

FREIGHTWATCH INTERNATIONAL SCIC

U.S. Cargo Theft Report

Q3-2016 (July – September)

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 Q3-2016 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.

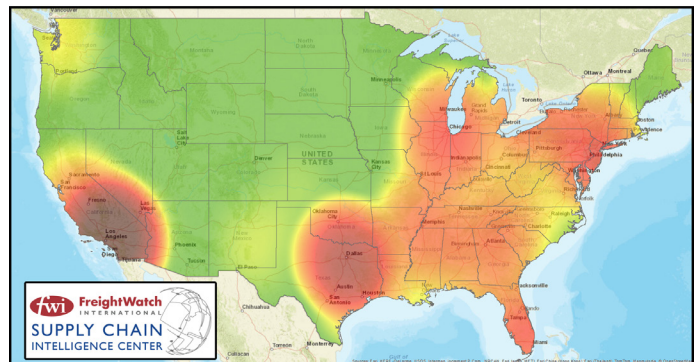
Additionally, *Last-Mile Courier* thefts have been removed from the following charts and analyses, as this is a unique form of cargo theft with highly distinct criminal elements, M.O.s, and security measures. Unless otherwise specified, the remainder of this report focuses on large scale cargo thefts,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

United States: Q3-2016 Cargo Theft Trends

In Q3-2016, the FreightWatch International Supply Chain Intelligence Center (SCIC) recorded a total of 193 cargo thefts in the United States. During this time, 77 of these incidents occurred in July, 66 occurred in August, and 50 occurred in September. The average loss value per incident during this period was \$120,536. Through a comparison with the previous quarter (Q2-2016), this represents a 14% increase in volume with a 26% decrease in value. When comparing these figures to the same quarter last year (Q3-2015), this represents a 7% increase in volume and a 38% decrease in value. It should also be noted that the amount of thefts valued at over \$1,000,000 was recorded at five for Q3-2016, two for Q2-2016, and another two reported in Q3-2015 as of the publication of this report.

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.

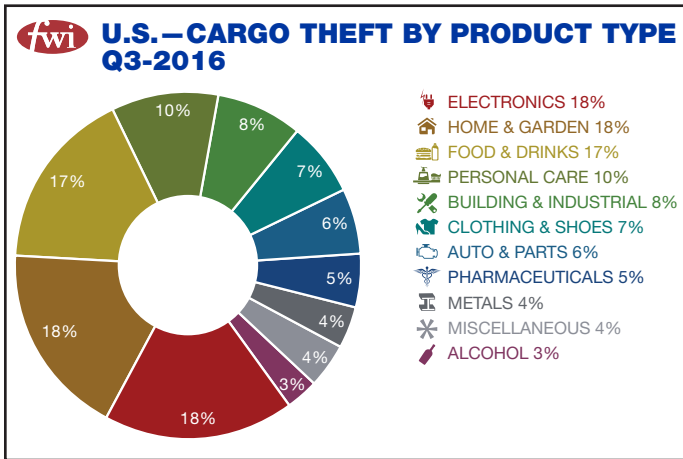
INCIDENT HEAT MAP – U.S. Q3-2016



LOWEST RISK

HIGHEST RISK

What type of cargo is being stolen?

