2017

United States & Canada Annual Cargo Theft Report

What's Inside

TAPA
Transported Asset Protection Association

Executive Summary

TAPA Americas collects, records, analyzes and reports on cargo theft data for the United States, Canada, Mexico and Brazil through the Incident Information System (IIS). The IIS will issue separate reports for Mexico, Brazil, and U.S./Canada. While quite comprehensive in the United States, cargo theft data collection for Canada is still being developed and will be provided when available.

For a theft incident to be recorded in the IIS system, the following data points must be known:

- Mode
- Product category
- Location

Based on theft incidents reported to the IIS that met the above-stated criteria, TAPA recorded 649 theft incidents in the United States for 2017, a decrease of 15% from each of the 2016 and 2015 totals.

As with other cargo theft reports, the TAPA IIS Annual Report is designed to provide TAPA members with a snapshot of cargo theft in the United States, along with an understanding of trends that affect supply chain security programs for its membership.

In order to enhance the TAPA IIS Annual Report, *Modi Operandi* and other trends prominently seen throughout the year will be focused on, with anecdotes and case studies provided as available.

U.S. Cargo Theft

2017
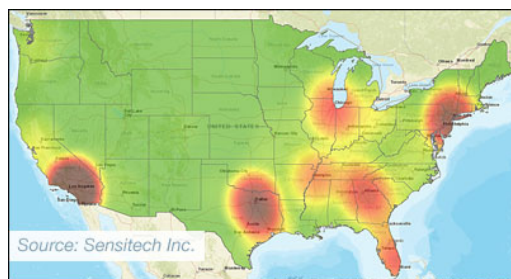
Source: Sensitech Inc.

Highest Risk ▬▬▬▬▬▬ Lowest Risk

While volume continues to drop, thieves in the United States still present a threat to highly desired shipments. The continued organization and evolution of their methods mean that the threat of cargo theft continues to grow in the United States as thieves broaden their geographical areas of operation and improve their methods to avoid detection and capture. With an average of 54 reported cargo thefts per month, the United States sustained cargo thefts at a rate of about two per day in 2017. Overall, the United States is ranked as **HIGH** threat level for cargo thefts on the IIS five point risk scale, which ascends from **LOW** to **MODERATE**, **ELEVATED**, **HIGH** and finally to **SEVERE**.

It should be noted that delays in incident reporting typically cause measurable increases in theft volumes in the weeks following publication of IIS reports. As such, the most recent totals for the year are expected to rise above those recorded thus far. It is the IIS practice to use updated theft numbers for past time frames when comparing them to current totals.

Some of the most notable trends covered in this report are as follows:

- Average loss value remained steady, volume of cargo thefts declined, threat persists.

- Increase in *Miscellaneous* thefts, primarily less secured LTL (*Less than Truckload*) shipments containing targeted merchandise.

- Record breaking *Pilferage* theft rate, utilized as intelligence gathering while obtaining cargo.

- Natural disasters prompt a spike in thefts in affected areas.

- Theft volumes in Georgia and Tennessee are on the rise.

- *Personal Care* value more than triples.

U.S. — Cargo Theft by Year and Value

2013-2017

Source: Sensitech Inc.
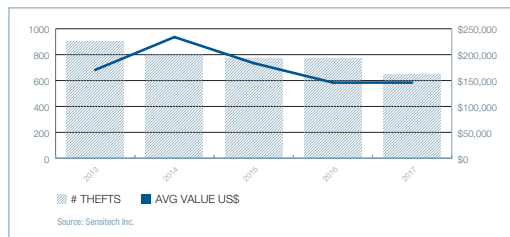
Major Trends

While 2017 continued the downward trend in reported cargo thefts, this does not indicate a decline in cargo theft risk in the U.S., but rather that organized cargo thieves are honing in on shipments that they know can be fenced easily, or target products that have been "ordered" by grey and black market distributors. Coupled with the average loss value remaining steady, this points to thieves refining their methods to reduce chance of capture or the need to abandon the shipment due to law enforcement pursuit. While this has led to a drop in reported thefts, there may be another reason for the decline in reported numbers.

