

Crime goes up when the global economy goes down

by Mike Yarwood, *Managing Director Loss Prevention, TT Club*

The 2023 edition of the *Cargo Theft Report*, prepared together with our partners from BSI, pinpoints high inflation as the primary macroeconomic driver of cargo crime patterns. For example, there was an increase from 16% to 21% of stolen food and beverages (including alcohol) in global trade. Electronics were slightly down at 9% of incidents but still significant in terms of value. At 71%, road remains the most common mode. At the same time, facilities as a location for theft went down from 30% to 23%. 'Top' risk countries include Mexico, the US, South Africa, Germany, and Italy, with modus operandi differing region-to-region (e.g., 'blue light crime' in South Africa and 'insider activity' in Asia).

As in the past four years, BSI and TT Club have come together to highlight the global cargo crime trends that were prevalent over the previous 12 months. Our *Report* is intended to serve as cautionary advice to all concerned with supply chain security, likewise to provide mitigation recommendations to combat these threats, which are likely to persist into the current year.

In identifying shifting crime patterns in terms of new fraudulent methodologies and a focus on both historic and current geographic risk, we seek to assist operators in tightening their security processes. In addition to the details of the global trends in commodities stolen and the types of theft, we have provided a series of case studies drawing attention to prevalent regional or country specific dangers.

Inflation-inflated theft

While the conversation has shifted from COVID-19-related disruptions and subsequent trade congestion, supply chains continue to face a myriad of challenges, ranging from geopolitical tensions and conflict through worsening natural disasters to digital-powered disruption. As we see new effects of inflation on cargo crime, we are also tracking historical patterns of thefts that preceded and followed the 'corona era.' For instance, though the usage of deception in thefts in South Africa or violent cargo thefts in South America are not a new issue, they nonetheless continue to pose an evolving threat to the supply chain, especially as they intersect with newer issues like inflation.

Looking more closely at inflation or the loss of purchasing power, we can track the effects of this macroeconomic factor on crime patterns. We have noted a steady increase in

thefts targeting food and beverages over the past few years, increasing from 16% in 2022 to 21% in 2023 (parallel to this gradual shift in the theft of basic goods are sustained thefts of higher-valued goods such as electronics). These include an increase in olive oil thefts in Southern European countries following record poor harvests and a consequent rapid rise in the value of the oil, as evidenced by the retail cost recorded on supermarket shelves. We logged numerous thefts of olive oil last year, with qualitative reporting indicating that thefts of this good increased, especially in the major olive oil production countries of Spain, Italy, Türkiye, and Greece.

The dynamics of this problem are representative of many of the challenges that the food industry currently faces, with inflationary factors and other issues leading to price increases, as well as thefts. According to the European Commission, olive oil prices rose by 75% from January 2021 to September 2023. We typically see an increase in thefts of products that experience significant price increases coupled with limited supplies. For instance, in August 2023, thieves in the Spanish Cordoba stole 56 tonnes of extra virgin olive oil, valued \$540 thousand, from the warehouses of an oil mill. Many sources have begun referring to olive oil as "liquid gold," highlighting its value. Spain suffered from the second worst harvest of the 21st century (following only 2012), while other important producing countries also reported diminished harvests. As climate change makes production in certain areas more difficult, the scarcity of these crops leads to increased demand and higher prices, which may incentivise thefts.

Modus operandi

The *Report* details crimes in both Europe and the US that employ various types of

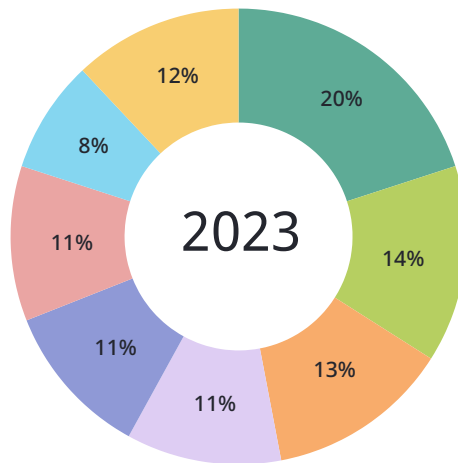
fraud, including identity theft, fictitious pick-ups and drop-offs, and credit fraud. In the latter, the increasing risk of fraudulent cargo theft practices continued from 2022 through 2023, with an uptick as the country is far and wide: California, Texas, Florida, Tennessee, Pennsylvania, and Illinois.

Fictitious thefts rose from 1% in 2022 to 17% in 2023, with a significant increase in recorded strategic theft patterns, where thieves used identity theft and fraud, alongside fictitious pick-up, as well as brokering schemes to secure loads at cargo locations (such as warehouses and freight facilities). In addition, companies are seeing a rise in the misdirection of goods from freight facilities, partly due to the theft of broker and carrier identities. Cargo loads may disappear for long periods of time before being reported stolen, reducing the likelihood of recovery. Companies are attempting to combat these fraud attempts by vetting carriers and logistics providers. Looking ahead to 2024 and beyond, strategic theft groups may also attempt to target carrier vetting methods.