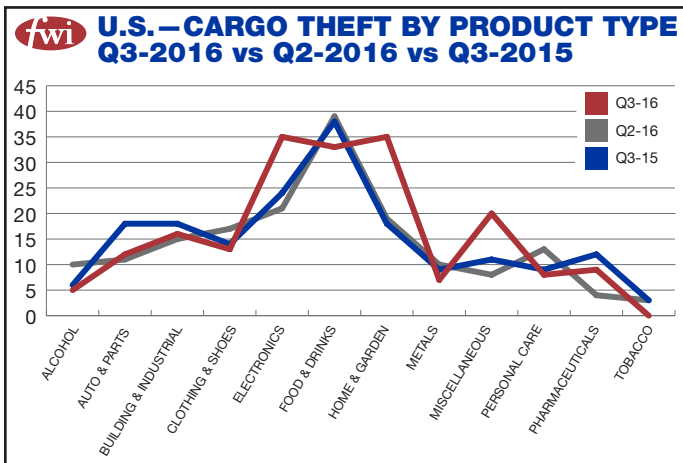


ELECTRONICS / HOME & GARDEN In a surprise turn, *Electronics* (18%) and *Home & Garden* (18%) have tied for the most stolen product type in Q3-2016, narrowly beating the typical frontrunner *Food & Drinks* (17%). *Electronics* thefts primarily targeted *Televisions & Displays* (31%), while the largest share of *Home & Garden* thefts was the subtype *Appliances* (20%). *Food & Drinks* had an even split of *Meats* and *Produce*, each accounting for 18% of the total. These top three product types together combined for 53% of all recorded cargo theft in Q3-2016. *Miscellaneous* accounted for 10% of overall theft and the fourth overall spot, with 75% of its thefts classified as *Mixed Load*. With 31% of its thefts coming from *Shingles* and another 25% from *Industrial Equipment*, *Building & Industrial* claimed the fifth position with 8% of the total.

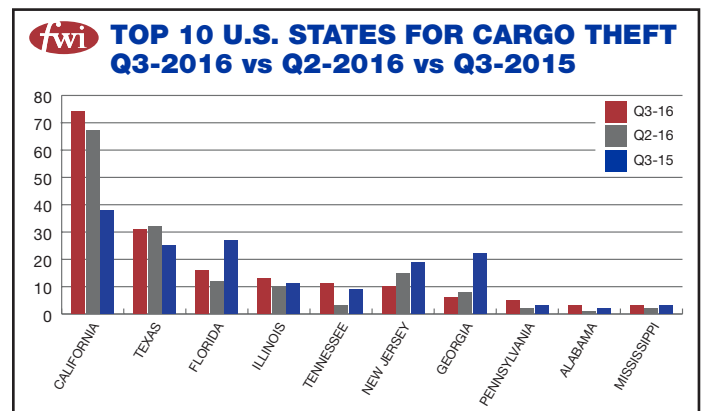
Several product types experienced elevated theft volume in Q3-2016 when compared to Q2-2016 and Q3-2015. The SCIC recorded a dramatic increase in the theft of *Electronics* products by 67% from Q2-2016 and by 46% over Q3-2015. *Home & Garden* also recorded significant increases, rising 84% over Q2-2016 and 94% over Q3-2015. Additionally, *Miscellaneous* shipments, largely consisting of mixed retail freight (freight from multiple manufacturers on one trailer), rose by 150% over Q2-2016 and 82% over Q3-2015. This increased rate can be attributed to an industry increase in the use of mixed freight shipments in response to multiple industry-related issues, as well as an intense crackdown by Law Enforcement in combatting strategic cargo theft. The latter has encouraged cargo criminals to revert to softer, unidentified targets as a safer way to earn money.

Other product types experienced a decline from one comparative quarter but a rise over the other, such as *Auto & Parts*, which rose by 9% from Q2-2016 but fell 33% from Q3-2015. Similarly, *Building & Industrial* and *Pharmaceuticals* rose by 7% and 125% over Q2-2016, respectively, and fell by 11% and 25% from Q3-2015, also respectively.

Some product types saw decreased totals from both comparative quarters. Most notably, *Tobacco* did not record any thefts in Q3-2016, dropping from its recorded totals in Q2-2016 and Q3-2015. *Alcohol* dropped by 50% and 17% from Q2-2016 and Q3-2015, respectively, as did *Clothing & Shoes* by 24% and 7%, *Food & Drinks* by 15% and 13%, and *Personal Care* by 39% and 11%. *Metals* also dropped by 30% and 22%, but did see an increase of 38% to its average value in Q3-2016 when compared to the most recent average loss value in Q2-2016.



Where is cargo crime occurring?



