

# The Amazon's Silent Crisis



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Aerial photograph showing rainforest in Pará state, Brazil. Ipê tree shows brilliant pink yellow or white flowers every September. It is a valuable timber for its wood, known for its durability, strength and its natural resistance to decay.

18/09/2013

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# OVERVIEW

The Amazon rainforest is the world's largest tract of intact forest and is home to over 24 million people in Brazil alone,<sup>1</sup> including hundreds of thousands of indigenous people.<sup>2</sup> The forest is essential to their survival, providing food, shelter and medicines, as well as playing an important role in their spiritual life of many. It is also the habitat of an estimated quarter of all known land or freshwater species, including the jaguar, the pink river dolphin and several species of sloth. In fact, the Amazon Basin is one of the richest places on the planet with regard to flora and fauna. It supports approximately 40,000 plant species, 427 mammals, 1,294 birds,

378 reptiles, 426 amphibians and some 3,000 species of fish.<sup>3</sup>

The Amazon Basin covers an area of approximately 6.5 million km<sup>2</sup> in nine South American countries, making up 5% of the Earth's surface. It is home to the largest river system on the planet, containing about one-fifth of the world's total volume of fresh water.<sup>4</sup> Some 63% of the Amazon Basin (4.1 million km<sup>2</sup>) is inside Brazil's borders. To date some 700,000km<sup>2</sup> of Brazil's Amazon forest has been deforested – equivalent to more than twice the area of Poland.<sup>5</sup> Some 18% of the Brazilian Amazon forest has been lost within the past three decades.<sup>6</sup>

◀ One of Ceser Busnello's estates in Pará State. Approved 'Sustainable Forest Management Plans' for Amazon forest can be misused to launder illegal timber. 03/28/2014  
© Marizilda Cruppe / Greenpeace

▼ Ipê, also known as Brazilian Walnut or Lapacho, on sale at Lumber Liquidators, the USA's largest national speciality hardwood flooring retailer. 05/07/2014  
© Douglas Reyes-Ceron / Greenpeace



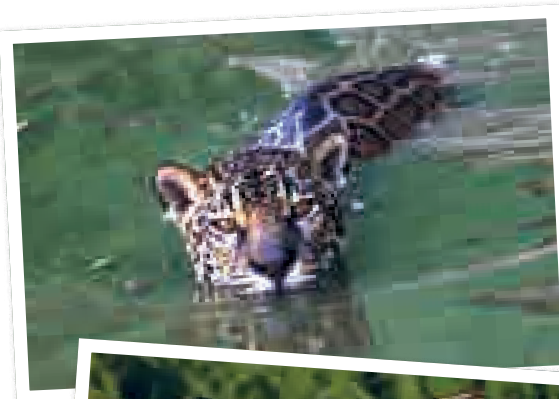


# The Amazon and the climate

As well as its incredible biological richness, the Amazon plays an essential role in helping to control the entire planet's atmospheric carbon levels. Its trees take up huge amounts of carbon dioxide from the air, helping to offset greenhouse gas emissions caused by human activity. The Amazon Basin is a vast carbon store, containing approximately 100 billion tonnes of carbon<sup>7</sup> – over 10 times the global annual emissions from fossil fuel.<sup>8</sup>

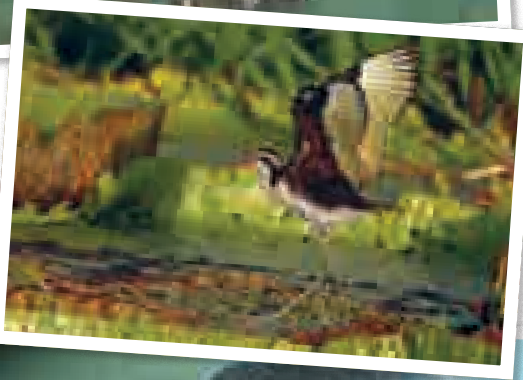
However, deforestation not only reduces the amount of carbon the forest can store, but also leads to emissions of greenhouse gases as cleared vegetation decays or is burnt to prepare the land for agriculture. It also leaves the remaining forest fragmented and vulnerable to further deforestation, commercial exploitation, invasive species and the impacts of climate change, such as drought-induced fire. The more vulnerable a forest is to climate change, the greater the danger of its remaining carbon stocks being lost to the atmosphere. Deforestation therefore increases the risk of runaway climate change.

As climate change impacts are felt, there are concerns that the Amazon forest may reach a 'tipping point' in which it undergoes a rapid transition to savannah. The 2014 Intergovernmental Panel on Climate Change assessment<sup>9</sup> reported that the probability of reaching this tipping point was increased by the combination of climate change and fragmentation acting together. Such a dramatic change would in turn lead to disastrous losses both of biodiversity and of vital ecosystem services currently provided by the forest, such as provision of clean water and climate regulation.

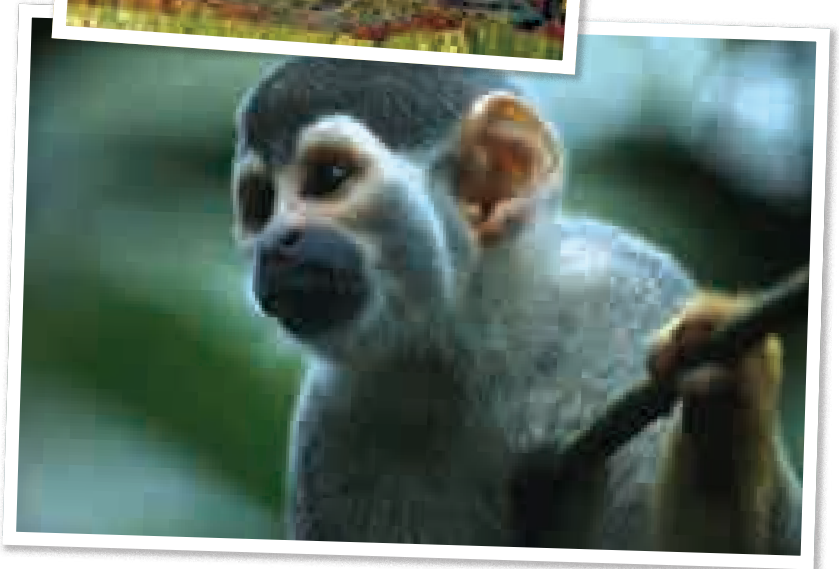


Amazon biodiversity: a Jaguar swimming; a young Wattled Jacana on a Giant Waterlily leaf; a Squirrel Monkey.

07/23/2013  
© Greenpeace / John Novis



07/23/2013  
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03/01/2003  
© Greenpeace / John Novis



Predatory logging for high-value species degrades intact forest and opens it up to wholesale clearance for ranching and cash crop agriculture.

09/19/2013  
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03/30/2012  
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## Selective logging and fragmentation

Besides actual deforestation (clear-felling), selective logging is an important agent of forest fragmentation and degradation of the forest's ecological integrity. It is well documented that the selective logging of mahogany trees in intact primary Amazonian forest was a key driver of the fragmentation process until trade was strictly controlled in 2003 by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), which has substantially reduced the scale of the problem.<sup>10</sup> Mahogany logging was the first step in a forest colonisation process involving slash-and-burn agriculture. Colonists advanced along roads built by logging companies, deforesting areas alongside the roads and converting them to arable land and cattle ranches which broke up the continuity of the forest.<sup>11</sup>

Even though the trade in mahogany has been curbed, selective logging remains a massive problem in the Amazon, with similar consequences. If left unchecked, forest fragmentation will ultimately lead to the disappearance of whole tracts of forest. One of the main drivers of fragmentation today is the demand for high-value species such as Ipê.<sup>12</sup>





Unsawn log price (domestic): **US\$169.5 per cubic metre**

Sawn timber price (domestic): **US\$859 per cubic metre**

Sawn timber price (export, FOB Belém/Paranagua Ports): **US\$1,294 per cubic metre**

Added value product – decking boards (FOB Belém/Paranaguá): **US\$ 2,330 per cubic metre<sup>19</sup>**

Ipê, also known as Brazilian Walnut or Lapacho, is the most valuable Brazilian tropical timber, and among the most expensive globally. By the time it is exported as decking boards, it is worth 13 times its value as newly felled timber.

