

Chipotle warns of sales slide as E. coli outbreak expands (Update)

December 4 2015, byCandice Choi



This Tuesday, Jan. 28, 2014, file photo, shows the door at a Chipotle Mexican Grill in Robinson Township, Pa. Chipotle says it is tightening its food safety standards after its restaurants were linked to dozens of cases of E. coli. The Mexican food chain says it hired IEH Laboratories in Seattle to help improve its system after reports in late October 2015 that linked E. coli cases to its restaurants in Oregon and Washington. Since then, additional cases have been reported in California, Minnesota New York, and Ohio. (AP Photo/Gene J. Puskar, File)

Chipotle warned Friday that an outbreak of E. coli linked to its restaurants is hurting its sales and warned that if recent trends continue, it expects earnings for the current quarter to come in way below analysts' prediction. Shares slid more than 7 percent in after-market trading.

The outbreak has expanded to nine states, with a total of 52 reported illnesses.

The Centers for Disease Control and Prevention had said Friday that seven additional people were sickened, including in three more states—Illinois, Maryland and Pennsylvania. The most recent illness started on Nov. 13, it said.

The majority of the illnesses have been in Oregon and Washington, where cases were initially reported at the end of October. Additional cases were later reported in California, Minnesota, New York and Ohio.

Of the 52 people infected, the CDC says 47 reported eating at a Chipotle restaurant the week before the illness started. The agency has not yet determined the ingredient that made people sick.

The CDC also said illnesses that started after Nov. 11 may not be reported yet.

People usually get sick from Shiga toxin-producing E. coli, the bacteria commonly associated with foodborne outbreaks, for two to eight days after swallowing the germ, according to the CDC. Most infected people get diarrhea and abdominal cramps.

Chipotle said Friday that store closures and bad publicity linked to the outbreak have slammed its sales. It said that if "recent sales trends continue," it expects a decline in sales at established locations of 8 percent to 11 percent during the fourth quarter, and for fourth-quarter

earnings per share to fall to between \$2.45 and \$2.85, from last year's \$3.84 per share. Analysts surveyed by FactSet had expected Chipotle to earn \$4.12 per share for the December quarter.

The company said it was also pulling its comparable sales outlook for 2016 because of the recent sales trends and uncertainty related to the outbreak.

Shares of the company's stock have dropped 25 percent since mid-October.

Earlier Friday, Chipotle had said it was tightening its food standards.

The Denver-based chain known for touting the quality of its ingredients said it hired IEH Laboratories in Seattle to help improve its procedures. It said it will implement testing of all produce before it is shipped to restaurants and enhance employee training for food safety and handling.

Chipotle said it tested ingredients before, but that it is moving to testing smaller batches and a larger number of samples.

"In testing for pathogens, in many ways you're looking for needles in haystacks. Through this high resolution testing program, we are making the haystacks smaller by working with smaller lots," the company said.

It said that no ingredients that are likely to have been connected to the incident remain in its restaurants or supply system.

Chris Arnold, a spokesman for Chipotle Mexican Grill Inc., said the company's local produce suppliers may not all be able to meet the new standards. The company noted that its local produce program accounts for a "relatively small percentage" of the produce it uses, and only runs from around June through October in most parts of the country.

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