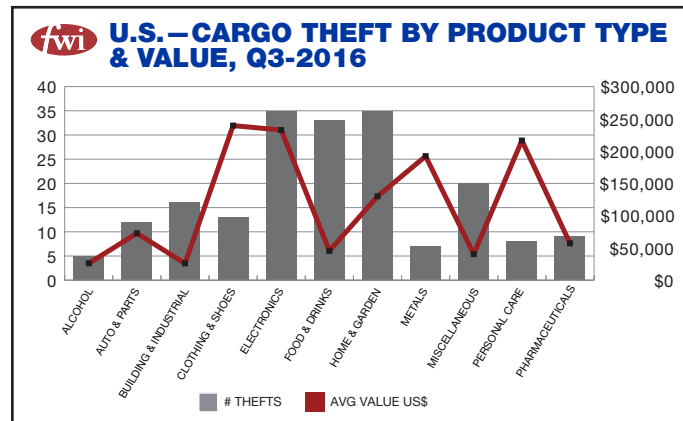
In Q3-2016, **CALIFORNIA** ranked as the top state for cargo theft with 38% of total thefts, an increase of 11% from Q2-2016 and an increase of 95% from Q3-2015. California's thefts were mainly comprised of *Electronics* (23%) and *Home & Garden* (20%). **TEXAS**, with 16% of the total, came in second in Q3-2016; *Home & Garden* leading the product types at 23%, with *Electronics* close behind at 20%. **FLORIDA** came in third again, accounting for 8% of total thefts, 25% of those coming from *Home & Garden*. Florida's volume has been volatile, as its Q3-2016 total is 33% higher than Q2-2016, but 41% less than Q3-2015. **ILLINOIS** claimed the fourth spot with 7%, as *Electronics* and *Food & Drinks* each accounted for 23% of thefts within the state. **TENNESSEE** recorded a 267% increase in volume over Q2-2016 and accounted for 6% of total thefts this quarter. Notably, **GEORGIA**, which is typically in the top five states, came in seventh on the list for Q3-2016, and only accounted for 3% of the total.



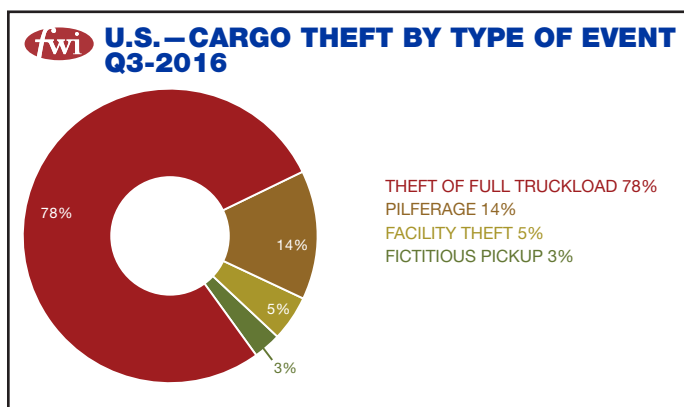
UNSECURED PARKING The most prevalent location for large scale cargo thefts continued to be in *Unsecured Parking*, identified in 75% of incidents in which a location type was declared. Theft from *Secured Parking* (13%) location types came in second place in Q3-2016, and thefts of *Warehouse/DC* (11%) came in third. The *In-Transit* location type accounted for 1% of thefts, as examples of *Pilferage* from rail cars have been reported.

Fictitious Pickups saw its theft rate fall by 65% from Q2-2016, and its average value fall by 84%. Outside of *Last-Mile Courier* thefts, *Hijacking* was not recorded in any full truckload thefts in Q3-2016, 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?



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 Q3-2016 with 78% of all reported thefts, recording an average loss value of \$120,298.

Facility Thefts in Q3-2016 saw a 98% increase in theft rate and a 266% increase in theft value, accounting for 5% of total thefts, and recorded an average value of \$347,755. *Pilferage* accounted for 14% of total thefts in Q3-2016, a jump of 25% from Q2-2016.

