

FREIGHTWATCH INTERNATIONAL SCIC

U.S. Cargo Theft Report

Q1-2016 (January – March)

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 Q1-2016 and analyzes trends derived from database content, law enforcement information, and industry personnel. It also draws on observations 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.

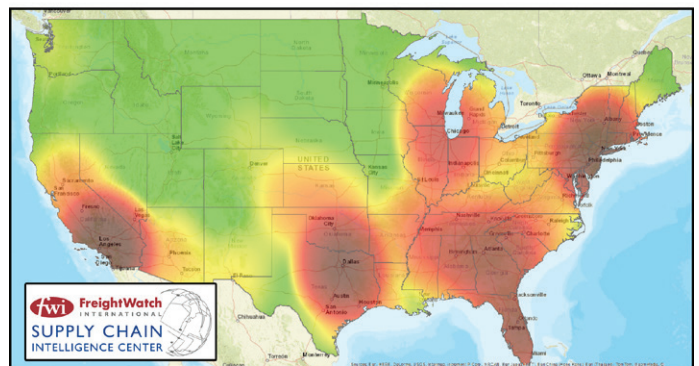
Additionally, *Last-Mile Courier* thefts have been removed from the following charts and analyses, as this is a different form of cargo theft, with highly distinct criminal elements, M.O.s, and security measures. Unless otherwise specified, the remainder of this report focuses on large scale cargo thefts,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

United States: Q1-2016 Cargo Theft Trends

In Q1-2016, the FreightWatch International Supply Chain Intelligence Center (SCIC) recorded a total of 221 cargo thefts in the United States. During this time, 66 of these incidents occurred in January, 90 occurred in February, and 65 occurred in March. The average loss value per incident during this time was \$112,467. Through a comparison with the previous quarter (Q4-2015), this represents a 13% increase in volume and a 13% decrease in value. When comparing these figures to the same quarter last year (Q1-2015), this represents an 8% increase in volume and a 56% decrease in value. It should also be noted that the amount of thefts valued at over \$1,000,000 was recorded at seven for Q1-2015 and two for Q4-2015, with zero reported in Q1-2016 as of the publication of this report.

It should be noted that 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.

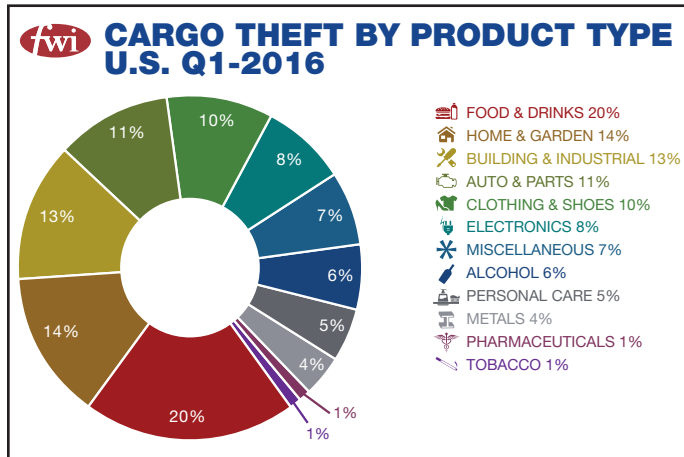
INCIDENT HEAT MAP – US Q1-2016



LOWEST RISK

HIGHEST RISK

What type of cargo is being stolen?

