



Police Ask: Got Milk Crates?

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By Ilan Brat, The Wall Street Journal

Bill Kroese hired a staffer and an efficiency consultant (*Joseph E. Harrington, Ph.D. of Harrington Group*) last year to help him stop a crime wave.

Their mission: to track missing milk crates.

Rockview Farms, Mr. Kroese's employer, lost 424,000 milk crates in 2005, up from 350,000 in 2004, he says. Replacing them cost the southern California dairy business \$1.6 million. This year Mr. Kroese, Rockview's safety and loss-prevention director, expects his company's milk crate costs to keep rising -- and he blames most of it on theft. "Where's that black hole out there?" he says. "Where could they all be going?"

Missing milk crates used to wind up in college dormitories as bins for clothes, books and CDs. Today pilfered crates -- as well as pallets, bakery trays and other containers made from a pricey high-density plastic resin -- are going into grinders in recycling plants, say dairy and soft-drink industry loss-prevention officials and police. As oil prices have climbed, so too have prices for the petroleum-based resin used in milk crates, pallets and other such items. Prices of the resin jumped more than 40 percent after Hurricane Katrina, rising to 87.50 cents per pound in November, according to Plastics News. Today prices are hovering in the 70 cents-per-pound range, nearly double the price just three years ago.

Dairy and soft-drink industry people cite mounting evidence that the thieves are either plastic recyclers or bandits who sell to recyclers, who then grind up the plastic and sell it to toy makers or other manufacturers who may not know that they are buying stolen goods. Recyclers have been arrested in southern California and Detroit for grinding up stolen plastic, and dairy and soft-drink industry officials and police suspect recyclers in Pennsylvania, Georgia and Florida are doing the same.

Some companies are staking out recycling plants, hiring private investigators and asking lawmakers to help curb the losses.

A bill in the California Assembly would require recyclers to request proof of ownership for any bakery trays and milk crates they buy. A Florida dairy group is considering supporting legislation that would require grocery retailers to pay deposit fees on milk crates.

In many states, stealing milk crates is a misdemeanor that can carry a fine of several hundred dollars. But plastic prices are so high that the threat of a fine may no longer be a deterrent. Berkeley Farms, a dairy processor that ships milk to scores of stores in northern California has been losing 1,200 to 1,600 milk cases a day, up about 30 percent from a year ago, says area sales manager Randy Parsons.

The thefts probably occur outside grocery or convenience-store docking bays, say police and industry loss-prevention officers. Typically, a dairy delivery truck drops off milk shipments at the loading dock. After emptying the crates, store employees generally leave them in the docking bay for the dairy to pick up. As the docking bay fills with other merchandise, empty crates may get pushed outside, where they are vulnerable to thievery.

Plastic theft "is big, but people are naive about it," says Arthur Wimmer, a Detroit police investigator. Mr. Wimmer coordinated a plastic-theft sting in 2003. After the operation, he says, "My eyes were wide open."

In December 2003, Detroit police recovered \$245,000 of stolen bakery trays, milk crates, pallets and other plastic in one day from three recycling plants, according to Mr. Wimmer. Police developed an informant inside one plant and 25 officers raided it. The officers arrested and removed six employees before reopening the plant. Police then arrested 34 more people as they lined up with car trunks and pickup-truck beds filled with crates and pallets to be sold.

No national figures on crate theft are available. Police estimate that yearly monetary losses to theft are likely in the millions of dollars. The Pennsylvania Association of Milk Dealers last year hired accountant Carl Herbein to study crate loss. Mr. Herbein's yearlong study, concluded in March, found Pennsylvania dairies spent \$6 million on replacement crates, up from \$4.5 million in 1998. Mr. Herbein says the losses stem mostly from theft and not increased business. He says milk consumption hasn't increased dramatically, and Pennsylvania dairies report abnormal crate loss levels.

Plastics recyclers insist they aren't to blame, and say they don't have the resources to determine which of the thousands of pounds of plastic that come into a recycling plant each day have been acquired illegally. Recyclers who knowingly buy pilfered plastic are in the minority, says Kate Krebs, executive director of the National Recycling Coalition, Washington D.C., an industry lobbying group.

Nonetheless, some recyclers have faced police scrutiny. In April 2005, Anaheim police arrested Donald Miller, chief executive of Marketing Associates Inc., an Anaheim, Calif., recycler, for possessing more than \$50,000 of stolen plastic, according to police records. After Mr. Kroese of Rockview Farms and Pepsi Bottling Group Inc. representatives tipped off police, seven plainclothes officers descended on Mr. Miller's fenced-off recycling plant. They found canisters of shredded blue-plastic Pepsi pallets and counted more than 1,000 crates and pallets, some stacked 10 feet and higher.

Last month Mr. Miller's company pleaded no contest to a misdemeanor charge for illegally destroying milk crates. According to his plea agreement, Mr. Miller can no longer grind up plastic on behalf of Marketing Associates without seeing proof of ownership first. The company also agreed to pay about \$90,000 in civil fines. All charges against Mr. Miller himself were dropped.

A representative for Mr. Miller says he was unfairly targeted. "(The police) can't probably find who is stealing the pallets so they're going after the grinders," says Vincent LaBarbera, an attorney for Mr. Miller.

Other companies continue to search for suspects. Last summer Velda Farms LLC and another processor near Winter Haven, Fla., split the \$5,000 fee to hire a private investigator. Velda had seen its crate losses jump by 15 percent to 20 percent in the prior year, says Ken Jorgensen, a Velda Farms plant manager. Investigators stationed video cameras in parked cars outside supermarket docking bays and tailed milk delivery trucks, says Eddie McGuire of Secure America Inc., Auburndale, Fla. He didn't catch any thieves in the act but says a recycling plant manager told him, "Milk crates is one of our best-selling plastics; we'll take all we can get."

In California, Rockview Farms has set up a crate tracking program with some distributors and retailers and may offer to share savings if they can reduce the number of crates lost. "Up until now," Mr. Kroese says, "everybody just approached it as a cost of doing business."

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