09/16/2013  
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## Ipê – the new mahogany

The group of species known as Ipê (*Handroanthus spp.*<sup>13</sup>) have been described as the ‘new mahogany’. Just like mahogany, they are highly prized, sought-after timber trees, and loggers are willing to go deep into intact primary forest in search of them.<sup>14</sup> Ipê species form large canopy trees that display brilliant pink, yellow or white flowers in August and September – distinguishing them from the rest of the canopy at that time. They yield a valuable timber, known for its durability, strength and natural resistance to decay. Ipê growing in the Amazon has a low population density, with an average of one tree per 10 hectares.<sup>15</sup> This means that large areas of forest need to be opened up to access these valuable trees.

Ironically, Ipê is best known as a tree planted in many Brazilian cities. Ipê is an integral part of Brazilian indigenous history, with various species being used by indigenous peoples for their hunting bows. Ipê bark is widely reputed to have medicinal properties, and is used by the traditional and herbal medicine industries as a remedy for cancer, ulcers, arthritis and fungal infections, among others.<sup>16</sup>

Ipê wood (also referred to as Brazilian Walnut or Lapacho) is now the construction industry’s top choice for commercial and residential decking, and is often portrayed as a green option as it does not require weatherproofing or pesticidal treatment

with toxic chemicals. In the DIY market, Ipê is sold as decking and flooring. In the United States, Ipê has been used for many piers, boardwalks and bridges in New Jersey, California, New York (including the Brooklyn Bridge) and elsewhere. In Europe Ipê has been used for decking at iconic sites including the World Trade Centre in Geneva, the Antwerp Law Courts in Belgium and the National Library in Paris (Bibliothèque François Mitterrand). In Europe Ipê has been used for decking at iconic sites including Geneva’s World Trade Centre, the Antwerp Law Courts (Gerechtsgebouw Antwerpen) and Paris’ National Library (Bibliothèque François Mitterrand). In Brazil, Ipê timber is found in many cities, and was recently used for flooring in the library of the Presidential Palace.

Even leaving aside the impact of illegal logging, Ipê species are at risk of serious over-harvesting. Logging companies are permitted to fell 90% of commercial-sized adults, with a second cut permitted after 35 years. However, it has been estimated that after an initial 90% felling it would take at least 60 years for commercial volumes of one species (*H. impetiginosus*) to recover to pre-harvest levels.<sup>17</sup>

Ipê is the most valuable Brazilian tropical timber, and among the most expensive globally. While the volumes of Ipê harvested and exported have declined in recent years, the price continues to increase – driving loggers ever deeper into the forest in search of it.

# Timber from the Brazilian Amazon



Under pressure from vested interests, the Brazilian government has recently relaxed rules on deforestation and has limited the capacity of the federal environmental agencies that enforce those rules. Accordingly, while annual deforestation rates in the Brazilian Amazon had fallen in recent years, between August 2012 and July 2013 deforestation actually increased by 28% compared with the previous year.<sup>20</sup>

The states with the largest increase in deforestation by area, Mato Grosso and Pará, also have the highest levels of illegal logging. Pará state is the largest timber producer and exporter

in the Brazilian Amazon,<sup>21</sup> yet between August 2011 and July 2012 an estimated 78% of logging (by area) in the state was illegal.<sup>22</sup> Similar analysis of Mato Grosso, the second-largest producer and exporter,<sup>23</sup> shows that over the same period 54% of the total logged area was logged illegally.<sup>24</sup>

This illegal logging is fuelled by a lack of governance in public areas, indigenous lands and other protected and community lands; a lack of inspection and enforcement capacity on the part of local authorities; high demand for timber, including high-value species; and illegal deforestation for agriculture (with illegal timber as a by-product).

Governance of the timber sector in the Brazilian Amazon is weak and open to exploitation. Studies have demonstrated vast discrepancies between volumes of timber harvested and the quantities actually authorised. The national system for approval of forest management plans is structurally flawed, as is the chain-of-custody system, leading to systemic crime in the logging sector. Large amounts of illegal timber enter national and international timber markets after being laundered using genuine documents obtained by fraudulent means (see The 5 ways to launder illegal timber, p11).

According to the Brazilian Institute of Environment and Renewable Natural Resources (Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis – IBAMA), the federal environmental agency responsible (alongside state environmental secretariats) for monitoring and inspecting the Amazon timber industry, in Maranhão and Pará states alone almost 500,000m<sup>3</sup> of timber had fraudulent documents in 2013 – enough to fill 14,000 trucks.<sup>25</sup> Given the magnitude of the fraud and corruption, there is no question that official documents issued in Brazil to certify the legality of timber are largely unreliable and cannot alone be considered as evidence of legality.



◀ Trucks loaded with timber near Santarém in Pará State. In 2011–12 nearly 80% of the area logged in the state was illegal. 03/27/2014 © Marizilda Cruppe / Greenpeace



▶ A timber yard and sawmill in Marituba, Pará State. 04/01/2014 © Marizilda Cruppe / Greenpeace



# A different path is necessary

The timber industry in the Brazilian Amazon is currently a key driver of forest degradation and a catalyst for deforestation. Logging, particularly for valuable timber species including Ipê, is the first phase in the deforestation cycle, drives colonisation of once remote intact forest areas, and is a major source of greenhouse gas emissions. In addition to environmental damage and biodiversity loss, it also leads to social conflict when timber is taken from public or indigenous lands and other conservation areas without community knowledge or in defiance of community wishes. Furthermore, illegal logging is characterised by appalling working conditions, often using slave labour, and is accompanied by violence, death threats and sometimes even assassinations of those who oppose it.

A different way of approaching the forest and those whose livelihoods depend on forest products is not only possible, but absolutely necessary. Investment and capacity building need to be focused on giving communities the skills to undertake quality community forest management. The Brazilian government must strengthen the regulation of timber harvesting, and the enforcement of regulations. Surveillance, monitoring and enforcement systems should be transparent and able to operate in real time so that communities, civil society and other stakeholders can be sure that those harvesting timber are complying with rigorous government regulations. Such changes will give those purchasing Amazon timber greater reassurance that it is not linked to forest destruction and social conflict. Protecting the Amazon and creating a sustainable and fair development plan for the region could generate opportunities for forest-dependent peoples, at the same time as preserving the region's rich biodiversity and safeguarding its important role in the fight against climate change.



Logging trucks driving through forest in Uruará, Pará. In Maranhão and Pará states alone almost 500,000m<sup>3</sup> of timber had fraudulent documents in 2013 – enough to fill 14,000 trucks like these. 03/29/2014 © Marizilda Cruppe / Greenpeace

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Trucks loaded with timber await the repair of a ferry used to cross the Curuá-una river, close to Santarém, in Pará state.  
03/27/2014  
© Marizilda Cruppe / Greenpeace





Trucks loaded with timber are seen from a car awaiting the repair of a ferry used to cross the Curuá-Una river, close to Santarém, Pará State. 03/27/2014  
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# LOGGING REGULATION AND 5 WAYS TO LAUNDER

## The regulation of the Brazilian Amazon logging industry

The timber-producing states of Pará and Mato Grosso, responsible for 75% of the sawn wood production in the Amazon, have a dual system of timber industry governance.<sup>1</sup> This consists of a regulatory system overseeing the management of estates and harvesting of timber, and a chain-of-custody system intended to ensure traceability of timber from forest to end user. Both are open to a range of abuses by those who aim to profit from illegal logging, as a result of which 78% and 54% of the land exploited for timber in Pará and Mato Grosso respectively was logged illegally during 2011–12.<sup>2</sup>

In 2006, new forestry legislation passed much of the responsibility for logging industry regulation from the Brazilian Federal Government (Ministry of Environment) to state governments (usually the State Environmental Secretariat (*Secretaria Estadual de Meio Ambiente* – SEMA)). Overnight, the analysis, approval, monitoring and evaluation of Sustainable Forest Management Plans (*Planos de Manejo Florestal Sustentável* – PMFS) became a matter for individual states, as well as the registration of timber consumers and producers and the monitoring of the chain of custody.