Organized thieves in the U.S. have long utilized the "risk vs reward" calculation when targeting cargo. As such, shifting focus to other methods and products that provide a lesser chance of capture or disruption, thieves can reduce their risk. This can be seen in the increase of reported mixed retail load, or LTL thefts. These shipments are typically a mix of product destined for a brick and mortar, retail store.

Diligent and organized thieves can still utilize their criminal network to identify the contents of these loads, which if they contain desired products, typically have less security measures in place than a dedicated trailer of one high value/targeted product. Often times the loss to any single owner on these loads may be too low to trigger a police

report or insurance claim, which hinders the awareness of the issue and allows the thieves the ability to operate in relative obscurity. Several cases or pallets of easily acquired, targeted merchandise has enough potential value to a thief to discourage a riskier, albeit more profitable, dedicated trailer full of like product that carries much more risk of failure or capture, especially considering the value of the information gained in such a pursuit.

This trend is also evident with the rise of large scale *Pilferage* events. Thieves have learned that valuable intelligence can be gathered while obtaining high value merchandise by penetrating a trailer, stealing some of the product, and then drawing back to see what (if any) response occurs. *Pilferage* accounted for 15% of thefts in 2017, the highest on IIS record. This represents a 40% increase over 2016 and a 107% increase since 2013.

U.S. — Atypical Cargo Theft Types

2013-2017

Source: Sensitech Inc.
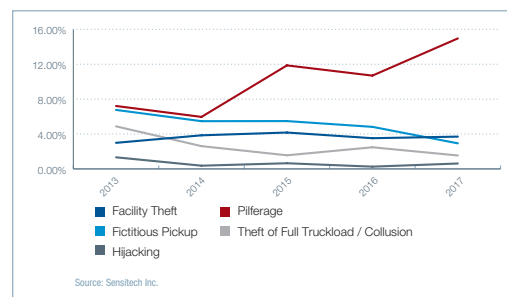
During 2017, the IIS did not record the use of signal interference devices (jammers) which have not been seen since 2014. The IIS monitors for any jamming activity related to cargo crime in the United States and other regions of operation. While the jamming threat in the U.S. remains low today, IIS continues to see frequent jamming activity in non-U.S. regions. With the availability of jamming technology in the U.S., it is reasonable to anticipate the expanded use of jamming by criminals.

3

This would drive the need to implement countermeasures in the U.S. to mitigate the jamming risk.
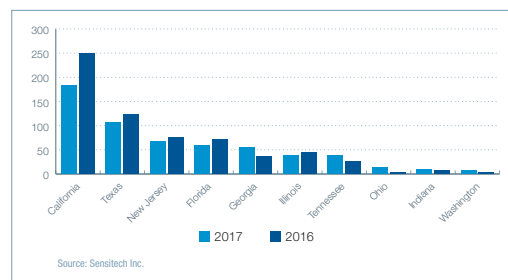
Cargo Theft by State

The top three states accounted for 55% of total recorded theft in 2017. This is a reduction of 6% from the rate of thefts the top three states accounted for in 2016. Overall, geographical hotspots have tended to remain largely unchanged, though there were definite product and theft type focus shifts in these areas. Cargo theft was recorded in 35 states in 2017, down from the 39 recorded in 2016.

California, which logged 28% of total thefts for the year, claimed the top spot for cargo theft again, but with a 13% drop in theft rate compared to 2016. **Texas**, steady at number two, recorded 16% of total thefts in 2017, a slight 2% increase from its 2016 theft rate. **New Jersey**, still at number three, saw its theft rate increase by 6% to 11% of the U.S. total. **Florida**, for the second year, claimed the fourth spot with 9% of the total, almost even with its theft rate in 2016. **Georgia**, which jumped back into the fifth rank in 2017, accounted for 9% of thefts, a surge of 76% over its 2016 theft rate. **Illinois**, displaced by Florida's rise, placed sixth with 6% of thefts, and **Tennessee** held steady at number seven with 6% of thefts, a rise of 73%. Positions eight, nine, and ten did not appear on the top ten list in 2016, but **Ohio** (2%), **Indiana** (2%), and **Washington** (1%) each saw significant swells compared to their 2016 theft rate rising by 413%, 69% and 177%, respectively.

