decision to eat at home.**