

FREIGHTWATCH INTERNATIONAL SCIC

U.S. Cargo Theft Report

Q2-2016 (April – June)

Introduction

The FreightWatch International Supply Chain Intelligence Center (SCIC) actively tracks and records cargo theft activity around the globe, categorizing stolen loads under twelve different product types and tracking by date, location, *modus operandi* (M.O.), value, and specific product. This report summarizes the U.S. theft data collected in Q2-2016 and analyzes trends derived from database content, law enforcement information, and industry personnel. It also provides insight based on observations made by personnel in the field.

The SCIC records only those cargo thefts reported by reliable sources such as transportation security councils, insurance companies, and law enforcement organizations. While this does not allow us to capture 100% of incidents, it provides a sufficient cross section of cargo thefts, allowing us to identify trends and deliver in-depth, accurate analysis of the breadth of cargo theft in the United States.

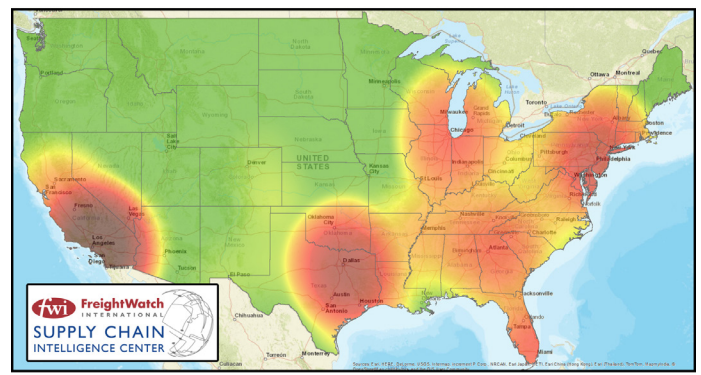
Additionally, *Last-Mile Courier* thefts have been removed from the following charts and analyses, as this is a unique form of cargo theft with highly distinct criminal elements, M.O.s, and security measures. Unless otherwise specified, the remainder of this report focuses on large scale cargo thefts, so as not to skew data and trends based on full-truckload and facility losses.

United States: Q2-2016 Cargo Theft Trends

In Q2-2016, the FreightWatch International Supply Chain Intelligence Center (SCIC) recorded a total of 166 cargo thefts in the United States. During this time, 58 of these incidents occurred in April, 52 occurred in May, and 56 occurred in June. The average loss value per incident during this period was \$154,184. Through a comparison with the previous quarter (Q1-2016), this represents a 26% decrease in volume with a 35% increase in value. When comparing these figures to the same quarter last year (Q2-2015), this represents an 11% decrease in volume and a 16% decrease in value. No thefts valued at over \$1,000,000 were recorded for Q2-2016, which is unusual. Q1-2016 recorded two thefts valued at over \$1 million, yet still had a 35% lower average loss value than Q2-2016. There were five thefts valued at over \$1 million in Q2-2015.

Delays in incident reporting typically cause measurable increases in theft volumes in the weeks following publication of FreightWatch International (FWI) quarterly reports. As such, totals for the most recent quarter are expected to rise above those recorded thus far. It is SCIC practice to use updated theft numbers for past quarters when comparing them to current three-month totals.