Unfortunately this has increased the opportunities for forest fraud because of a lack of capacity at state level, as well as mismanagement and corruption within the SEMAs.

Although the Brazilian Institute for the Environment and Renewable Natural Resources (*Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis* – IBAMA) continues to conduct inspections of logging operations and timber consignments independently of the SEMAs, its interventions are insufficient to address the systemic gaps in enforcement that enable the trade in illegal timber to thrive.



## Regulation of timber management and harvesting

Forest timber may be legally harvested from either private or public land (including Federal and state protected areas) with the correct authorisation. Much harvesting on public land takes place in areas managed by communities living in Federal settlements. Harvesting on private land is subject to regulations that permit clear-felling of up to 20% of an estate and selective logging of much of the remainder.

In Pará and Mato Grosso, the oversight of timber harvesting is exercised by the SEMA through the Integrated System for Environmental Monitoring and Licensing (*Sistema Integrado de Monitoramento e Licenciamento Ambiental – SIMLAM*), a computerised system by means of which estates are registered and monitored, and licences issued for their activities, including logging. The PMFS approval process is conducted via SIMLAM.

A PMFS is obligatory for landowners who wish to harvest timber beyond the 20% of an estate that is allowed to be completely deforested. It is typically drawn up for the SEMA's approval by an independent forest engineer contracted by the landowner or the company that is to carry out logging on the landowner's behalf, and once approved is valid for up to five years. It specifies an Area of Forest Management (*Área de Manejo Florestal – AMF*) within the property, which may amount to as much as 80%, or more if the owner agrees not to clear-cut the 20% to which he or she is entitled.

The AMF may be subdivided into Annual Production Units (*Unidades de Produção Anual – UPA*), depending on the landowner or operator's capacity to harvest the area over the space of one year. Any environmentally sensitive Permanent Preservation Areas (*Áreas de Preservação Permanente – APP*) within each UPA must be excluded from logging – the remaining area to be logged is termed the

Forest Management Unit (*Unidade de Manejo Florestal – UMF*). Each UPA is in turn divided into Work Units (*Unidades de Trabalho – UT*), by which the locations of individual trees are identified.

To harvest timber, the landowner/operator must have a Logging Authorisation (*Autorização de Exploração Florestal – AUTEF*), issued by the SEMA via SIMLAM and valid for one year, with renewal possible for another year. This document generates credits for timber transactions within the Sisflora chain of custody system (see below). There must be an AUTEF associated with all timber sold or transported.

For each UPA, the person or company responsible for the management plan must present an Annual Operation Plan (*Plano Operacional Anual – POA*), including a forest inventory specifying what will be harvested over that year (number of trees, their location and species, and the estimated cubic metres of timber in each tree).<sup>3</sup> If it approves the POA, the SEMA issues an AUTEF. In the Amazon, harvesting is currently limited to 30m<sup>3</sup> of timber (equivalent to two to five trees, depending on species and size) per hectare every 35 years.

## Illegal harvesting of timber

In spite of this regulatory system, however, the Amazon is awash with illegal timber. Timber may be illegal because it comes from land on a private estate that has been clear-felled without a deforestation authorisation, or logged without an AUTEF; because it has been harvested in excess of the maximum authorised for a given area; or because it has been taken without permission from public land, or even from areas protected for wildlife or indigenous peoples and other communities. Between 2007 and 2012, unauthorised logging in Pará state alone covered 717,000ha, 79% of the total logging (905,000ha).<sup>4</sup>



▲ Ipê tree Flowering in Para State, Brazil  
09/18/2013  
© Greenpeace / Daniel Beltrá

▶ Evidence of logging in Uruará, Pará State is seen from the air.  
03/29/2014  
© Marizilda Cruppe / Greenpeace







## Regulation of the timber chain of custody

One of the key weapons in the fight against such illegal timber is a chain of custody system that prevents the transport or sale of timber that cannot be traced to a legal origin. In Brazil, responsibility for the system for tracking timber from origin to destination is split between federal and state authorities. The national system, called the Forest Origin Document (*Documento de Origem Florestal* – DOF) system, is duplicated by the System for the Commercialisation and Transportation of Forest Products (*Sistema de Comercialização e Transporte de Produtos Florestais* – Sisflora), implemented by Mato Grosso state in 2006, and since adopted by Pará. Confusingly, the latter system is also based around a transport document known by IBAMA as a DOF, though more commonly referred to as a *Guia Florestal* (GF). For each PMFS, an identity within the Forest Products Producers and Consumers Register (*Cadastro de Exploradores e Consumidores de Produtos Florestais* – CEPROF) is created on Sisflora (or on the DOF system in states that do not use Sisflora).

Both systems are intended to enable consignments of timber being transported by truck or boat to be compared with the declarations made by estates and sawmills. However, due to capacity limitations, inspection agents rarely check timber consignments in the field in real time.

Moreover, the Sisflora system does not capture data on end users of timber beyond the Amazon.

Timber is tracked using the credits generated by the issue of an AUTEF, which are transferred from the SIMLAM system onto the DOF or Sisflora systems. Every time wood moves between two stages of the chain of custody, it must be accompanied by a GF. The GF is generated in the Sisflora (or DOF) system. When a GF is generated, the amount of wood of each species specified in it is deducted from the credits of the consignor, and credited to the recipient. A producer should not be able to sell timber for which it does not have credits, and a mill or exporting company should not handle timber that is not covered by credits.

## Laundering of illegal timber

As explained above, Amazon timber is being illegally harvested on a huge scale – a crisis that the Sisflora system is intended to help prevent. Unfortunately, a wide range of fraudulent activities, ranging from the creation of fake management plans to the inflation of the number of trees of regulated species in an area, enable this illegal timber to be transported and commercialised with apparently clean documentation.



# The five ways to launder illegal timber

## 1 Logging authorised in area already harvested or deforested

As a result of either negligence or collusion on the part of a SEMA official, a fraudulent PMFS is approved for an already harvested or deforested area that is incapable of supplying any timber of sufficient size to be marketed, or indeed any timber at all. In due course the SEMA approves a POA and grants an AUTEF, along with credits that are then used to provide documentary support for illegal timber logged elsewhere.

## 2 Overstating of the total volume within a PMFS area of trees belonging to valuable species

Species such as Ipê and Jatobá have high commercial value. However, they are also scarce, and a truthful forestry inventory will generally list only a small number of these trees per hectare. In addition, the declared total volume of such trees present within a UPA is estimated, rather than being based on exact measurements, thus opening the way for inflated volumes to be declared. Overstating the number and size of such trees (and hence the volume of timber), provided the actual harvesting level is kept somewhat below the 30m<sup>3</sup>/ha maximum permitted, generates excess credits that can be used to launder illegally harvested high-value timber from other areas.

## 3 Authorised area with no signs of timber extraction

In this case, a PMFS is created simply to generate credits and documentation for the transportation of illegally harvested timber from other areas – no harvesting takes place within the licensed area.