U.S. — Top States for Cargo Theft
2017

Source: Sensitech Inc.

The states that top the cargo theft landscape are largely due to a few important factors such as the presence of large seaports, whose high volume of cargo allow for many information gathering opportunities for organized thieves and the confluence of major interstates, which offer target rich and underprotected truck stops. One other major factor is the presence of large, well-organized cargo theft rings operating in multiple states, such as those based in Southern Florida and California. While data proves that cargo thieves are more than willing to travel across several states or more to seize targeted cargo, low-hanging fruit near to home is rarely passed up.

In addition, the presence of Cargo Theft Task Forces in areas known to be problematic for cargo theft does increase the level of reporting in these areas. Knowing this, it is reasonable to believe that areas that record no cargo theft are likely still experiencing it, but inconsistencies in reporting geographical location at the municipal level is not the only or even the main indicator of cargo theft risk. Other key factors include access to ports or intermodal hubs, targeted commodity opportunities, usual DOT rest areas, known security measures in place, availability to move the product through illegitimate markets, etc. However, at a state level, location does indicate what product types are more at risk for cargo theft within their borders due to what types of cargo are at higher concentration within the state.

For example, some product types and subtypes have very strong state specific

trends. Examples include *Building & Industrial*, which recorded more thefts in Texas than any other state to account for 43% of total *Building & Industrial* thefts nationwide, and was the top product type within Texas, accounting for 31% of the state's total. These rates both continue to be higher than what Texas recorded in the previous two years, suggesting the specialization and refinement of cargo theft targeting. Texas has other product types with unusually high theft rates; for example, *Home & Garden* logged 29% of total Texas thefts, which accounted for 29% of total *Home & Garden* thefts nationwide.

Other states with disproportionally high thefts within a particular product type include: California logging 21% of its thefts from *Electronics* (40% of the national total) and 15% from *Clothing & Shoes*, Florida with 29% of its thefts consisting of *Food & Drinks*, Georgia with a dominant 26% of its thefts coming from *Electronics* and 22% from *Food & Drinks*, Illinois with 15% each *Auto & Parts* and *Building & Industrial* as well as 10% *Metals*, New Jersey with 13% *Clothing & Shoes* and 16% *Miscellaneous*, North Carolina with 50% of its thefts coming from *Personal Care*, Ohio with 23% each *Auto & Parts* and *Metals*, and Tennessee with 24% *Electronics*.

Cargo Theft by Product and Value

The average loss value per theft incident was $146,063, a very slight increase over 2016. The average value peaked in 2009 at $554,105. Since 2009, the average loss value had been on a steady decline with the exception of 2014 seeing a spike to $232,924 (a 36% spike from 2013). In 2017 there were 18 thefts that were valued at $1 million or more, with a value reporting rate of 75%. When compared with 2016 (16 thefts over $1 million and a reporting rate of 91%), it appears as though value reporting has dropped off in 2017. Despite that, the still

high reporting rate means it can be safely assumed that the average value is indeed holding steady for the moment.

Product Type	Avg. Value U.S. 2017	Avg. Value U.S. 2016
Alcohol	$141,354	$61,320
Auto & Parts	$111,331	$92,655
Building & Industrial	$58,285	$45,327
Clothing & Shoes	$174,715	$234,761
Electronics	$299,294	$367,031
Food & Drinks	$67,374	$70,042
Home & Garden	$65,998	$92,166
Metals	$104,520	$115,312
Miscellaneous	$97,694	$74,999
Personal Care	$544,935	$176,548
Pharmaceuticals	$121,585	$265,209
Tobacco	$208,302	$181,103
All Products	**$146,063**	**$146,042**

Some product types that recorded significantly higher average values in 2017 when compared to 2016 were *Alcohol* (+131%), *Auto & Parts* (+20%), *Building & Industrial* (+29%), *Miscellaneous* (+30%), *Personal Care* (+209%), and *Tobacco* (+15%). *Personal Care* ranked as the highest average loss value with $544,935.