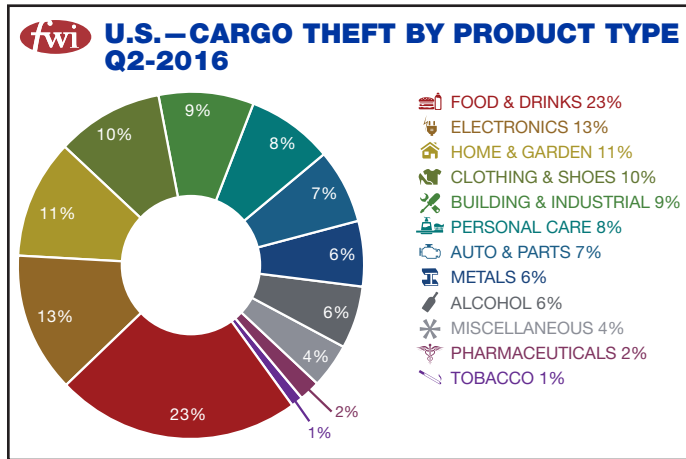
INCIDENT HEAT MAP – US Q2-2016



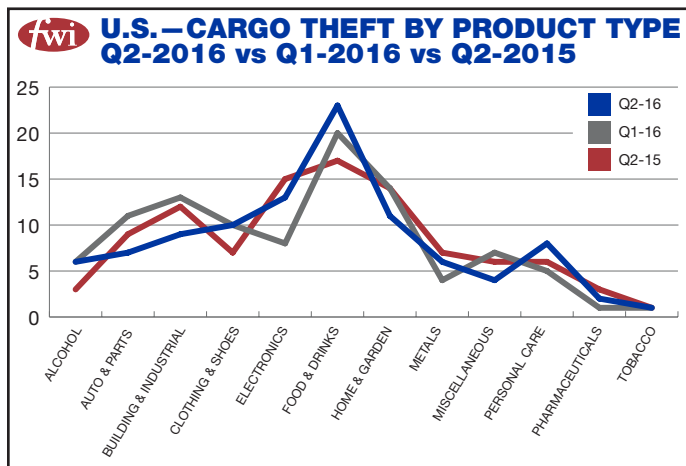
LOWEST RISK

HIGHEST RISK

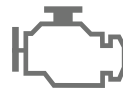
What type of cargo is being stolen?



FOOD & DRINKS continues to be the most stolen product type in Q2-2016, with 23% of total thefts in the U.S. during this time. Products primarily targeted in this category include *Nuts* (18%) and *Sodas, Juice, Tea & Water* (16%). *Electronics* (13%) returned to the second spot after falling to sixth in Q1-2016, with the majority of its own thefts coming from *Televisions & Displays* (33%). *Home & Garden*, whose largest share of thefts was comprised of *Appliances* (32%), ranked as the third most stolen product type with 11% of the total in Q1-2016. With 10% of the total, *Clothing & Shoes* came in fourth, owing 81% of its total to *Apparel*. In fifth place, *Building & Industrial* recorded 9% of the total, with 53% of its thefts comprised of *Shingles*.



Several product types experienced elevated theft volume in Q2-2016 when compared to Q1-2016. *Electronics* saw a 63% increase in its theft rate from Q1-2016. *Metals* and *Pharmaceuticals* both increased by 50%. *Alcohol* was on par with its Q1-2016 total, but surpassed the same quarter last year by double. *Food & Drinks* tied with Q1-2016 and beat Q2-2015 by 43%. *Personal Care*, however, beat both quarters, increasing over Q1-2016 by 60%, and Q2-2015 by 35%.

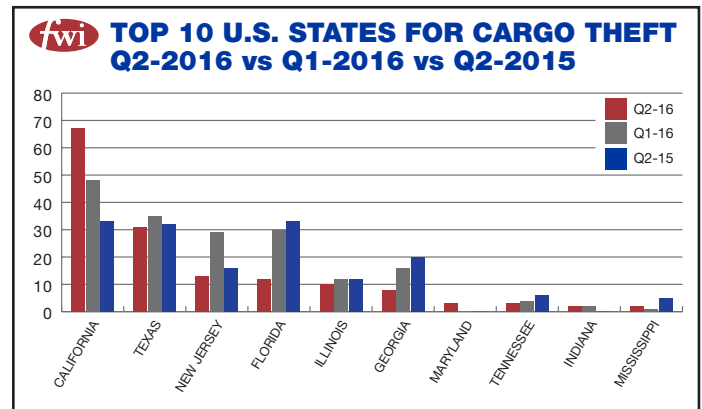


Other products which saw decreases in raw theft count include: *Auto & Parts*, which fell by 36% from Q1-2016 and 22% from Q2-2015; *Building & Industrial*, which fell by 31% and 25% respectively; *Home & Garden*, by 21% from each quarter; and *Miscellaneous*, by 43% and 33% respectively.



Tobacco was the only product type that experienced a steady total from both comparative quarters.

Where is cargo crime occurring?



