

California drought: In-N-Out, Chipotle raising prices due to rising food costs

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Drought brings pain at restaurants and supermarket check-out stands



That Double-Double you've been craving from In-N-Out Burger just got pricier and more price hikes are on the way, according to the U.S. Department of Agriculture.

The USDA projects that the price of beef and veal will rise 5.5 to 6.5 percent this year and that poultry prices will increase 3 to 4 percent. Dairy products will likewise see a 3 to 4 percent jump, with egg prices rising 5 to 6 percent. Fresh fruit and vegetable prices are expected to increase 3 to 4 percent, the

agency said.

About half of the nation's fruits and vegetables are grown in California, but the rising cost of water has left about 500,000 acres sitting idle.

Rising beef and dairy costs have already prompted In-N-Out Burger and Chipotle Mexican Grill to hike their prices.

"We make every effort to keep our menu prices as low as possible," Carl Van Fleet, In-N-Out's executive vice president of development. "Unfortunately, we have seen some pretty significant cost increases over the last year and we had to take a small price increase in order to maintain our quality standards."

In-N-Out raised the cost of its hamburgers and cheeseburgers by a dime and their famous Double-Double jumped 15 cents to \$3.45. French fries were unchanged but soft drinks went up a nickel.

"My friends and I were just talking about that," said Giovanni Benitez, who recently had lunch at an In-N-Out Burger in Pasadena. "I usually always get a combo, but now I might start buying just the hamburger."

Chipotle is phasing in higher prices in its various markets this summer and the Los Angeles region has already been hit.

“We are in the process of raising prices across the board because of higher food costs,” company spokesman Chris Arnold said. “Beef is up the most, with prices up the most for steak — which is up 25 percent between the end of last year and the end of April.”

Chipotle boosted the price of its chicken menu items by 4 percent, and its steak dishes by 10.4 percent, according to an analysis by RBC Capital Markets.

Starbucks has also raised prices. In some markets, their Grande and Venti cups of brewed coffee now cost 10 to 15 cents more. And the packaged Starbucks coffee grounds shoppers buy at the grocery store will soon jump \$1 to \$9.99 in most stores.

Rachel Reiter of Tarzana said she’s already seeing higher prices at the supermarket.

“Absolutely,” she said. “My fiance and I have seen the cost of cherries, strawberries and other fruits and vegetables increase.”

Brittany Hartrick, 23, of Pasadena also laments the rising prices.

“Produce used to be on sale sometimes but it never is anymore,” she said. “And beef has gotten too expensive so I just won’t buy it. It’s \$8, \$9 ... or even \$10 a pound.”

Phil Lempert, an analyst on consumer behavior and marketing trends, said the ongoing price hikes are going to alter many people’s buying habits — especially when they walk into a grocery store.

“From a consumer standpoint we’ll see people buying smaller portions of beef, or they might substitute eggs instead,” he said. “Keep in mind that these supermarkets and fast food locations have been absorbing price increases all along even though they might only raise the price of an item by a dime or 15 cents. They don’t want people to have sticker shock when they walk in.”

Lempert said many fast food restaurants will probably start serving smaller hamburger “sliders” as a means of appeasing customers, while also preserving their profit margins.

Daniel Sumner, a professor of agricultural economics at U.C. Davis, said beef prices were already on the rise before California entered its third year of drought.

“We’re at the low end of the cattle cycle,” he said. “There are fewer cattle having babies and it takes 18 months to get a calf to slaughter weight. Bad weather in places like Texas has also reduced pasture land and we’re also exporting more beef — especially to Asian countries.”

That’s not the only fallout.

A recent study by the U.C. Davis Center for Watershed Sciences predicts that California's drought could cost the state's agricultural and farm communities \$1.7 billion and cause more than 14,500 full-time and seasonal workers to lose their jobs.

"What we've been doing this year is scrambling around and keeping water on our high-value crops like lettuce and tomatoes," Sumner said. "They've drilled a lot of new wells and they're pumping more groundwater up, but those aquifers are getting shallower so they're having to drill deeper. We've been able to keep the trees and vines alive, but if this drought continues next year we'll really be in dire straits."

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