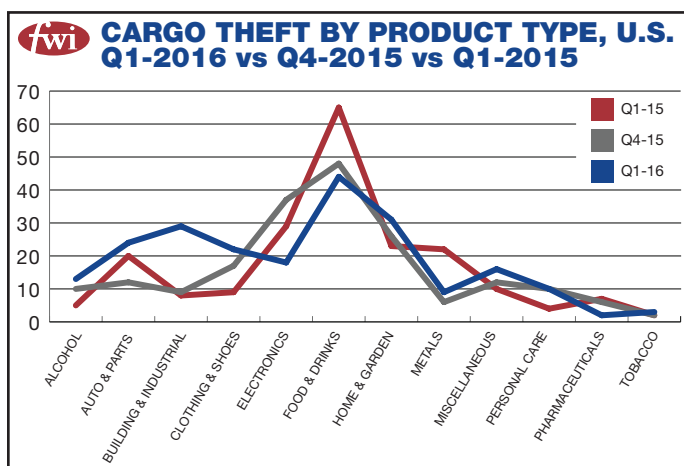


FOOD & DRINKS continues to be the most stolen product type in Q1-2016 with 20% of total thefts in the U.S. during this time. Products that were primarily targeted in this category include *Meats* (25%) and *Canned & Dry Goods* (23%). *Home & Garden*, whose largest share of thefts was comprised of *Lawn & Garden* (26%), ranked as the second most stolen product type with 14% of the total in Q1-2016. *Building & Industrial* came in third with 13% of the total, with 38% coming from the *Industrial Equipment* subtype. *Auto & Parts* came in fourth recording 10% of the total, led by *Tires* (63%). Coming in fifth with 10% was *Clothing & Shoes*, with 50% of its thefts coming from *Footwear*. Due at least in part to the lack of next generation products as well as the drop off in shipping activity, *Electronics* has dropped from its typical number two spot to sixth in Q1-2016, with 8% of the total, although *Televisions & Displays* (44%) still made up the largest share of thefts within this product type.

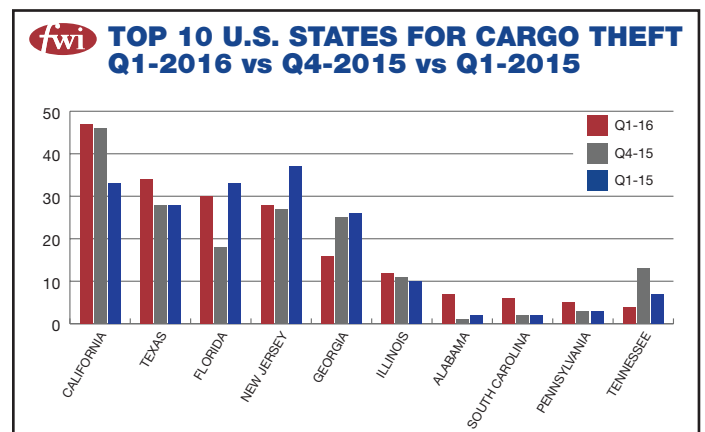
Several product types experienced elevated theft volume in Q1-2016 when compared to Q4-2015 as well as Q1-2015. As the oil and gas industry continues to suffer its deepest downturn since the 1990s, profits and earnings continue to fall causing companies to decommission heavy construction vehicles resulting in a plethora of associated industrial equipment and supplies to stand idle and vulnerable to theft. The SCIC recorded a dramatic increase in the theft of *Building & Industrial* products by 222% from Q4-2015, and by 263% from Q1-2015, respectively. Additionally, the SCIC noted a correlation between geographical surges in stolen building supplies in states where the housing market continues to grow, most notably in Texas. *Auto & Parts* also recorded significant increases, rising 100% over Q4-2015 and 20% over Q1-2015. Other product types that saw increases over both comparative quarters were *Alcohol*, which rose by 30% and 160% over Q4-2015 and Q1-2015, *Clothing & Shoes* by 29% and 144%, *Home & Garden* by 19% and 35%, and *Tobacco* by 50% over each quarter.

Metals was the only product type that experienced a decline from one comparative quarter but a rise over the other, rising 50% from Q4-2015 but falling 59% from Q1-2015. *Personal Care*, however, stayed even with Q4-2015 but raised 150% from Q1-2015.

There were some product types that saw decreased totals from both comparative quarters. *Pharmaceuticals* dropped by 67% and 71% from Q4-2015 and Q1-2015, respectively. Two of the typically most stolen product types, *Electronics* and *Food & Drinks*, also saw drops when compared to both quarters. *Electronics* fell by 51% and 38%, while *Food & Drinks* fell by 8% and 32%.



Where is cargo crime occurring?