As was the case in Q1-2016, **CALIFORNIA** sits at the top of the list of states that recorded the most cargo theft, with 40% of the total. This theft rate reflects a 91% increase from the Q1-2016 theft rate for California, and a 122% increase over Q2-2015. California's thefts were mainly comprised of *Food & Drinks* (27%) and *Electronics* (21%). **TEXAS**, with 19% of the total, came in second in Q2-2016, with *Building & Industrial* leading the product types at 36%. **NEW JERSEY** came in at third position with 8% of total thefts, swapping places from Q1-2016 with **FLORIDA** in fourth at 7%. New Jersey's thefts were primarily of *Food & Drinks* (54%), while Florida split its top product type between *Food & Drinks* and *Home & Garden* (25% each). **ILLINOIS** made its way into the fifth spot in Q2-2016 accounting for 6% of thefts, with **GEORGIA** falling

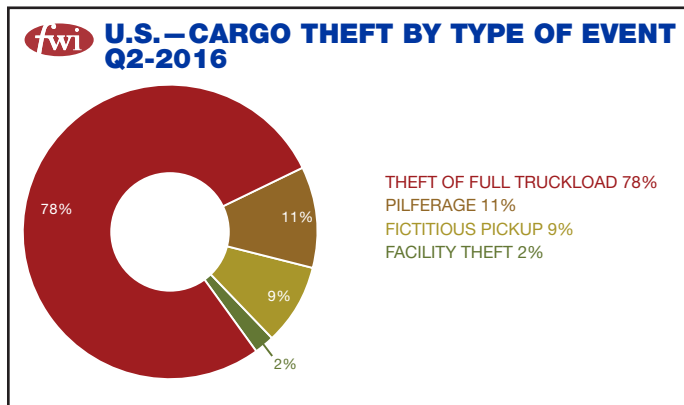
to sixth with 5% of the total. Illinois also split its most stolen product with *Alcohol* and *Metals*, each accounting for 20% of Illinois' total.



UNSECURED PARKING The most prevalent location for large scale cargo thefts continued to be in *Unsecured Parking*, accounting for 82%

of incidents in which a location type was declared. Thefts from *Warehouse/DC* location types came in second with 15% of thefts, and thefts from *Secured Parking* areas accounted for 3% of thefts this quarter.

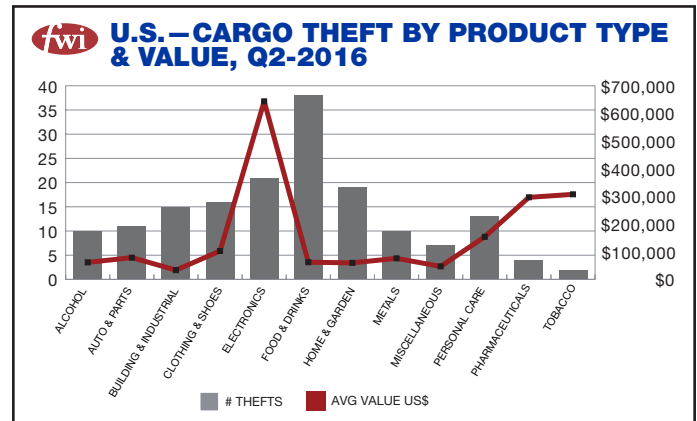
Which type of cargo crime is dominant?



THEFT OF FULL TRUCKLOAD Incidents involving *Theft of Full Truckload* continued as the most prevalent method of theft during Q2-2016, representing 78% of all reported thefts. This is a drop from the 83% it accounted for in Q1-2016. Additionally, *Theft of Full Truckload* recorded an average loss value of \$128,194, an 8% increase from the Q1-2016 average loss value.

Pilferage, a theft type that can be used by organized cargo thieves to gather intelligence on targeted loads, accounted for 11% of total thefts in Q2-2016, up from 9% in Q1-2016. Coupled with a 34% increase in average loss value to \$32,645, this method has proven to be both informative and lucrative to organized cargo criminals. Most methods of cargo theft illustrate nearly equivalent theft rates across all products. However, *Pilferage* recorded 39% of its thefts as *Electronics* and 22% as *Clothing & Shoes*, rates far elevated from *Pilferage* rates across all products, and mirroring some of the most desirable products to thieves. *Fictitious Pickups* recorded 9% of thefts in Q2-2016, up from the 5% it recorded in Q1-2016, as well as the highest average loss value of any single theft type in Q1-2016 at \$517,913. *Facility Thefts* accounted for 2% of the total in Q2-2016. Outside of *Last-Mile Courier* thefts, *Hijacking* was not recorded in any full truckload thefts in Q2-2016, likely due to the much stiffer penalties imposed if violence or threat of violence is involved in the theft.