## 4 Credits issued for more timber than the AUTEF authorises to be harvested

This involves inflation of the number of credits associated with an AUTEF on the Sisflora system. This fraud depends upon the cooperation of an officer at the SEMA, since the credits are entered onto the system manually. In Pará, for example, the SIMLAM and Sisflora systems are not interconnected. SEMA employees therefore have to enter the credits generated by each AUTEF manually onto Sisflora – a process that lends itself to fraud. Once again, the fraud generates excess credits that can be used to launder illegal timber.

## 5 Credits issued without an AUTEF or PMFS

This is the most flagrant fraud of them all. This is because, like the previous example, it depends on the direct involvement of a SEMA officer responsible for entering credits onto the system. However, in this case the credits entered onto Sisflora are not merely excessive in terms of an AUTEF that has been granted, but have no supporting AUTEF or PMFS at all. Instead they depend on the officer generating a fake forestry identity (CEPROF), usually registered in the name of a company or an individual (not a PMFS). By this means fake credits are issued directly to a non-existent sawmill. Once again, the only reason to fabricate such credits is to launder illegal timber.

## Endnotes

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## CASE STUDY 1

# ASSOCIAÇÃO VIROLA-JATOBÁ



<b>Logging Authorisation (AUTEF)</b>	633/2009	Expiry date	31/08/2010
<b>Rural Environmental Licence (LAR)</b>	177/2007	Type of Ipê	Yellow Ipê
<b>Total area of property</b>	29,334.66ha	Number of Ipê trees declared in Annual Production Unit (UPA)	Not specified
<b>Sustainable Forest Management Plan (PMFS) area</b>	23,467.73ha	Total volume and density of Ipê trees declared in UPA	4.22m <sup>3</sup>
<b>Net area authorised for harvesting under AUTEF</b>	462.06ha		(0.01m <sup>3</sup> /ha)
<b>Specialist (forest engineer) responsible for PMFS proposal</b>	Marlon Costa de Menezes		
<b>Property owner</b>	Public land managed by INCRA		

<b>Logging Authorisation (AUTEF)</b>	2018/2010	Expiry date	5/10/2011
<b>Rural Environmental Licence (LAR)</b>	177/2007	Type of Ipê	Yellow Ipê
<b>Total area</b>	29,393.50ha	Number of Ipê trees declared in Annual Production Unit (UPA)	Not specified
<b>Area of Sustainable Forest Management Plan (PMFS)</b>	26,578.80ha	Total volume and density of Ipê trees declared in UPA	170.53m <sup>3</sup>
<b>Net area authorised for harvesting under AUTEF</b>	952.53ha		(0.179m <sup>3</sup> /ha)
<b>Specialist (forest engineer) responsible for PMFS proposal</b>	Marlon Costa de Menezes		
<b>Property owner</b>	Public land managed by INCRA		



Virola Jatobá Sustainable Development Project in the municipality of Anapu, Pará State. Approved 'Sustainable Forest Management Plans' for Amazon forest can be misused to launder illegal timber.  
04/01/2014  
© Marizilda Cruppe / Greenpeace

## A pioneering project

The Virola-Jatobá Sustainable Development Project (PDS) was created in 2002<sup>1</sup> out of an earlier government-sponsored agricultural settlement project. Its land is located near the city of Anapu, 25km from the Trans-Amazonian Highway. Together with the Esperança PDS, it was the first such project in Pará,<sup>2</sup> the result of the activist nun Sister Dorothy Stang's<sup>3</sup> work to develop a new model of settlement intended to ensure settlers a secure additional source of income based on managed harvesting of timber, without destroying the forest. Land conflicts between the settlers and loggers led to Sister Dorothy's murder in 2005, inside the Esperança PDS.

According to the Brazilian National Institute for Colonisation and Land Reform (INCRA), 236 families live on the Virola-Jatobá PDS's land.<sup>4</sup> Some of them make up the Associação Virola-Jatobá (AVJ), a community association set up to carry out forestry activities via a Sustainable Forest Management Plan (PMFS) on the bulk of the

PDS land (principally the Legal Reserve – the 80% of the estate that is not permitted to be cleared for agriculture).

It was only in 2007 that AVJ received approval for its first management plan, together with the logging authorisation (AUTEF) for its first Annual Production Unit (UPA) out of 15.<sup>5</sup> In order to manage its forestry project, AVJ established a partnership with a private company, Vitória Régia Exportadora,<sup>6</sup> whose responsibilities were to include implementing the management plan, producing the forest inventory for the next UPAs and ensuring that forestry activity met Forest Stewardship Council (FSC) standards. The relationship between AVJ and Vitória Régia was formalised through a contract validated by the Sustainable Forest Management Support Project in the Amazon (ProManejo – set up by the Institute for the Environment and Renewable Natural Resources (IBAMA)), as well as by INCRA and the Federal Public Prosecutor in Pará.



# Social and environmental disaster

By the time Greenpeace visited the area in 2013, however, this model had resulted in a veritable social and environmental disaster. Vitória Régia Exportadora, which had been sold to the timber products company Arbor Native, was no longer operating the Virola-Jatobá FMP directly: management had been passed to another company, Bortolanza. Nevertheless, Vitória Régia remained the contract holder, and had failed to fulfil its agreements with the community to use low-impact management methods meeting FSC requirements and to provide subsidised farming implements and supplies to the families living within the PDS area.

Community members who worked in the Forest Management Area (AMF) claimed to have discovered that online printable Sisflora forestry documents for transportation of timber (GFs) had been printed from a computer somewhere outside the Virola-Jatobá PDS area, indicating that operations were being concealed from the community. They also claimed that the same documents were used repeatedly for different truckloads of timber, though they are supposed to be used once only.

According to community members, the company operating the plan had abandoned felled timber in the stockyards, telling the community that there was no need to cut more because the yards were full and because it (the company) was not actively pursuing sales at that time. It thereby avoided paying the community for their timber, while using the credits from the abandoned logs to launder timber from elsewhere. Greenpeace found a large number of logs (including some hollow trunks, which a competent forestry operation would not have felled) lying in the PDS's stockyards and forest.

On the few logs that had identification plates, the Greenpeace inspection team found that identification consisted of only the number of the log and in some cases the Work Unit (UT), but not the UPA, in violation of the law and the traceability arrangements agreed between AVJ and Vitória Régia.

In addition, the Greenpeace inspection team identified harvesting of inventoried trees outside the boundary of the AMF.

The team also found many trees within the UPAs that had been designated for felling in the AUTEFs but had not been logged. Along with the abandoning of felled trees, this strongly suggests that AVJ's credits were being used to launder illegal timber from elsewhere. We have reason to believe that significant percentages of these credits have already been traded.



▲ Virola Jatobá Sustainable Development Project in Anapu, Pará State. 04/01/2014 © Marizilda Cruppe / Greenpeace

▶ A sawmill in the municipality of Uruará, Pará State. 03/28/2014 © Marizilda Cruppe / Greenpeace



## Processing

93% of the credits issued in respect of AUTEF 633/2009, and 52% of the credits issued in respect of AUTEF 2018/2010<sup>7</sup>, are known to have been used in transactions with four sawmills in the region (though much of the timber concerned may be assumed not to have come from the AMF):

- **Bortolanza Indústria e Comércio de Madeiras Ltda.** (the same company that has been managing the forestry operation in the AMF)

- **Itapuranga Indústria e Comércio de Madeiras Ltda**

- **R E A Indústria e Comércio de Madeiras Ltda**

- **Madeball Indústria e Comércio Ltda.**

Madeball Indústria e Comércio Ltda has a track record of illegality. Between 2005 and 2008, IBAMA charged the company with nine infractions, of which seven are still making their way through the courts. The offences of which the company

was accused included the sale of sawn timber without authorisation for shipping or sale, and the storage of timber without a licence or proof of origin.<sup>8</sup>

In June 2013 a district court judge ordered the Madeball mill to shut down for 16 months, in the culmination of a court case instigated by IBAMA, which had caught the company in possession of 170m<sup>3</sup> of illegal timber in 2007.<sup>9</sup> Days before the June 2013 ban, Madeball had been fined R\$100,000 (US\$45,000) for falsifying information on Sisflora.<sup>10</sup>

# International customers for suspect timber

Greenpeace knows of 13 companies that have exported timber purchased from the four sawmills associated with the Virola-Jatobá PDS; between them they have exported to Canada, the USA, Belgium, France, Germany, Italy, the Netherlands, Portugal, Spain, the UK and Israel. These export companies include Vitória Régia Exportadora itself, which despite withdrawing from management of the PDS continues to purchase timber from two sawmills linked with it.