In Q1-2016, **CALIFORNIA** ranked as the top state for cargo theft with 21% of total thefts. This represented a rise of 2% over Q4-2015's total and a rise of 42% from Q1-2015's total. California's thefts were mainly comprised of *Clothing & Shoes* (30%), and *Food & Drinks* (19%). **TEXAS**, with 15% of the total, came in second in Q1-2016 with *Building & Industrial* leading the product types at 27%. **FLORIDA**, ranked third in this quarter with 14% of the total, rose by 66% when compared to Q4-2015 but dropped by 9% compared to Q1-2015. The product type with the most thefts in Florida was *Building & Industrial* (20%). **NEW JERSEY** accounted for 13% of total thefts this quarter, with 29% of its thefts coming from *Food & Drinks* and **GEORGIA**, despite falling 36% from Q4-2015 and 39% from Q1-2015, still came in fifth with 7% of the total. Notably, **ALABAMA**, which is seventh on the list for Q1-2016, only accounted for 3% of total thefts but experienced a 600% and 250% increase from Q4-2015 and Q1-2015 respectively. Alabama recorded 43% of its thefts as *Building & Industrial*.



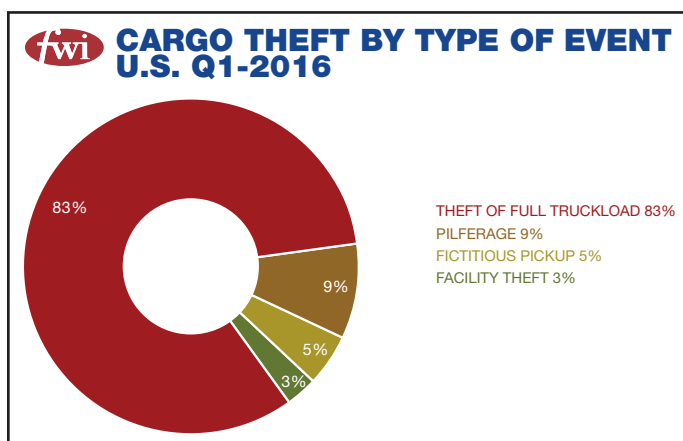
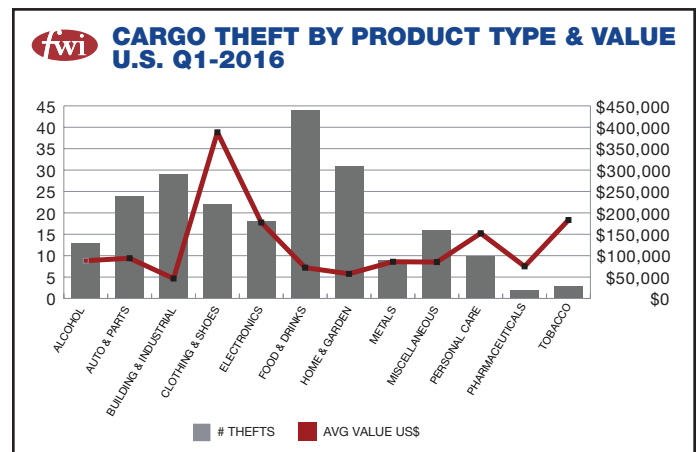
THEFT OF FULL TRUCKLOAD Incidents involving *Theft of Full Truckload* continued as the most prevalent method of theft during Q1-2016 with 83% of all reported thefts. Additionally, *Theft of Full Truckload* recorded an average loss value of \$118,503. *Pilferage*, a theft type commonly utilized by organized cargo thieves and opportunistic criminals alike, accounted for 9% of total thefts this quarter. *Fictitious Pickups* recorded 5% of thefts in Q1-2016, a 48% decrease from Q4-2015 but a 32% increase from Q1-2015. *Facility Thefts* recorded 3% of the theft total in Q1-2016 and had the highest average value of any theft type at \$237,809. Outside of *Last-Mile Courier* thefts, *Hijacking* was not recorded in any full truckload thefts in Q1-2016, likely due to the much stiffer penalties imposed if violence or threat of violence is involved in the theft.



UNSECURED PARKING The most prevalent location for large scale cargo thefts continued to be in *Unsecured Parking*, identified in 89% of incidents in which a location type was declared. *Thefts from Warehouse/DC* location types came in second with 6% of thefts and *Secured Parking* areas accounted for 5% of thefts this quarter.