U.S. — Cargo Theft by Product and Value

2017


Source: Sensitech Inc.
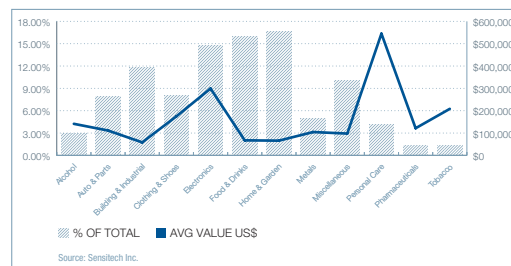
Cargo Theft by Date

Cargo theft by month varied greatly in 2017 when compared to 2016. While 2016's highest theft rate occurred in February (12%), 2017 saw February in ninth place. In 2017, the highest theft rate months were November (13%), October (11%), and July (10%). The United States experienced the costliest Hurricane season on record in 2017, causing record amounts of damage (*Source: New York Times*). This could have been the cause of cargo theft increases in affected areas that caused October and November to be the two busiest months for cargo theft in 2017. The month with the lowest theft rate was June (5%), with March (6%) coming next. Hurricanes Harvey and Irma are likely one of the driving forces behind a fourth quarter surge in volume.

U.S. — Cargo Theft by Month

**2016–2017**

Source: Sensitech Inc.
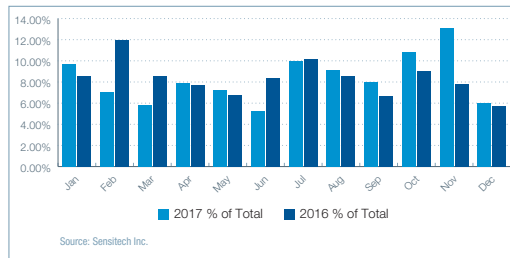
Consistent with historical trends, weekend days persist as the most popular days of the week among thieves, as they are the times when *In-Transit* cargo is more likely to be stationary and unattended. Similarly, *Facility Thefts* tend to occur over the weekend while most employees are off work and minimal security is in place. This also delays the discovery of a theft and allows thieves greater time to escape before law enforcement is notified. In 2017, 33% of F*acility Thefts* and 40% of *Theft of Full Truckload* occurred on a Saturday or Sunday. These percentages increase to 46% and 55%, respectively, when Fridays are included in the count. Within *Fictitious Pickups*, 63% occurred on Wednesday, Thursday or Friday, which all allow for the maximum amount of

lead time for the criminal before the theft is discovered, depending on the length of the trip. Additionally, no *Fictitious Pickups* were recorded on Mondays in 2017.

U.S. — Cargo Theft by Day

2017

Source: Sensitech Inc.
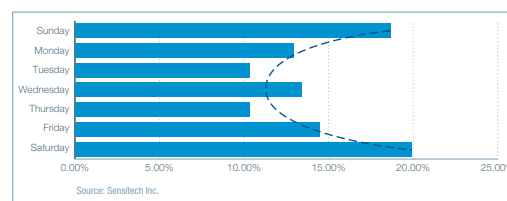
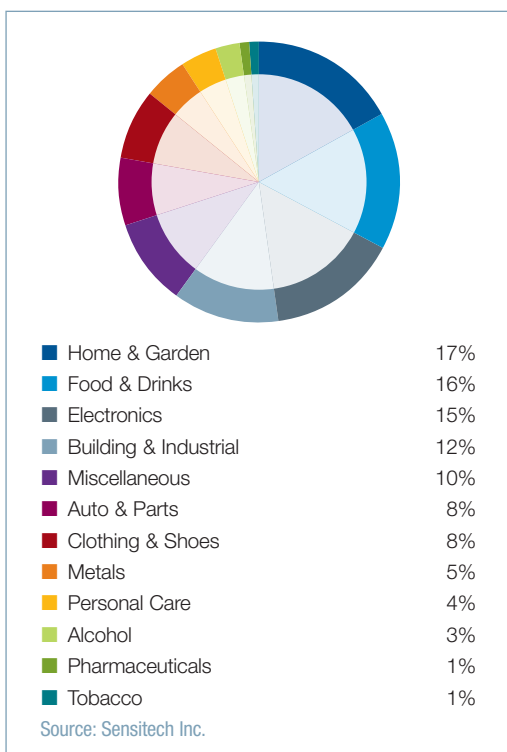## Cargo Theft by Product Type