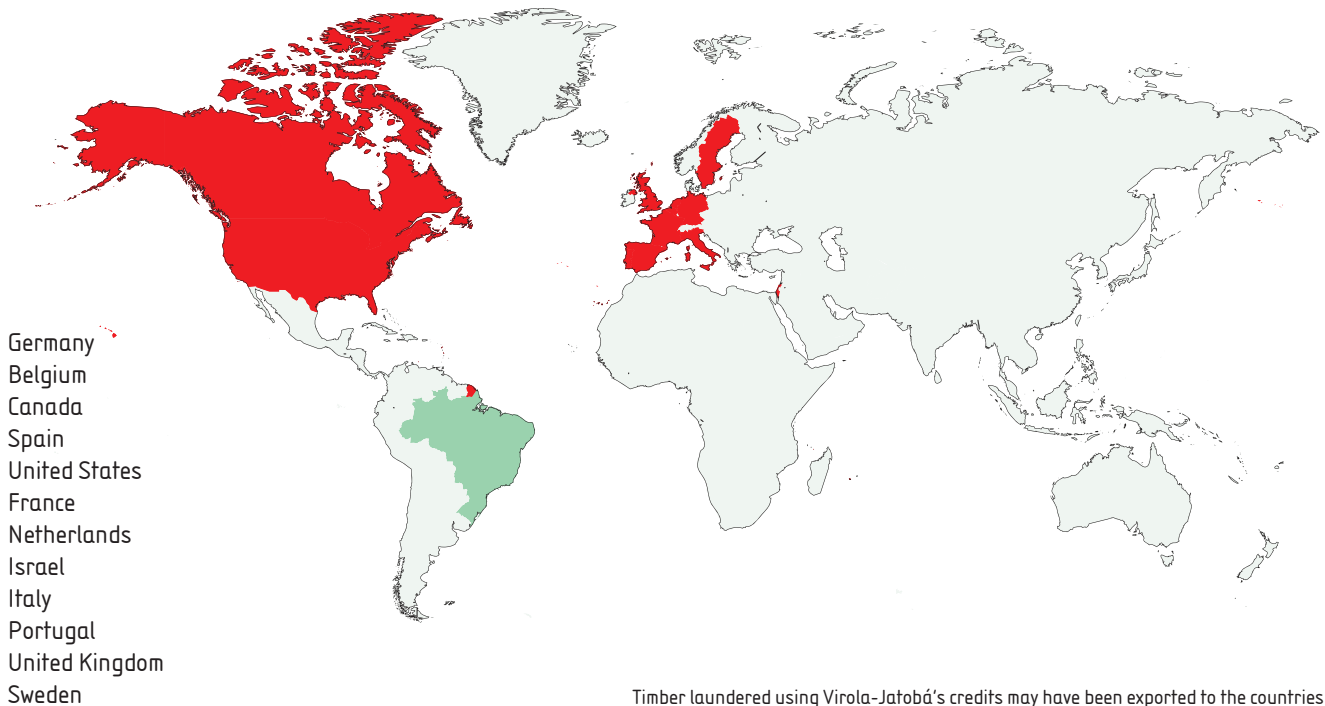
Vitória Régia Exportadora is an important client of the Madeball mill and also exports timber from Bortolanza's mill. Founded in 2001, Vitória Régia exported to 11 countries in the year to February 2014, including the USA, France, Germany, Canada, Portugal, Italy and Sweden.

Vitória Régia emphasises sustainability in its advertising. It is FSC-certified, and its successful products include Ecoflooring,

a plywood flooring made partly of recycled wood.<sup>11</sup> In contrast to its public image, however, in April 2013 the company was fined over R\$600,000.00 (US\$270,000) for stocking and selling wood with no valid documentation.<sup>12</sup>

Export companies that have sourced from Vitória Régia have sold timber to well-known retailers including Lumber Liquidators, A relatively young American company, Lumber Liquidators is featured in US TV programmes such as Extreme Makeover, This Old House and Dream Home,<sup>13</sup> broadcast on cable TV in many countries. The Lumber Liquidators website reports that its flooring can be found in the homes of Donald Trump, Angelina Jolie, Kim Basinger and other celebrities.<sup>14</sup> These customers are probably unaware that Lumber Liquidators purchases Brazilian timber from companies associated with forest industry illegality.

## Virola-Jatobá's tainted markets



Timber laundered using Virola-Jatobá's credits may have been exported to the countries shown

## Endnotes

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## CASE STUDY 2

# AGROPECUÁRIA VITÓRIA RÉGIA SA

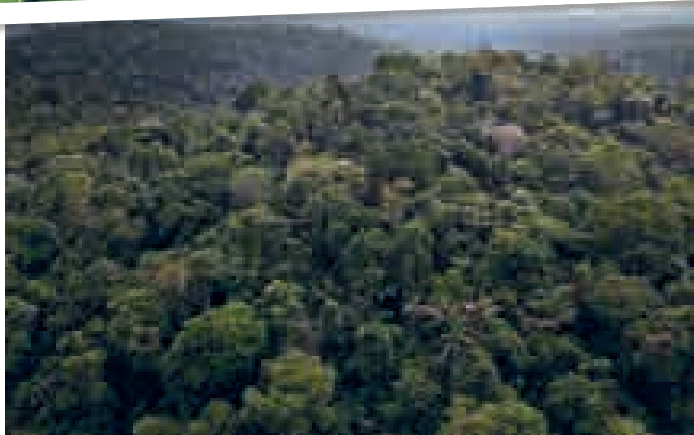


Sign belonging to the Agropecuária Vitória Régia in Anapu municipality, Pará. Approved 'Sustainable Forest Management Plans' for Amazon forest can be misused to launder illegal timber. 03/30/2014 © Marizilda Cruppe / Greenpeace



<b>Logging Authorisation (AUTEF)</b>	671/2009	Expiry date	19/08/2010
<b>Rural Environmental Licence (LAR)</b>	698/2009	Type of Ipê	Not declared
<b>Total area of property</b>	6,000.00ha	Number of Ipê trees	Not specified
<b>Sustainable Forest Management Plan (PMFS) area</b>	2,679.62ha	Total volume and density of Ipê trees declared in Annual Production Unit (UPA)	5,478.28m <sup>3</sup> (2.24m <sup>3</sup> /ha)
<b>Net area authorised for harvesting under AUTEF</b>	2,449.37ha		
<b>Specialists (forest engineers) responsible for PMFS proposal</b>	Newton José Alves de Lima and Marcelo da Silva Soares		
<b>Property owner</b>	Agropecuária Vitória Régia SA		





▲ Evidence of illegal mining within Agropecuária Vitória Régia's Sustainable Forest Management Plan.

04/01/2014

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◀ Agropecuária Vitória Régia's estate in Anapu, Pará State.

04/01/2014

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## A shady past

The Agropecuária Vitória Régia estate, located in the municipality of Anapu, is said in its 2009/10 logging authorisation (AUTEF) to belong to Agropecuária Vitória Régia, a company owned by Laudelino Délio Fernandes Neto,<sup>1</sup> who has twice been charged with financial offences committed in the Amazon.