What is the value of the stolen cargo?

Which type of cargo crime is dominant here?



Product Type	Avg Value US\$
Alcohol	\$88,335
Auto & Parts	\$93,989
Building & Industrial	\$46,688
Clothing & Shoes	\$388,125
Electronics	\$177,431
Food & Drinks	\$72,060
Home & Garden	\$57,677
Metals	\$85,889
Miscellaneous	\$85,000
Personal Care	\$152,356
Pharmaceuticals	\$75,000
Tobacco	\$183,333
Average Total	\$112,467

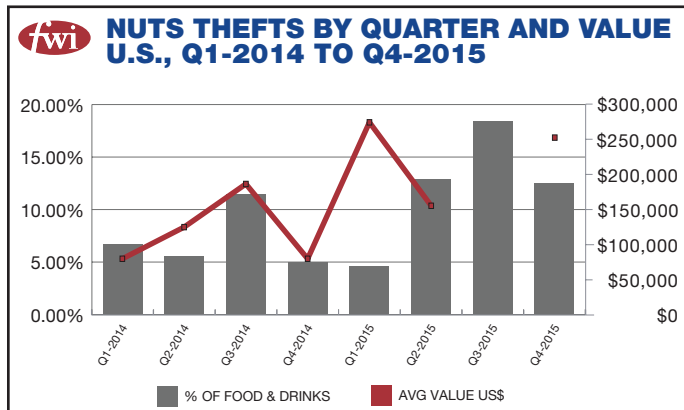
The average loss value across all incidents was \$112,467 for Q1-2016, which is 13% lower than Q4-2015 and 56% lower than Q1-2015. It is becoming evident that thieves have learned to avoid risk by targeting lower value shipments that have less security procedures in place, and compensating for the decreasing value with an increasing theft volume. *Clothing & Shoes* recorded the highest average value in this quarter with \$388,125; 19% higher than Q4-2015. *Tobacco*, at \$183,333, came in second with an 83% increase over the previous quarter. Several other product types experienced increases in average value over Q4-2015, such as *Auto & Parts* (38%), *Building & Industrial* (26%), *Metals* (15%) and *Personal Care* (98%).

Quarterly Spotlight: Nuts



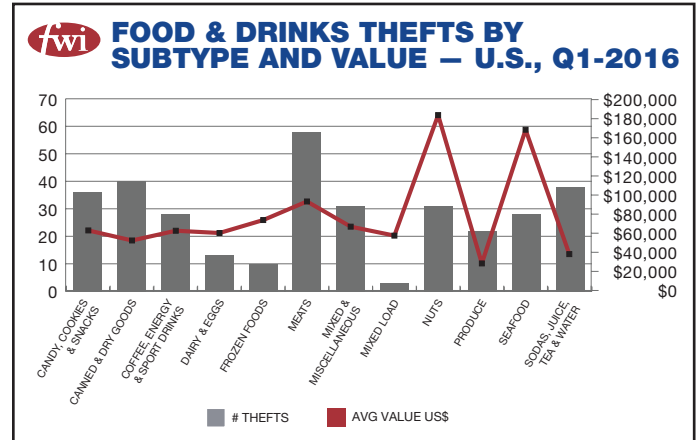
To better serve the security-minded logistics community, the FreightWatch International Supply Chain Intelligence Center (SCIC) is spotlighting one product category, theft type, or trend in each business quarter report.

This quarter's spotlight focuses on the *Food & Drinks* product subtype *Nuts*. It relies on data recorded throughout the 2014 and 2015 calendar years (24 months) to identify trends and provide comparisons. Unless otherwise specified, any data refers to the time period of Q1-2014 through Q4-2015.

