

Chipotle's success grows from 'food with integrity'

by Michael Collins

Steve Ells just wanted to sell tacos and burritos, not become the fast-food industry's pitchman for naturally grown foods.

But what started out as a simple quest to improve the pork carnitas sold at his Chipotle Mexican Grill restaurants has turned the chain's founder and co-chief executive officer into a relentless advocate of naturally raised meats and fresh produce grown in an environmentally friendly way.

INDUSTRY OUTLOOK

"You should be able to find these kinds of foods not only in high-end restaurants and fancy grocers, but in everyday food," Ells said.

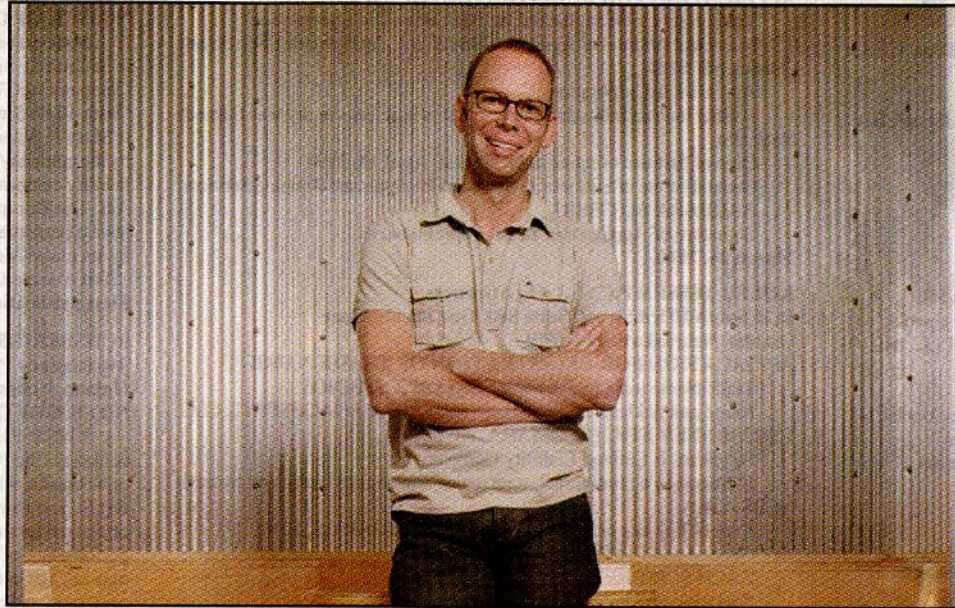
Ells goes out of his way to make sure that such ingredients are used in the tacos and burritos gobbled down by hungry patrons at Chipotle's more than 900 restaurants, which serve 2.5 million customers every week.

The restaurant chain, which last year reported revenue of \$1.5 billion, served more than 60 million pounds of naturally raised meats in 2009, including all of its pork and chicken and more than 60 percent of its beef. Chipotle (pronounced *chuh-POTE-lay*) claims that's more than any other restaurant company in the world.

Chipotle also relies heavily on fresh, organic produce — locally grown whenever possible — and dairy products made with milk from cows that are never given the synthetic growth hormone rBGH.

Ells calls his approach "Food With Integrity," and he says it is shaping not only the kind of fare served in his restaurants, but the way he runs his company.

"In order to serve the very best food, you



Steve Ells, founder and co-chief executive officer of Chipotle restaurants.

(SHNS photo by Gina LeVay)

have to understand where it comes from and how it was raised," Ells said.

Ells is embarrassed to admit it now, but those kinds of concerns were not on his radar when he founded Chipotle and opened his first restaurant in Denver in 1993.

Trained at the Culinary Institute of America, Ells dreamed of opening his own full-scale restaurant but needed a cash cow to support the venture. He borrowed \$80,000 from his father and opened a taco and burrito restaurant in an old ice cream store in hopes of eventually funding his grander ambition.

His business plan was simple yet ambitious: Put a new twist on traditional Mexican fare and show the burgers-and-fries genera-

tion that fast food doesn't have to be highly processed and flavorless.

Ells sought out the freshest meats and herbs he could find and added things to his menu like chili corn salsa with roasted chilies, limejuice and cilantro.

The restaurant was a hit and put Ells on track to open a chain of fast-food eateries. But Ells noticed his pork carnitas were not selling as well as other items on the menu, so he set out to improve their taste.

"I didn't know how my pork was raised at the time," he said. "All I knew was it was fresh. I didn't know where it came from."

The pork he had been buying came from what is known as confinement hog operations — large commercial farms in which millions of pigs spend their entire lives in metal pens that are so small that many can't even turn around.

They never breathe fresh outdoor air or

root around in open pastures. Their waste is often pushed down into lagoons, where it festers and can leach into nearby streams. Activists contend the conditions are not only deplorable and inhumane, they are bad for the environment and can pose a health risk to humans.

Ells' search for better-tasting pork led him to Niman Ranch, a network of individual family farms where pigs were raised the old-fashioned way: on open pastures or in deeply bedded barns, where they were fed a pure vegetarian diet and were given no antibiotics or added hormones.

The discovery opened Ells' eyes in more ways than one. He tested new recipes with Niman pork and found that naturally raised pigs are marbled with more back fat, which improves the taste of the meat. That, he soon discovered, made for better carnitas.

Customers noticed, too. Sales jumped when Ells started using Niman pork, even though he had to raise the price of his carnitas burritos and tacos by \$1 to cover the added expense of the naturally grown meat.

Most Chipotle patrons probably have no idea about Ells' obsession with natural ingredients, but "after people eat the food, they know intuitively that the quality is really good," said Larry Miller, a financial analyst with RBC Capital Markets in Atlanta.

Nevertheless, Chipotle's campaign to educate the public about quality food is good business, Miller said. "The value related to that food quality is very good, so it has all of the elements of being a very successful concept," he said.

Ells said it's more than just economics that is driving his journey to find better ingredients. It's about doing what's right, he said.

Ells toured confinement hog operations and was appalled by their animal cruelty, stench and environmental impact. "I didn't want my success or Chipotle's success to come from that kind of exploitation," he said.

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