

A Real Drain on Breweries

The theft and scrapping of kegs is costing beer makers millions of dollars a year, with craft brewers being especially hard hit.

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MILWAUKEE - Tap it, don't scrap it.

With metal prices rising, beer makers say they expect to lose hundreds of thousands of kegs worth millions of dollars this year as those stainless steel holders of brew are stolen and sold for scrap.

The brewing industry is coupling with the scrap metal recycling industry to let metal buyers know they can't accept kegs unless they are sold by the breweries that own them. They're also pushing for legislation that would require scrap metal recyclers to ask for identification and proof of ownership from would-be sellers.

The industry's main trade group, the Beer Institute, noticed the problem in the last few years as it saw more brewers reporting missing kegs, resulting in an industry-wide loss of up to \$50 million a year, said **Jeff Becker, president of the Beer Institute.**

"It really got people's attention because that's a significant flow of our kegs that we'll never see again," Becker said. "We know some of it's very innocent but some of it's not."

The theft problem is twofold, he said. Some average keg-buying customers opt to forgo their deposits, which can sometimes range from \$10 to \$30, because they can cover that expense, and then some, if they sell to scrap dealers.

He could not say how much kegs go for, because prices change locally. But given metal trading prices in the last year, a keg could fetch \$15 to \$55 or more at scrap yards.

But he said thieves know metal prices are on the rise and are on the prowl for kegs. They often find empty kegs unsecured — in alleys and anywhere else restaurants, bars or distributors might store them — and sell them at scrap yards.

While only about 12% of the nation's beer is sold in kegs each year, it costs brewers as much as \$150 to replace a keg, so the thefts have a big effect. In the last few years, breweries have collectively lost about 300,000 kegs a year, Becker said, out of an estimated 10.7 million in circulation.

The Fourth of July, when many Americans rent kegs for their parties, is the nation's biggest beer-drinking holiday, ahead of Memorial Day, Labor Day and Super Bowl Sunday, the Beer Institute reports.

Craft brewers are anxious to solve the theft problem because as much as 40% of their business is tied up in keg sales, triple the industry average, said **Ken Grossman, founder and owner of Sierra Nevada Brewing Co.**

His company, based in Chico, Calif., expects to lose at least 3% of its kegs each year and often must wait months for replacements because it orders in smaller batches.

The thefts couldn't come at a worse time because the craft beer segment has outpaced growth in the domestic market, he said.

"If you can't meet the need, you're not going to grow much anymore," Grossman said.

Milwaukee-based Miller Brewing Co. said it has millions invested in kegs, which typically last 20 years. Wholesalers and distributors are being encouraged to let their customers know to keep their kegs in more secure areas, said spokesman **Julian Green**.

"We've heard there are people out there that will drive around just to look for kegs," he said.

Molson Coors Brewing Co. is studying its thefts and working with distributors to keep better track of kegs, said **Al Timothy, vice president for government affairs**. The Denver-based brewer saw its keg losses double from 2005 to last year. The company has about 800,000 kegs in circulation at any time and did not want to say how many kegs it expects to lose this year.

"The bottom line is it's a big problem," Timothy said.

Metal prices are high across the world now, partially because of increased demand caused by a spike in construction in growing economies, said **Chuck Carr, spokesman for the Institute of Scrap Recycling Industries Inc.**, a trade group whose members run about 3,000 facilities in the U.S.

The price scrap yards pay for stainless steel has steadily grown for a year, peaking at about \$1.50 to \$1.70 a pound last month, said **Marty Forman, president of Forman Metal Co.** in Milwaukee. But that has dropped to about 50 to 70 cents a pound recently, which could provide some relief to frustrated brewers, he said.

Most empty barrels weigh about 30 pounds.

Still, Forman has heard from upset brewers like **Lakefront Brewing Co.**, asking what can be done to prevent disappearing kegs.

Russ Klisch, president of the Milwaukee-based craft brewer, said it sometimes takes years before brewers know that a keg has been lost.

"You never really know who has them or where they're going," he said. "But I heard a lot of them were ending up at different scrap yards."

The scrap industry's Carr said they're in the process of reminding dealers not to accept stolen goods, including kegs. Dealers have an easier time figuring out who owns kegs, he said, because brewers' names are stamped right on them. Buyers, he said, should know if something doesn't add up.

The Beer Institute supports legislation in states that require; for example, scrap metal buyers to ask for identification from would-be sellers of kegs, among other items. Ten states so far this year have passed such laws, including Colorado, Indiana, Kansas and Virginia.

Another option is to raise keg deposits, which are set by either states, brewers, or distributors and wholesalers. Brewers charge their own deposits when they sell kegs to distributors and wholesalers, sometimes as small as \$10. Then customers pay their own deposit for kegs. Michigan recently tripled its keg deposit to \$30 for the average keg-buyer after getting pressure from brewers upset by the thefts.

But Becker said raising deposits is a last resort, because it could deter drinkers. They hope to curb thefts through awareness.

"We don't want to point fingers. We want to make it reasonable for people but at the same time, we want it stop," he said.