For the first time in eight years, *Food & Drinks* was not the most stolen product type, recording 16% of the 2017 total (-14% from 2016) and landing in second place. Instead, accounting for 17% of all reported cargo theft, *Home & Garden* took the top spot in 2017, a 16% increase over its 2016 rate. The third rank for 2017 is held by *Electronics*, which accounted for 15% of total thefts, with a slight (-4%) drop from 2016. *Building & Industrial*, likely spurred by intensely damaging hurricanes, rose by 12% to place as the fourth most stolen product type (12% of total). *Miscellaneous* shipments, mainly comprised of mixed retail loads, also saw a spike in theft rate, rising 37% to land at the fifth spot and account for 10% of the total. Other product types that saw increases over 2016 theft rates were *Auto & Parts* which increased by 4%, and *Metals* which rose by 26%.

U.S. — Cargo Theft by Product Type

2017

■ Home & Garden	17%
■ Food & Drinks	16%
■ Electronics	15%
■ Building & Industrial	12%
■ Miscellaneous	10%
■ Auto & Parts	8%
■ Clothing & Shoes	8%
■ Metals	5%
■ Personal Care	4%
■ Alcohol	3%
■ Pharmaceuticals	1%
■ Tobacco	1%

Source: Sensitech Inc.

Cargo Theft by Product Type: Pharmaceuticals

In 2017, both the number and average value of *Pharmaceuticals* thefts dropped by 57% and 54%, respectively. This included zero thefts valued at over $1 million, with 67% of thefts reporting a value. *Pilferage* within *Pharmaceuticals* is 49% more frequent than across all products, accounting for 22% of total *Pharmaceutical* thefts, a rate second only to *Electronics*. As *Pharmaceuticals* are very cost dense, large profits can be had with relatively small scale thefts, such as *Pilferage*, while also serving as an advanced intelligence gathering method for criminals. This allows for verification of the suspected contents of a load as well as determining if any security countermeasures are in place. The pharmaceutical industry has taken great

strides to secure their supply chain, and their efforts are evident in the fact that it is one of the most desired, but least stolen, products on the road today.

U.S. — Pharmaceutical Thefts by Year and Event Type

2013–2017

Source: Sensitech Inc.
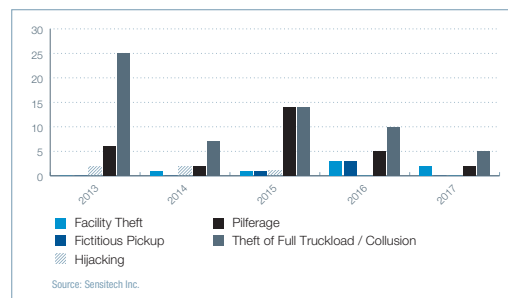
As is usual within the theft of *Pharmaceuticals*, the subtype *Medication* was both the most often stolen subtype, with 44% of total thefts. The *Nutritional* subtype recorded the highest average value for a subtype at $161,254, while *Supplies* saw a spike in theft rate, jumping 133% to 33% of total *Pharmaceuticals* thefts in 2017.

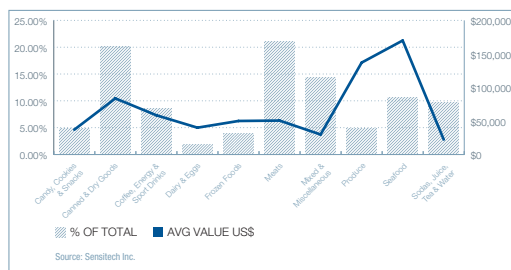# Cargo Theft by Product Type: Food & Drinks

Food & Drinks, which experienced 104 of 2017's 649 total cargo thefts (16%), has, until 2017, been the most stolen product type since 2010. This is due in part to the ease of sale of consumable items on the illicit market as they are not uniquely serialized which would allow tracking of individual items as well as the prolific amount of shipments of *Food & Drinks* on the road at any given time. California, Florida, and New Jersey were the top three states for *Food & Drinks* thefts in 2017, and together accounted for 56% of total *Food & Drinks* theft. The most

commonly stolen subtypes in this sector were *Meats* (21%), *Canned & Dry Goods* (20%) and *Mixed & Miscellaneous* (14%). *Seafood* recorded the highest average value within *Food & Drinks* at $169,927.