Product Type	Avg Value US\$
Alcohol	\$26,140
Auto & Parts	\$72,670
Building & Industrial	\$26,050
Clothing & Shoes	\$239,549
Electronics	\$232,629
Food & Drinks	\$45,472
Home & Garden	\$129,921
Metals	\$192,143
Miscellaneous	\$40,440
Personal Care	\$216,409
Pharmaceuticals	\$57,121
Average Total	\$120,536

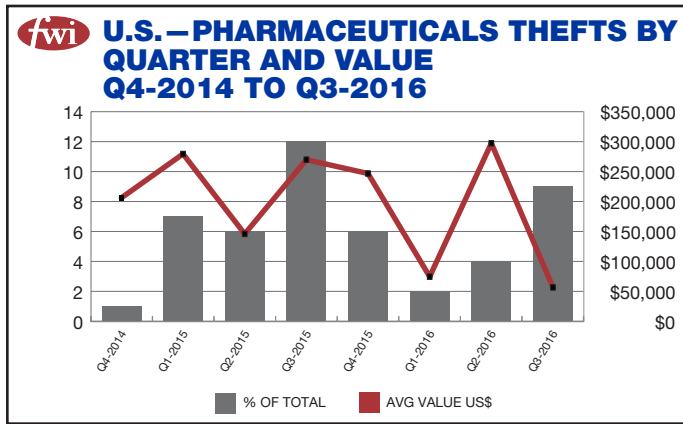
The average loss value across all incidents was \$120,536 for Q3-2016, which is 26% lower than Q2-2016 and 38% lower than Q3-2015. It is a continuing trend that thieves will avoid risk by targeting lower value shipments that have less security procedures in place, and thereby compensate for the decrease in value with an increase in theft volume. *Clothing & Shoes* recorded the highest average value in this quarter with \$239,549; 71% higher than Q2-2016. *Personal Care* products, recording an average value of \$216,409, saw a 10% increase in value over Q2-2016. Additionally, *Home & Garden* rose by 117% and *Metals* rose by 153% due to a single high value theft of gold.

Quarterly Spotlight: Pharmaceuticals

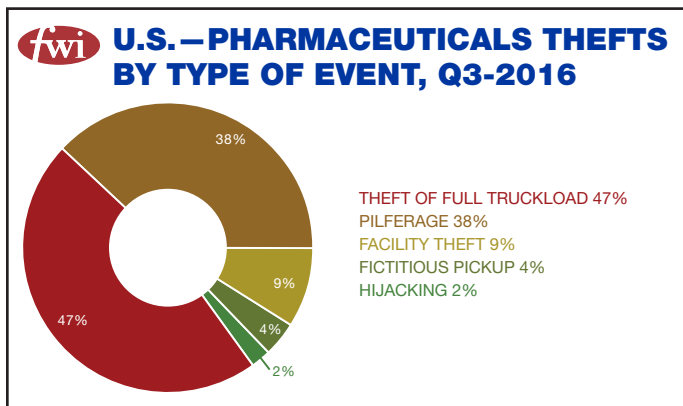


To better serve the security-minded logistics community, the FreightWatch International Supply Chain Intelligence Center (SCIC) is spotlighting one product category, theft type, or trend in each business quarter report.

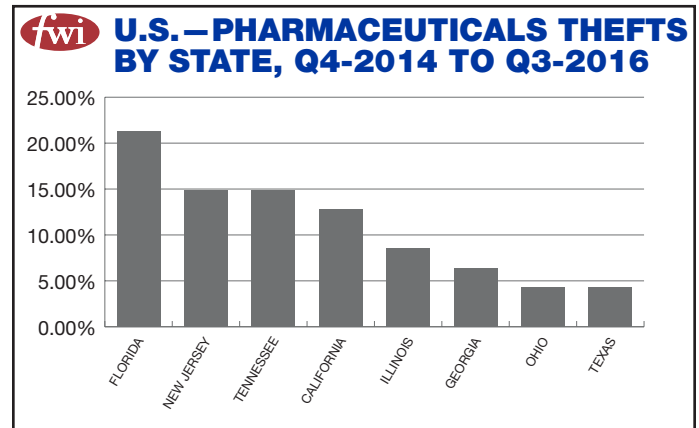
This quarter's spotlight focuses on the *Pharmaceuticals* product type. It relies on data recorded between Q4-2014 and Q3-2016 (24 months) within the United States to identify trends and provide comparisons. Unless otherwise specified, any data refers to the time period of Q4-2014 through Q3-2016.