In 2002, Fernandes Neto (or Délio, as he is known) was charged<sup>2</sup> with siphoning off around R\$7 million<sup>3</sup> (US\$3.15 million) from the now-defunct Superintendency for the Development of the Amazon (SUDAM) in 1998–99. The case is still going through the courts.

Besides this corruption charge, in 2009<sup>4</sup> and 2012<sup>5</sup> Délio was charged by the Federal Public Ministry (MPF) in Altamira, Pará with environmental crimes committed via straw owners, through the company ACosta e Figueiredo Ltda-EPP.<sup>6</sup>

The MPF asserted that Délio's straw owners and co-defendants, Hugo Cirilo Fernandes, Jerônimo Plácido Barbosa and Gerson Rene Benvindo Figueiredo, used Authorisations for the Transport of Forest Products (ATPFs) to launder 1,165m<sup>3</sup> of timber that the company had felled illegally in excess of the permitted harvesting level.<sup>7</sup> In 2006, Fernandes e Figueiredo Ltda (the same company referred to by the MPF in documents relating to the court case as ACosta e Figueiredo Ltda-EPP) had been fined R\$117,000 (US\$52,000) by the Brazilian Institute of the Environment and Renewable Natural Resources (IBAMA) for felling the timber in question.<sup>8</sup> The case is still ongoing at the Regional Court.

In 2009, Agropecuária Vitória Régia was fined over R\$169 million (US\$76 million) for supplying wood for charcoal kilns without going through Sisflora.<sup>9</sup> This was the one of the highest fines issued by IBAMA between January 2009 and December 2013.

## Laundering illegal timber

In 2009, IBAMA embargoed Délio's activities on the Agropecuária Vitória Régia estate,<sup>10</sup> after discovering irregularities in information submitted concerning vehicles supposedly used to transport timber purchased by JFQ Madeiras Ltda.<sup>11</sup> The registration numbers given proved to belong to cars and motorcycles, which could not possibly have transported the timber in question – the aim, according to IBAMA, being to generate surplus transport documents (GFs) for the shipping of illegal timber from elsewhere using these vehicles' registration numbers.<sup>12</sup> The case is still ongoing, and meanwhile the company is still legally permitted to operate.

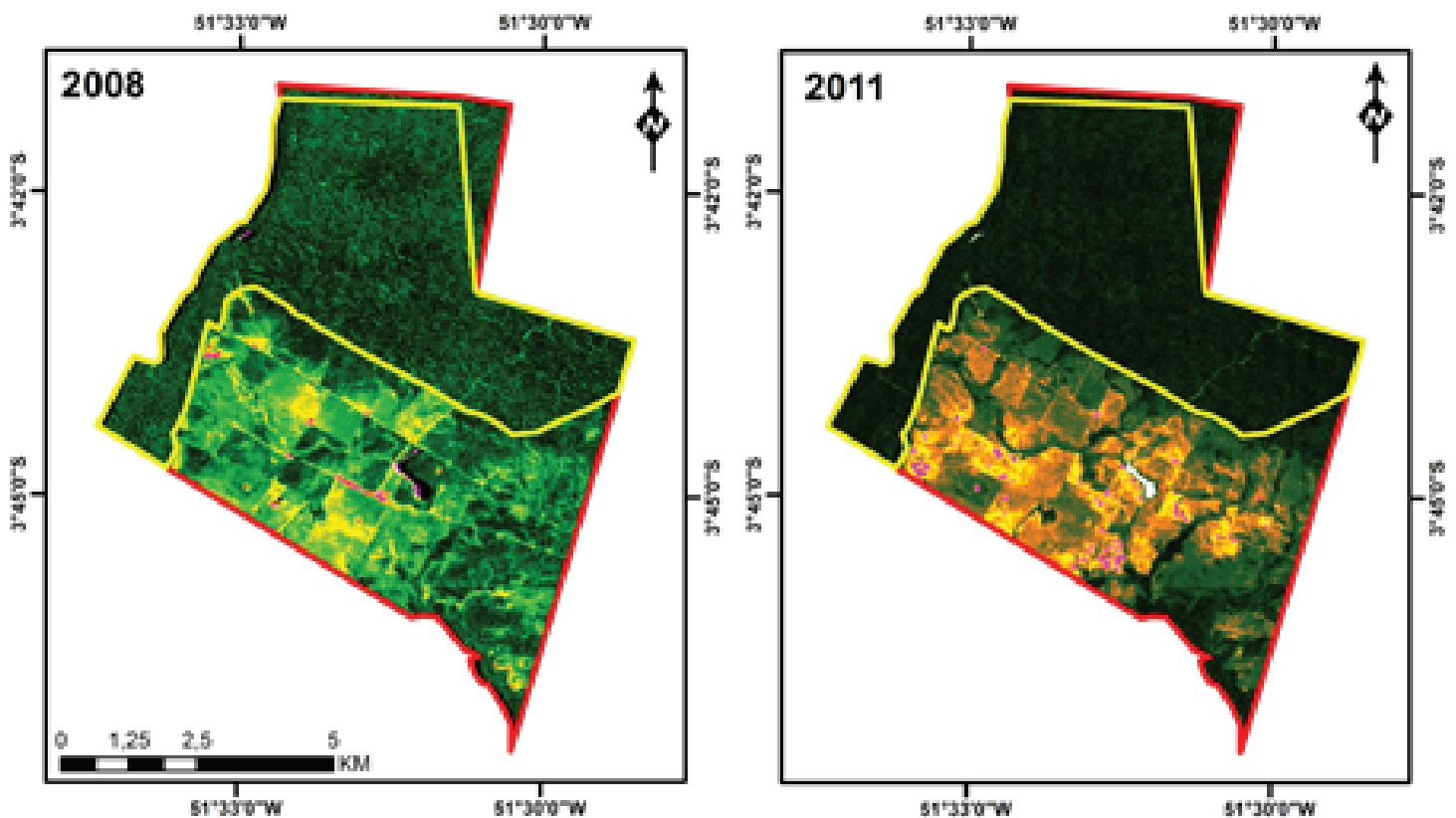
## Forest degradation

When a Greenpeace team inspected the Agropecuária Vitória Régia estate in November 2013, it found a large active area of illegal gold prospecting near the entrance, which had caused significant damage to legally protected wetlands. Also observed were evidence of illegal harvesting of timber within the Annual Production Unit (UPA) of logging authorisation (AUTEF) 671/2009 after the expiry of the AUTEF, felling activities within the Permanent Preservation Area (APP), and felling of protected tree species. At least one Brazil nut tree (*Bertholletia excelsa*) had been cut down, its fall damaging an area of approximately 300m<sup>2</sup>. A 2006<sup>13</sup> Federal Decree prohibits the cutting of Brazil nut trees. Moreover, the species is considered a vulnerable species by the International Union for the Conservation of Nature (IUCN)<sup>14</sup> and appears on a list of threatened species compiled by the Brazilian Ministry of the Environment.

Greenpeace's conclusion was that the forest within the PMFS area was being systematically degraded. There was evidence that unauthorised timber harvesting was ongoing and had stopped only days before the inspection was made.

A final significant infraction noted was the large number of logs abandoned along the roadside, generally from trees below the legal minimum diameter for harvesting. Moreover, eleven of the abandoned logs found were without proper identification.