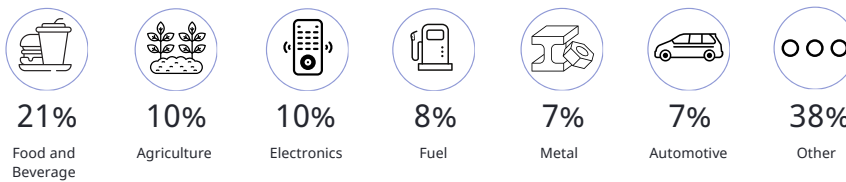
In South Africa, thieves continued to use corruption and other forms of deception to facilitate cargo thefts globally. One example is the persistent presence of organized criminal groups using fraudulent tactics to hijack trucks in the country. South Africa remained the top region of concern for cargo theft on the continent in 2023. Goods transiting through South Africa face a significant hijacking risk, especially with the presence of 'blue light gangs.' These criminals impersonate police officers by disguising themselves in uniforms and using blue lights on their vehicles to mimic police cars, tricking the drivers into pulling over. The perpetrators then commandeer the truck and steal the cargo.

Cargo Theft Types

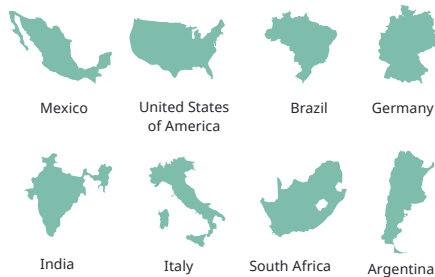
- Theft from facility
- Theft of vehicle
- Theft from container/trailer
- Theft from vehicle
- Hijacking
- Theft of container/trailer
- Theft of employee belongings/truck parts
- Other



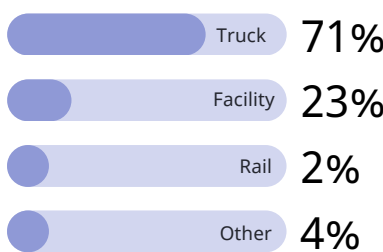
Top Commodities Stolen



Top Countries for Cargo Theft



Modalities of Theft



financial losses to businesses. In one case, a truck driver and three accomplices in India stole a few cell phones during delivery on several occasions over five months, amounting to \$36.5 thousand.

Risk mitigation

TT and BSI’s combined experience as insurance providers and supply chain intelligence gatherers is invaluable, not just in recording the details of the crime but also in recommending practical actions and process design suggestions, itemised in our *Report*, that will strengthen supply chain organisations in their fight against the threat of theft.

Undertaking sufficient due diligence, particularly when dealing with new customers, is vital. This is a primary risk management tool for your business. Knowing your customer is critical on all levels, including regulatory compliance, safety, and security. The cash flow of your business is, of course, also of importance, so verifying the customers’ credit worthiness before extending credit is prudent.

Among others, the following risk mitigation steps should be considered. Care in identifying the customer’s full legal name and registered address. Scrutinising contact details, including telephone and email (noting that mobile phone numbers and free email addresses could be a red flag), as well as websites and their address (the main, or registered, activity of the customer). Ownership verification: taking account of regulations, such as sanctions, as appropriate. Checking the legal form: limited company, sole trader, publicly limited company, likewise the company’s registration number (tax, e.g., VAT) or membership in governmental or similar audit scheme (e.g., having the Authorised Economic Operator status). Inspecting with whom we are dealing personally, including their roles and crucially important whether they have the authority to sign on behalf of the customer.

Forewarned is forearmed

Cargo theft is a problem that costs companies tens of billions of dollars each year and can cause significant disruption to important supply chains, from pharmaceuticals to semiconductors. Having accurate and up-to-date intelligence is the first step in combating this problem and pinpointing the locations and types of theft that are most likely to harm global supply chains. ■

Thieves are also known to target in-transit vehicles using other deceptive tactics, including blinding the driver with a bright light, forcing them to pull over, and overtaking the vehicle. There have also been reports of thieves setting up fake roadblocks and using violence or the threat thereof to overtake the vehicle. Leveraging the use of insider participation is another common tactic used to steal cargo. Truck drivers have been known to assist criminals in stealing goods, such as staging hijackings.

The importance of companies vetting employees and third-party workers is apparent in Asia. Compared to other regions, it records the highest rates of insider participation in cargo theft. In 2023, 26% of recorded cargo thefts in Asia

involved insiders, with India, Indonesia, and Bangladesh being the top Asian countries for recorded insider participation. Corrupt warehouse employees, port workers, security guards, and truck drivers exploit their strategic position and often collude together or with cargo theft gangs to steal from their employers. The desire of insiders to remain undetected informs the types of theft tactics they employ. To maintain their proximity to cargo, corrupt supply chain actors in Asia often steal small amounts of freight over a longer period, rather than the one-and-done hijackings seen in the Americas or the slash-and-grabs of Europe. Despite the smaller quantities stolen, the high frequency of thefts still amounts to significant



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