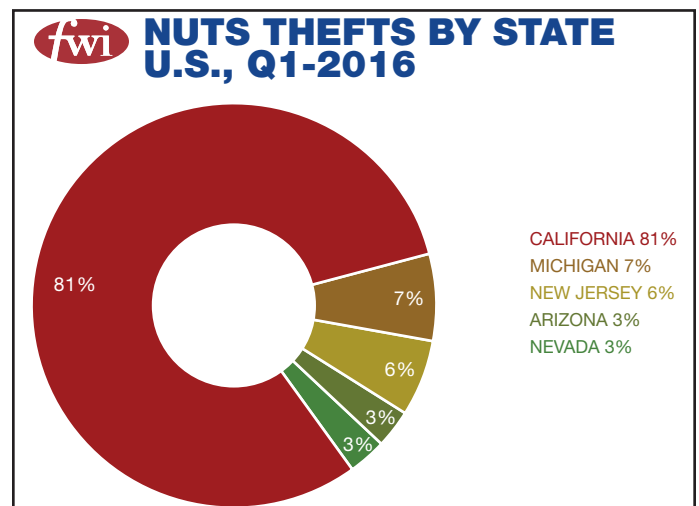


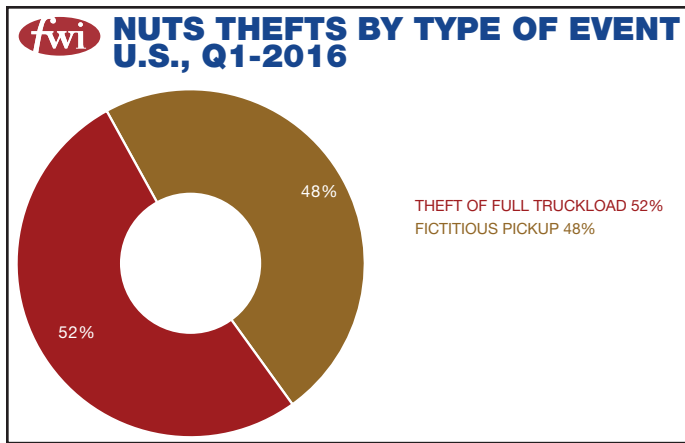
Cargo theft involving *Nuts* has been in the media frequently as of late. With a high value density per truckload and typically low security protocols in place, *Nuts* have been a sought after commodity for organized cargo theft. Since the harvest season for most commercially grown nuts is from August to September, it stands to reason that the third quarter of each year tends to record the most *Nuts* thefts, as was the case in 2014 and 2015.

In 2014, the third quarter accounted for 36% of annual *Nuts* thefts, while in 2015 the third quarter accounted for 35%. Additionally, as thieves become more sophisticated, the average values of *Nuts* thefts have risen. The first quarter of 2015 recorded the highest average value for *Nuts* theft in this data set, at \$274,050. The fourth quarter of 2015 also recorded a notably high average value at \$252,346. As a matter of fact, the average value of *Nuts* thefts in 2015 as a whole was \$215,719, which was 65% higher than the average value in 2014.



Within the *Food & Drinks* product type, *Nuts* has the highest average value at \$183,749, and accounts for 9% of the total. The average value of *Nuts* was 9% higher than the second place subtype of *Seafood*, and 97% higher than third place *Meats*. *Nuts* will likely gain in popularity amongst cargo thieves due to their value and lack of serialization or refrigeration needs, unless steps are taken to secure the supply chain and increase security on these shipments. As of the publication of this report, measures are being taken in California to create a law enforcement task force specifically aimed at combating high value *Nuts* thefts (<http://agnetwest.com/2016/04/25/theft-task-force/>).





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

Geographically, it is no surprise that California is the leader (81%) in thefts of *Nuts*, as 99% of the country's walnuts are grown in California (<http://goo.gl/d3sgGP>), and three of the top 10 agricultural products of California are *Nuts* (<https://www.cdfa.ca.gov/statistics/>). Additionally, foreign *Nuts* are typically imported through the Ports of Long Beach and Los Angeles, making the opportunity for *Nuts* thefts greatest in California.

When the method of theft is investigated, it is revealed that no other product subtype has as high a share of thefts by way of *Fictitious Pickup* than does *Nuts* (48%). This fact is indicative of the interest already being shown by organized cargo criminals to obtain this product. Typical scouting techniques on internet load boards for *Fictitious Pickups*, such as high requirements for insurance or team drivers, can be coupled with the unique geography of *Nuts* producers to identify with near certainty the contents of a shipment before the criminal bids on a load. As such, this atypical theft type is particularly well suited towards *Nuts*.

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 first 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 36 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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