What is the value of the stolen cargo?



Product Type	Avg Value US\$
Alcohol	\$61,500
Auto & Parts	\$78,841
Building & Industrial	\$33,692
Clothing & Shoes	\$102,755
Electronics	\$643,714
Food & Drinks	\$62,079
Home & Garden	\$59,913
Metals	\$76,088
Miscellaneous	\$47,017
Personal Care	\$154,204
Pharmaceuticals	\$296,750
Tobacco	\$307,526
Average Total	\$154,184

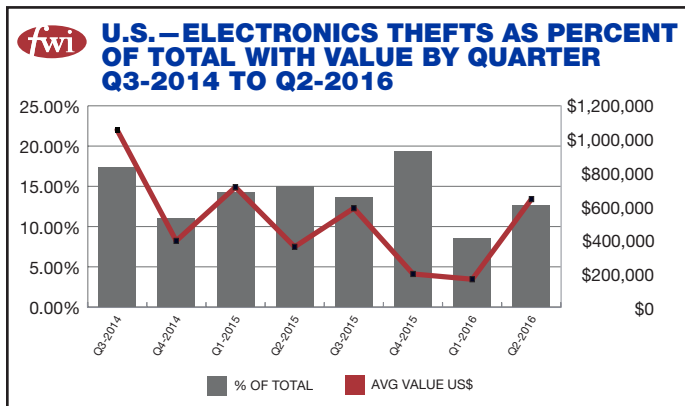
The average loss value across all incidents in Q2-2016 was \$154,184: 35% higher than Q1-2016, but 16% lower than Q2-2015. *Electronics* recorded the highest average value in this quarter with \$643,714; 263% higher than Q1-2016 and 79% higher than Q2-2015. *Tobacco* came in second at \$307,536, a 68% increase over Q1-2016 and a 413% increase over Q2-2015. *Pharmaceuticals* placed third with \$296,750, a 296% increase over Q1-2016 and a 103% increase over Q2-2015.

Quarterly Spotlight: Electronics

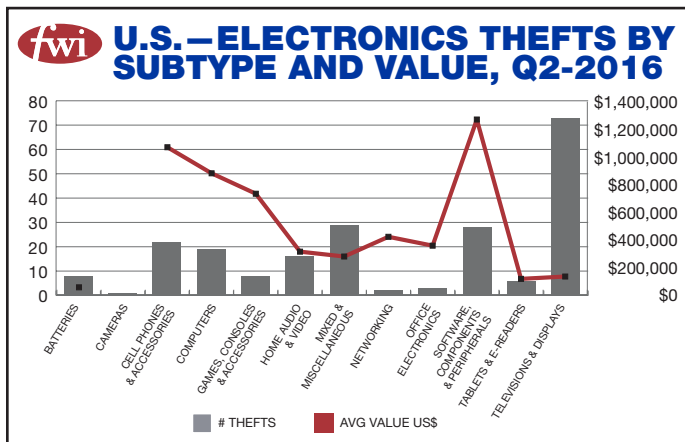


To better serve the security-minded logistics community, the FreightWatch International Supply Chain Intelligence Center (SCIC) is spotlighting one product category, theft type, or trend in each business quarter report.

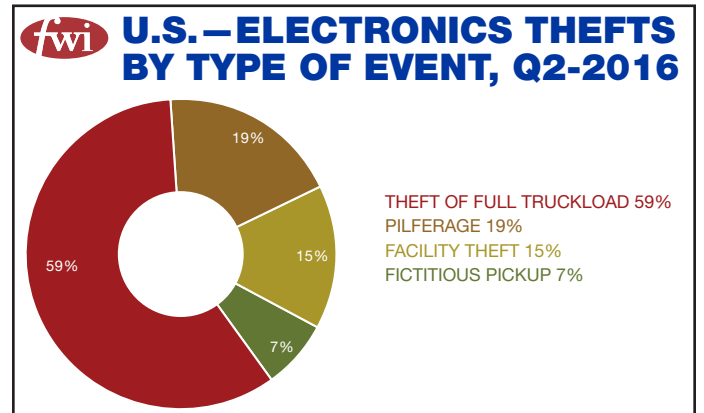
This quarter's spotlight focuses on *Electronics*. It draws on data recorded during the 24-month period from Q3-2014 through Q2-2016 to identify trends and provide comparisons. Unless otherwise specified, any data refers to the time period of Q3-2014 through Q2-2016.