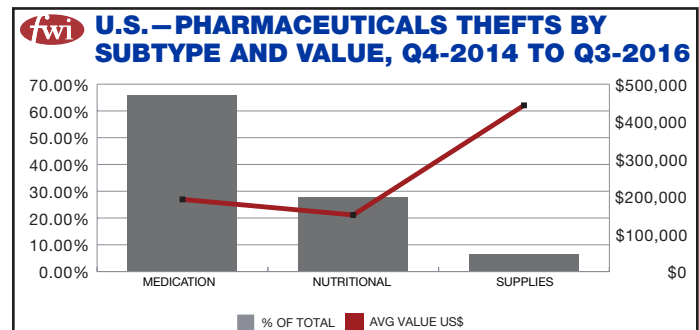
Cargo theft involving *Pharmaceuticals* has been a serious concern in the logistics security industry for some time. Consequences of a stolen load can mean large scale recalls for manufacturers, and can have even more dire repercussions for consumers if improperly stored medications re-enter the supply chain. While theft volume has been generally on the decline in the past several years, Q3-2016 has seen the highest level of *Pharmaceuticals* thefts of any quarter in 2016 thus far. These indications point to the fact that though the industry has largely secured its most valuable shipments, organized cargo criminals have not abandoned their efforts to acquire this highly sought after product.



Cargo thieves will use a wide variety of theft methods to obtain the products that are most valuable to them. *Theft of Full Truckload* is still the largest share of theft types; however, it accounts for only 47% of total thefts, a 41% decrease from the rate across all product types. *Pilferage*, which can be particularly profitable with a product as cost dense as is *Pharmaceuticals*, accounted for 38% of thefts, 256% higher than the national rate of *Pilferage*. Additionally, the average loss value of *Pharmaceutical Pilferage* was \$86,455, which is 57% higher than the national average value for *Pilferage*. This is particularly noteworthy when considering that the *Pharmaceuticals* average value compared to the average value of all commodities is only 21% higher. *Facility Theft*, which recorded 9% of *Pharmaceuticals* thefts, saw an increase of 143% compared to all products. Even *Hijacking*, the method of the desperate and maverick, has seen a higher theft rate within *Pharmaceuticals* than across all products, more than quadrupling to 2%. *Fictitious Pickup*, however, which entails a much higher risk of failure or capture due to the increased security and driver vetting at these specialized facilities, experienced a 22% decrease when compared to the all-commodity theft rate.



When examining the geographical trends within *Pharmaceuticals* we see some differences when compared to theft volumes across all products. While Florida is typically jockeying between second and third place quarter after quarter, it has the lead in *Pharmaceuticals* by over six percentage points. California, typically in the top spot every quarter, and Texas which jockey with Florida to round out the top three states, have fallen to fourth and eighth respectively. They have been replaced by New Jersey and Tennessee, each accounting for 15% of *Pharmaceuticals* thefts.



Medication, unsurprisingly, is the most stolen subtype within *Pharmaceuticals*, averaging \$192,501 in loss per incident and accounting for 66% of total *Pharmaceuticals* thefts. One item worth mentioning is that *Supplies* claimed the highest average value at \$433,500, despite only accounting for 6% of the total volume. Thefts of *Nutritional* products recorded 28% of the total and an average value of \$150,997.

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 third 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.

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FreightWatch International | 7501 N. Capital of Texas Highway | Suite A200 | Austin, TX 78731 | 512-225-6490 | Fax 512-225-6491 | www.freightwatchintl.com

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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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