Autef: 671/2009  
Proprietário: Agropecuaria Vitoria Regia SA

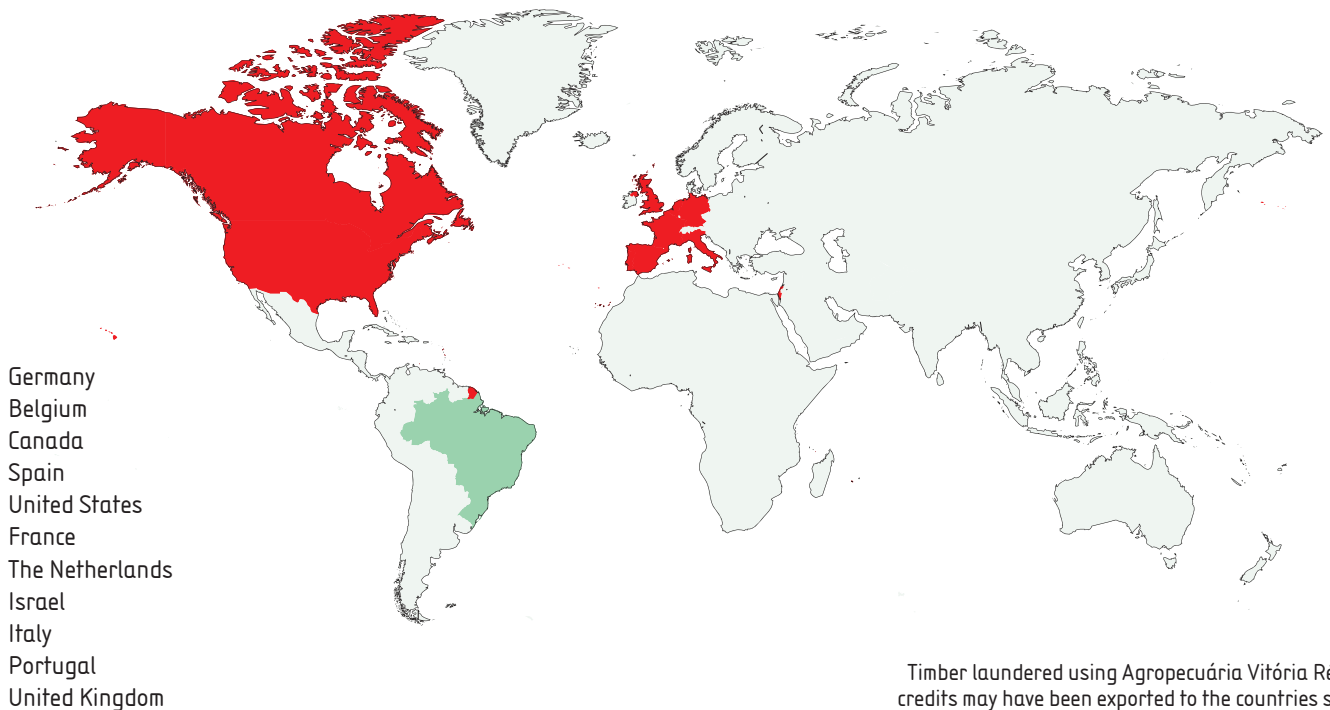


The satellite images above show Agropecuária Vitória Régia SA in 2008 and 2011. Greenpeace geo-referenced analysis determined that there is no alteration (which indicates no tree extraction) within the AUTEF's area - the yellow boundary - which is producing timber credits.

# International customers for suspect timber

According to Greenpeace's investigations, 97% of the credits issued in the name of Agropecuária Vitória Régia were traded,<sup>15</sup> though many of them were presumably used to launder illegal timber logged elsewhere. Timber sold under the credits went to eight sawmills. These mills are in turn known to sell timber to over 40 exporting companies (including the unrelated Vitória Régia Exportadora, p.15), which export timber to at least 11 countries: Germany, Belgium, Canada, Spain, the USA, France, the Netherlands, Israel, Italy, Portugal and the UK.

## Agropecuária Vitória Régia's tainted markets

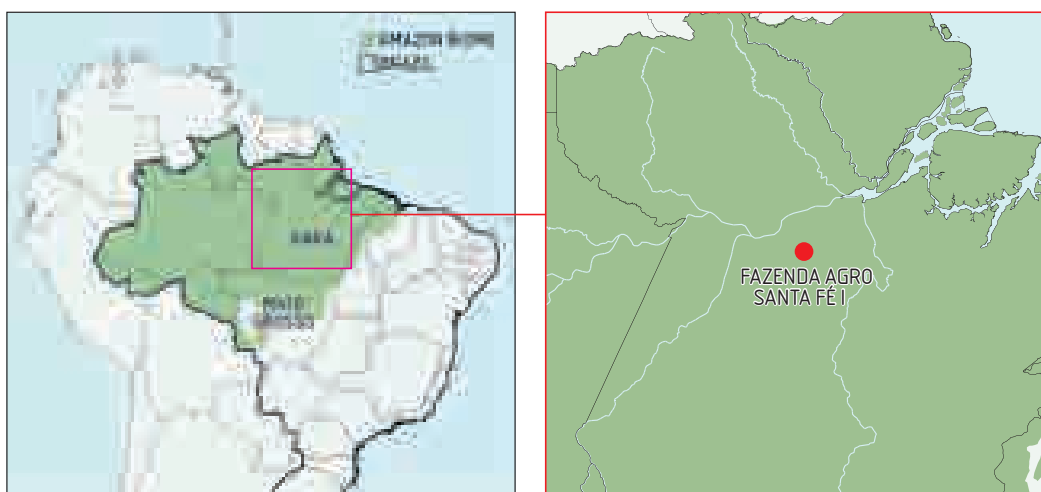


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12. Ibid.
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## CASE STUDY 3

# CESER BUSNELLO



<b>Logging Authorisation (AUTEF)</b>	985/2010	Expiry date	27/08/2011
<b>Rural Environmental Licence (LAR)</b>	1214/2010	Type of Ipê	Not declared
<b>Total area of property (Fazenda Agro Santa Fé I)</b>	1,800.00ha	Number of Ipê trees declared in Annual Production Unit (UPA)	Not specified
<b>Sustainable Forest Management Plan (PMFS) area</b>	1,800.00ha	Total volume and density of Ipê trees declared in UPA	7,046.16m <sup>3</sup> (4.26m <sup>3</sup> /ha)
<b>Net area authorised for harvesting under AUTEF</b>	1,793.66ha		
<b>Specialist (forest engineer) responsible for PMFS proposal</b>	Rejane Guedes de Moura e Silva		
<b>Property owner</b>	Ceser Busnello		

<b>Logging Authorisation (AUTEF)</b>	2173/2012	Expiry date	08/08/2013
<b>Rural Environmental Licence (LAR)</b>	2200/2012	Type of Ipê	Not declared
<b>Total area of property (Fazenda Agro Santa Fé II)</b>	1,800.00ha	Number of Ipê trees declared in Annual Production Unit (UPA)	87
<b>Sustainable Forest Management Plan (PMFS) area</b>	1,800.00ha	Total volume and density of Ipê trees declared in UPA	570.83m <sup>3</sup> (0.32m <sup>3</sup> /ha)
<b>Net area authorised for harvesting under AUTEF</b>	1,786.46ha		
<b>Specialist (forest engineer) responsible for PMFS proposal</b>	Wanderlan Oliveira Souza		
<b>Property owner</b>	Ceser Busnello		





Timber exporter *Madeiraira Rancho Da Cabocla Ltda* ("Rancho Da Cabocla"), known to have handled timber identified with *Fazendas Agro Santa Fé I* and *II*'s credits. *Rancho Da Cabocla* has recently exported timber to at least France, Belgium and the USA

08/03/2008

© Greenpeace/Bandeira



## A history of illegal logging

Ceser Busnello, who was murdered in October 2012, according to media reports as a result of a land dispute,<sup>1</sup> owned two properties of 1,800ha each known as *Fazenda Agro Santa Fé I* and *II* in the municipality of *Prainha* in *Pará* state, and held approved Sustainable Forest Management Plans (PMFS) covering the whole of both properties.