Seasonality over the last 24 months seems to have no bearing on the ebb and flow of *Electronics* thefts. Instead, major commercial hardware releases and opportunity drive these thefts. The highest theft rate recorded by *Electronics* in the past 24 months was during Q4-2015, in which *Electronics* accounted for 19% of total thefts. Conversely, the theft rate in Q4-2014 was the second lowest seen during this timeframe, at 11%. Average loss value has similarly fluctuated, going from a high of \$1,055,444 in Q3-2014 to a low of \$167,876 in Q1-2016, with many fluctuations in between.



Within product subtypes, *Television & Displays* has always commanded the largest share of *Electronics* thefts. When examining the 24-month timeframe, the rate of *Televisions & Displays* accounted for 34%. However, the average value for *Televisions & Displays* was \$130,992, which was 74% lower than the average loss for all *Electronics* thefts at \$508,705. Likely due to high cost density, *Software, Components & Peripherals* recorded the highest average value of any subtype at \$1,270,142, 150% higher than the average for all *Electronics* thefts. *Cell Phones & Accessories* claimed the second highest average value at \$1,068,908 and accounted for 10% of *Electronics* thefts.



When it comes to the methods of theft, *Theft of Full Truckload* still has a substantial lead on all other theft types at 59%. This is 27% lower than the rate recorded across all products. This difference is caused by the implementation of more lucrative and less risky methods of theft. *Pilferage*, which is typically less risky than full truckload thefts, occurred twice as frequently within *Electronics* as it did across all products. *Fictitious Pickups* occurred 25% more frequently, and *Facility Thefts*, which can provide far more cargo than a single truckload, accounted for 15% of the total, which is 320% more frequently than was seen across all products.

Geographically, California leads the list at 35% of all thefts of *Electronics*, followed by Texas (10%), Florida (10%), and Tennessee (9%). California's share was 62% higher for *Electronics* than for all products, which is consistent with the volume of imported *Electronics* flowing through California, as well as the large number of electronics-based companies that operate in the state.

Conclusion

As cargo thieves continually adapt to the evolving logistical security landscape, new threats will take shape in the form of new theft methods and new targeted products. High value alone will not be the determining factor in theft risk to cargo, as thieves will adjust to the increased risk and modify their efforts accordingly.

For more information on FreightWatch International or our logistics security services please contact: info@freightwatchintl.com

A Note About FreightWatch International Data



Unless otherwise noted, the theft statistics in this assessment are derived from data collected by the FreightWatch International Supply Chain Intelligence Center and other information collected from reliable

sources. The Intelligence Center captures cargo theft and supply chain risk data from numerous sources across the globe. These include, but are not limited to, the databases of FreightWatch International (FWI), its customers, law enforcement agencies, industry organizations, insurance industry sources, and news reports. This report offers an analysis of the data collected during the second quarter of 2016, providing insight into cargo theft and supply chain risk across the globe.

Please note that cargo theft goes largely unreported; as such, total theft figures for a particular country or region are likely higher than stated. In addition, global cargo theft circumstances and risks change, sometimes frequently and quickly, and in ways that may make the facts and opinions expressed here no longer valid. Therefore, the extent to which organizations rely on the information provided in this assessment should be solely at their discretion.

About FreightWatch International



FreightWatch International (FWI) is a leading provider of **global logistics security services**, offering tracking and monitoring solutions that provide organizations with cargo security, **transparency** and **supply chain integrity** from origin to destination. Using real-time visibility technology and layered solutions, organizations can actively monitor their cargo anywhere in the global supply chain to mitigate the risks associated with theft, spoilage, counterfeiting and more. With operations across the globe, FWI is uniquely positioned to deliver services regionally across diverse supply chains.

FWI is part of Sensitech Inc., a leading provider of supply chain visibility solutions. These solutions enable global leaders in the life sciences, food and industrial markets to track and monitor assets across the supply chain to protect the integrity of temperature-sensitive products. Sensitech is an ISO 9001:2008 company based in Beverly, Massachusetts, with more than 35 sales, service and distribution locations around the world. Sensitech is a part of **UTC Climate, Controls & Security**, a unit of United Technologies Corp. (NYSE: UTX), a leading provider to the aerospace and building systems industries worldwide.

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