

**WHERE
ARE YOUR
KEGS**



(AND WHY HAVE THEY GONE ASTRAY?)

BY JACK CURTIN

"We just got back two kegs that we filled and sent out to the trade in 2004," John Mallett, production manager at Michigan's Bell's Brewery, said with a rueful laugh. "They were filled once and that was it. I guess there are some students on the six-year plan somewhere who had an awesome bookcase in their dorm room. I mean, cinder blocks cost more than a keg deposit."

Kegs disappear; it's a fact of life. Some never return, others show up at the door one day long down the road with only scrapes and bumps and maybe a cryptic scrawl or two on their surfaces to hint at the places they've seen and the adventures they've had. There are no definitive figures for what it all costs, but one estimate last year was that there are approximately 11 million kegs in use in the U.S. and that almost 400,000 of them disappear annually, resulting in an estimated overall loss in excess of \$50 million.

The issue came to a head a few years back when customers who had paid as little as a \$10 keg deposit realized, similarly to those students with the makeshift bookcases, that it could be financially rewarding to use the empty for other purposes rather than take it back to the retailer from whom it was purchased; a scrap metal price of between \$40-60 was highly enticing and a lot of scrap yards happily turned a blind eye to the non-scrap nature of the valuable metal. Traditionally low deposits, set by statute in some states, have since been raised to an average of \$30, and legislation has even been passed in some states forbidding scrap yards to take in kegs. That, plus decreasing scrap prices, has at least alleviated that issue somewhat, but not entirely.





There are a variety of other reasons kegs go astray. They lie forgotten in a dark cellar or behind a shed on someone's property, or languish in a far corner of a distributor's warehouse. They are left in the woods after a camping trip or tossed by the roadside when finished. Sometimes they end up in return shipments sent to other breweries, maybe all the way across the country, due to a mistake in a warehouse. Rodney Hixon, logistic coordinator for Colorado's New Belgium Brewing, says that he recently recovered a bunch of New Belgium, Boulder Beer and Breckenridge Brewery kegs from Tosca Limited, the Wisconsin-based keg refurbisher. "We often get strays," says John Frey, Tosca's president. "We set them aside and when there are enough to warrant it, we call the breweries and arrange the transfer."

KEG REPATRIATION PROJECT

The Brewers Association's technical brewing projects coordinator, Chris Swersey, says the BA is looking into the best way to serve its members' concerns about keg repatriation. "We surveyed our membership and received responses from 82 brewers; 77 respondents indicated that the issue was critically important (54) or very important (23). We broke down the results among breweries doing over 95,000 barrels annually, 10,000-95,000 barrels annually and under 10,000 barrels. The latter group, which included some brewpubs that sell off-premises, was the largest, which reflects the breakdown of our overall membership."

Survey results confirmed some truths that were likely deductive, such as the largest breweries were more likely to use a keg expeditor to help manage the float and that those in the middle range were likely to use a keg service company to rent part or all of their float and that the smallest brewers are those who suffer the most harm from missing kegs. The average per barrel per year in lost cooperage is probably somewhere between \$.82 on the low end, \$1.35 on the high end. The middle group, over 10,000 barrels, lost an astonishing \$3.35 per barrel and had the smallest turnaround per barrel, slightly under three brews per year. Keg loss is a particular concern for small brewers for whom a few hundred dollars disappearing into the ether can mean the difference between being profitable or operating at a loss.

By a 4.6:1 ratio, respondents favored the creation of a keg repatriation program, preferring a free online database where brewers could post information about kegs from other breweries they had in their possession and search for missing kegs of their own. It would be a locator service only, with participants then having to work out arrangements to get kegs back to where they belong. More extensive and complex, and gaining less support, would be a fee-based return system that would cover all shipping and logistical costs on a per-keg basis.

"The survey results clearly show that keg recovery is a very important issue, and begins to quantify just how expensive," says Swersey. "There are always costs involved.

The comments from brewers illustrate just how frustrating this can be for everyone involved, both the owner who wants his cooperage back, and the party who currently has the keg. If you have someone else's keg, you have most probably paid cooperage and possibly shipping on it, only to find out you've received a keg that's not yours; of course you want to be reimbursed. That's fairly obvious, but sometimes it leads to confusion and bad feelings."

Neil Witte, field quality manager for Kansas City's Boulevard Brewing, is leading the BA Technical Committee's Stray Keg Working Group. "We're focused on strays right now, kegs that end up in the middle of pallets sent someplace else. These accumulate; they are of value to their breweries. I have maybe 20-some strays here presently, and we know some of our kegs are probably randomly stuck in the middle of another truck of empties going to another brewery right now."

TRACKING SYSTEMS

Boulevard's keg tracking program consists of a bar code on the neck of each keg that is scanned into a computer system that allows them to track the kegs to the distributor level. It would be ideal to take it the next step to involve retailers, Witte says, "but in order to do that we need all our distributors to be using the same scanning we do; we have 90-plus of them and it would be very difficult to get everyone on board." Another useful aspect of keg tracking, he notes, is that "the

farther out you go, the more kegs you need. Distributors in smaller markets will hold onto empties a longer time. That can be an issue if you just have barely enough cooperation. Data showing where your kegs are lets you plan for how many are likely to be gone a long time."

Bell's approach is much the same, says Mallett. "We scan kegs with a hand-held scanner when we fill them, again when they go out to the distributor and then when they come back. That gives us a current location for all kegs as far as we can follow them. We are able to produce reports and see how many kegs are at a distributor currently. That enables us to ask, hey, you have a number of kegs we sent you 10 months ago, what's going on with that? We know too that the longer a keg is out, the more likely it is to come back damaged. I've had one come through that somebody ran through with a forklift, I've gotten them back cut in half."