U.S. — Food & Drinks Thefts by Subtype and Value

2017

Source: Sensitech Inc.
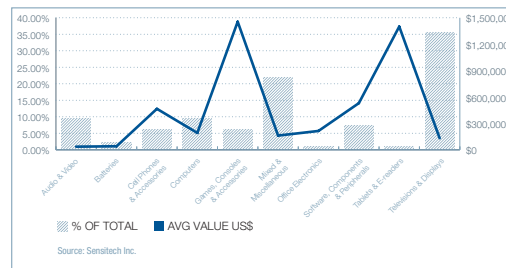
Cargo Theft by Product Type: Electronics

Electronics recorded 15% of total thefts in 2017, and had the second highest average loss value at $299,294. California, Georgia, and Tennessee were the top three states for *Electronics* thefts, together accounting for 62% of total *Electronics* thefts. The remaining 38% of thefts were spread out among 16 other states, making *Electronics* tied with *Food & Drinks* as the most geographically diverse product type.

Within the *Electronics* sector in 2017, 35% of thefts were *Televisions & Displays*, 22% were *Mixed & Miscellaneous*, and 9% each were *Audio & Video* and *Computers*. By theft type, *Pilferage* accounted for 31% of *Electronics* thefts, the highest *Pilferage* rate of any single product type. *Facility Theft* accounted for 4% and *Fictitious Pickups* accounted for 7%.

U.S. — Electronics Thefts by Subtype and Value

2017

Source: Sensitech Inc.

## Cargo Theft by Product Type: Home & Garden

In 2017, *Home & Garden* was the most stolen product type, accounting for 17% of the total and an average value of $65,998. *Appliances*, which accounted for 41% of total *Home & Garden* thefts, was the most stolen subtype and was a major driver in the rise of *Home & Garden* numbers in 2017, rising 60% over the 2015 theft rate for *Appliances*.

Texas, California, and New Jersey were the top states for *Home & Garden* thefts, totaling 66% of total *Home & Garden* thefts nationwide. While *Theft of Full Truckload* is the most practiced method of theft within *Home & Garden* at 91% of the total, *Pilferage* (7%), *Facility Theft* (1%), and *Fictitious Pickups* (1%) were also seen.

U.S. — Home & Garden Thefts by Subtype and Value
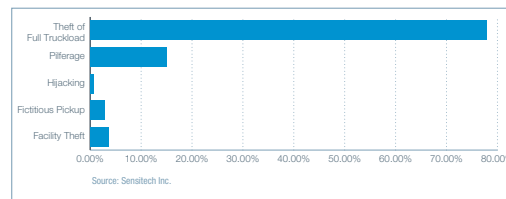
2017

Source: Sensitech Inc.
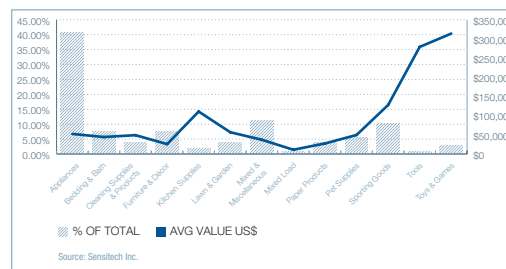
Cargo Theft by Theft Type and Location