New Belgium went high-tech in March 2009, when it began using radio frequency identification (RFID) to track its kegs. So far, though, they have tagged only a small portion of their keg fleet and are still using barcodes primarily. In addition to kegs gone missing, Hixon says that getting kegs back in a timely fashion is another management challenge, especially in new or smaller markets. "We're struggling with the East Coast because they're not doing a whole lot of keg moving just yet. One distributor might have enough for only three pallet spaces in the back of the trailer and that's super expensive to get back, so we look at other distributors in the region to see if we can consolidate a lot of returns in a single truckload. We get a load once a month or month-and-a-half from Georgia but that truck has to go all over the state before it comes back. Another issue is that turnaround time can be as long as a year or more with smaller distributors. Doing the returns ourselves rather than using expedited, cooperating with other brewers when we can, is faster, less expensive and has less environmental impact. But we're still learning how to do it better."

A new program called Keg Manager, roughly a year old, might be the answer for smaller brewers who cannot afford RFID or even a minimal scanning system, says Rick May, the company's manager. "Our owner, Rapid ID, an international asset locator company, created Keg Manager to help brewers get their kegs back after Chris Sapyta, who founded Microstar, asked us to look into tracking kegs before he sold the company." The program uses cell phones rather than barcode readers (although the latter can read the info as well) to scan a four-sided, two-dimensional bar code strip making it an

inch in size. Brewers scan kegs with a phone or a cheap bar code reader to the Keg Manager site using provided software which lets them add to the information such as contents and fill date. Anyone, anywhere can scan a keg and then send data (date, time and location included) back to Keg Manager for forwarding it to the brewery.

"It makes everybody a potential partner in making sure kegs get back to where they should," May argues. The service is relatively inexpensive: a small annual fee and a fixed charge for each keg returned. It obviously depends on proactive participation by consumers at this point, but could be a harbinger of how keg tracking might become workable for even the smallest breweries in the future.

KEG ALTERNATIVES

The slowly developing alternatives to traditional stainless, plastic being the most obvious, are also looking into the issue of wayward kegs. Chris Kerrison, vice-president of sales for Plastic Kegs of America, a division of CypherCo Inc. that has been selling plastic kegs in the UK since 2002, reports that the two-year-old effort is developing strongly enough that that possibility of a manufacturing plant opening in the U.S. is not unlikely. He cites NOLA Brewing Company, which opened in New Orleans last spring, as a major customer and Hawaii's Maui Brewing as an early one. Kerrison argues that there are definite advantages of plastics in the area of repatriation. "You can get kegs in any color you choose, which is a great asset to brand awareness, and there is also much less chance of their getting mixed up with others when being loaded for return. A bright orange keg is going to stand out among stainless or even other plastic kegs of different colors. And we are working with a company in the UK to see if we can offer a budget RFID system to our customers to keep track of their inventory."

Tom Nickel, owner of O'Brien's Pub in San Diego, says he hasn't been sent any plastic kegs yet, except for use by retail stores for home consumer sales, but what he does see is a lot of European KeyKegs—light-weight, non-returnable containers based on the bag-in-ball principle. Non-returnable, of course, is the ultimate answer to keg disappearance. KeyKegs consist of a pressurized PET ball that holds beer in a flexible inner bag and dispenses it by pressurizing the space between the bag and the ball. No CO₂ or air makes contact with the beer and each one is shipped with cardboard outer packaging. A special coupling is required with a longer probe than standard, in order to maintain separation between the gas supply

and the plastic bag.

"They seemed a little weird at first," admits O'Brien, "but they work. All things being equal, I'd prefer a straight-sided 20-liter stainless keg, but it's the beer that matters. If this is the only way to get certain beers from Europe, I'm all for it. We're even beginning to see some American brewers use KeyKegs. I know Jeff Bagby at Pizza Port Solana Beach sent beer to Japan in one and all the beer we get from Uncommon Brewers up in Santa Cruz comes in KeyKegs." New Belgium's Hixon said they had a batch of beer they guest-brewed overseas sent to them in KeyKegs as well.

Alec Stefansky, co-founder and brewer at the aptly named Uncommon, says KeyKegs work just fine for him and meant he never had to spend money on a fleet of stainless and room to store them. "I didn't want to tie up my weekends using a keg washer or paying somebody to do it; I just want to make and sell my beer. Initially, if a bar had an account with us, we'd supply them with the necessary coupler but now that more and more of them are pouring high-end European imports all the time, they have couplers of their own. The only issue I have is that they don't have a narrow 5-gallon footprint and that means I can't get into some smaller bars. I think they're going to develop that size package in the near future, though. I like knowing that any bar anywhere in the world can call me up and say I want your beer and, so long as it's legal and registered, I can send it to them with no problem. It's out the door and gone, no worries. I've sent beer to Denmark in KeyKegs and I'm using them right now to export to Japan."

FINAL PERSPECTIVE

Given existing inventory and infrastructure, stainless will continue to be the keg default for the foreseeable future. An online database, if and when it happens, would surely become a valuable resource as brewers add data. For now, a hopeful sign is that there is developing evidence that the mere presence of a barcode incentivizes a certain percentage of users to return a keg. In the long run, cheaper RFID or whatever technology comes next will virtually eliminate losses due to human error by following kegs across the entire system, brewer to wholesaler to retailer to customer and back again.

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