Due to risk of capture, cargo thieves in the United States largely tend to target loaded trailers and containers that are stationary and unattended. In 2017, 78% of recorded In-Transit thefts in which a method was described fell into this category, down from 81% in 2016. *Fictitious Pickups* (FPU) dropped by 39% from 2016 to 2017 to account for 3% of the total, which could be due to several factors: a result of the number of arrests, specifically in Southern California; the reporting of this type of theft shifting from incident theft reporting to identity victim reporting; or the continued masking of the crime not discovered to be an FPU until many months after initiation of the investigation and/or initial reporting of the incident. The IIS continues to monitor for reports of compromised, fraudulent or stolen carrier identities, and the apparent drop in FPUs does not necessarily reflect a proportional drop in threat level for this theft type. Additionally, it is worth noting that 26% of *Fictitious Pickups* were perpetrated in California, which continues to be the area that experiences the highest concentration of this theft type. *Pilferage*, previously identified as a method for thieves to gather intelligence on security measures as well as obtain smaller amounts of product, rose by 40% from 2016 to account for 15% of total thefts. These thefts were most prolific in Tennessee (21%), Georgia (19%), and California (17%). *Pilferage* also primarily targeted *Electronics* (31%), *Food & Drinks* (17%), and *Miscellaneous* (11%), the latter likely for the purposes of load content verification to advance efforts for *Theft of Full Truckloads* of the same.

U.S. — Cargo Theft by Event Type

2017

Source: Sensitech Inc.

In 2017, 75% of all thefts with a known location occurred within *Unsecured Parking*. The most frequently targeted *Unsecured Parking* areas were *Public Parking* (24%), *Truck Stops* (19%), and *Drop Lots* (17%). Theft from *Secured Parking* rose from 9% of known locations in 2016 to 12% in 2017.

There is no general consensus within the industry as to the definition of "secured parking", and this designation is assigned only when the theft report indicates that the location was a secured parking area.

Canada

Historically an area of low reporting, the cargo theft issue in Canada is nonetheless well known. In 2017, the problem continued to gain media coverage *(Source: CFTR-AM, Toronto)*, with claims that cargo theft in Canada costs $5 billion annually. Despite that, industry reporting still trails behind that of the United States. Organized cargo thieves in Canada are just as sophisticated as they are in the United States, often utilizing the same methods and criminal networks not only to target products, but also to liquidate them.

Canada Cargo Theft

2017

Source: Sensitech Inc.

Highest Risk ————————— Lowest Risk
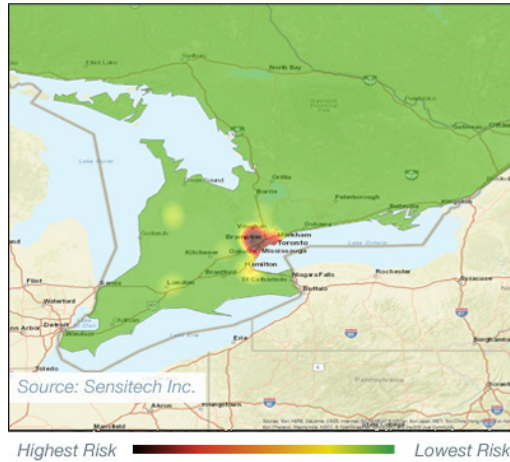
When examining product types, *Food & Drinks* is the most stolen product type (44%), likely for the same reasons as in the U.S., namely ease of liquidation and lack or serialization and security. At $254,066, *Electronics* claimed the highest average loss value, indicating that thieves are actively targeting high end consumer electronics.

Canada — Cargo Theft by Product and Value

2017

% OF TOTAL   ■ AVG VALUE US$

Source: Sensitech Inc.

Also worth noting, Canada recorded a variety of atypical theft types in 2017, despite *Theft of Full Truckload* being the favored method with 86% of total thefts. *Pilferage* logged 4% of the total, *Facility Theft* accounted for 7% (+111% from 2016) and *Fictitious Pickup* accounted for 2%. The presence of these types of thefts illustrate that the Canadian cargo criminal is just as sophisticated and organized as those in the United States.
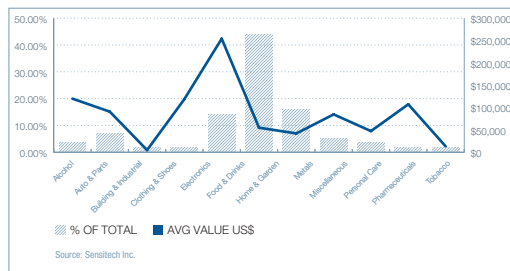
While industry incident reporting lags behind, cargo crime in Canada is likely to rise until cargo theft specific legislation is passed and better data is available to understand the problem.

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 in new regions. 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.

TAPA IIS data provided by Sensitech Inc.