*Fazendas Agro Santa Fé I* and *II* were not the only properties associated with Busnello. In November 2011, after the *Pará* Land Institute (ITERPA) discovered a bogus land title<sup>2</sup> in his name relating to the *Jatobá* Farm, in the municipality of *Juruti* in the west of the state, a joint field operation was mounted by the State Environmental Secretariat (SEMA), the Forestry Development Institute (IDEFLOR), the Environmental Police and the Renato Chaves Centre for Scientific Investigation. A total of 4,018m<sup>3</sup> of illegally harvested logs were seized, and the PMFS, held by an individual who leased the property from Busnello, was suspended.<sup>3</sup>

The forest engineer who drew up the PMFS for Busnello's *Fazenda Agro Santa Fé I* estate, according

to logging authorisation (AUTEF) 985/2010, was *Rejane Guedes de Moura*, an individual who had already been accused of operating illegally. As Greenpeace has previously reported, in December 2006 she was arrested and charged by the Federal Police during an operation aimed at combating illegal logging and related crimes in the *Prainha* area. In 2012 she was convicted.<sup>4</sup>

She also drew up the PMFS for the *Taperinha* Farm (see case study 4, p.27), owned by the estate of *Violeta Elizabeth Hagmann*, another location highlighted by Greenpeace as the scene of dubious timber practices.

The *Agro Santa Fé I* estate had its registration in the Forest Products Producers and Consumers Register (CEPROF) suspended by the SEMA in November 2012, immediately after Busnello's death. According to the SEMA, the suspension was imposed after a report from its Juridical Department (CONJUR) found 'irreparable damage to the environment'.<sup>5</sup>

## Generating excess credits Processing

In November 2013 a Greenpeace inspection team checked a sample of the trees mentioned in the forest inventories for AUTEF 985/2010 and AUTEF 2173/2012. Of 11 trees checked, only three were found to exist or to have existed. Furthermore, the formula used to estimate the overall volume of timber in Fazenda Agro Santa Fé I had been incorrectly applied, resulting in an overestimate of more than 5,500m<sup>3</sup> (nearly 14%). This in turn resulted in the issuing of excess timber credits that were almost certainly used to launder illegal timber.

Greenpeace's investigation has found that 99.8% of the credits generated by AUTEF 985/2010, and 70% of the credits of AUTEF 2173/2012 were traded.<sup>6</sup> They were used to sell timber to 24 different sawmills, including Madesa Madeireira Santarém Ltda, a logging and timber processing and exporting company with a long history of illegality and non-compliance with regulations.



◀ Evidence of logging in Uruará, Pará State is seen from the air. 03/29/2014 © Marizilda Cruppe / Greenpeace

▼ Trucks loaded with timber await the repair of a ferry used to cross the Curuá-Una river, close to Santarém, Pará State. 03/27/2014 © Marizilda Cruppe / Greenpeace



## Madesa – a serial offender<sup>7</sup>

Madesa began operations in Santarém in 1987 and received its first fine from the Brazilian Institute for the Environment and Renewable Natural Resources (IBAMA) two years later. Between 1990 and 2007, it was fined around 25 times for shipping, storing and selling illegal timber, as well as attempting to prevent the authorities from carrying out environmental inspections.<sup>8</sup>

In September 1997 Greenpeace accompanied an inspection conducted by IBAMA and the National Institute for Colonisation and Agrarian Reform (INCRA) of two of the company's PMF areas, which found that harvesting had been carried out in a disorganised and predatory manner.<sup>9</sup>

In July 2001, one of the company's management plans, covering around 2,500ha of federal public land, was terminated – but only after the company had harvested the area and exported all the timber. According to the Federal

Public Ministry in Santarém, the company also harvested timber without authorisation on 7,500ha of other public land. The directors of the company were found guilty of illegal timber harvesting, but have appealed to the Regional Federal Court. The case is still ongoing.<sup>10</sup>

In 2006 Madesa was fined for storing 2,369m<sup>3</sup> of undocumented timber, and it was fined again in 2007 for shipping 37m<sup>3</sup> without a valid licence. In August 2006, INCRA caught the company illegally harvesting wood within the boundaries of the Renascer II Sustainable Development Project (PDS). Although it was on public land, the company alleged that 40% of the area belonged to it, and continued to harvest timber there in 2008, as reported by Greenpeace.<sup>11</sup>

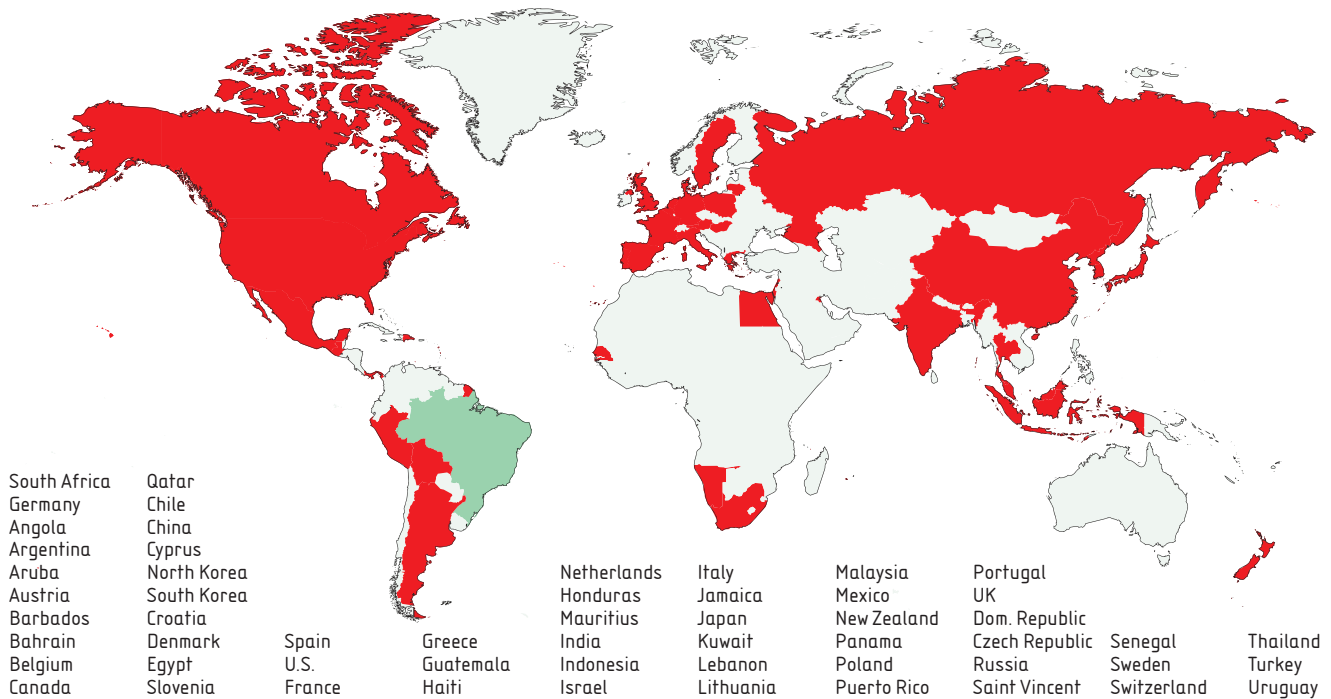
According to IBAMA, the company is on the embargo list, with an embargo dated from 2008 and still current.<sup>12</sup>

# International customers for suspect timber

Since February 2013, mills that have purchased and processed timber identified with Fazendas Agro Santa Fé I and II's credits are known to have resold the sawn timber to no fewer than 71 exporting companies. These include Vitória Régia Exportadora, (see case study 1, p.15), and Madesa (see above), which as well as exporting timber from its own mills has handled timber from several of the other mills involved.

Among the almost 60 countries to which companies associated with Fazenda Agro Santa Fé I have exported are Germany, Argentina, Belgium, Canada, China, Denmark, Spain, the USA, France, Holland, Israel, Italy, Japan, Portugal, the UK, Lebanon and Turkey.

## Agro Santa Fe I and II's tainted markets



Timber laundered using Cesar Busnello credits may have been exported to the countries shown

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## CASE STUDY 4

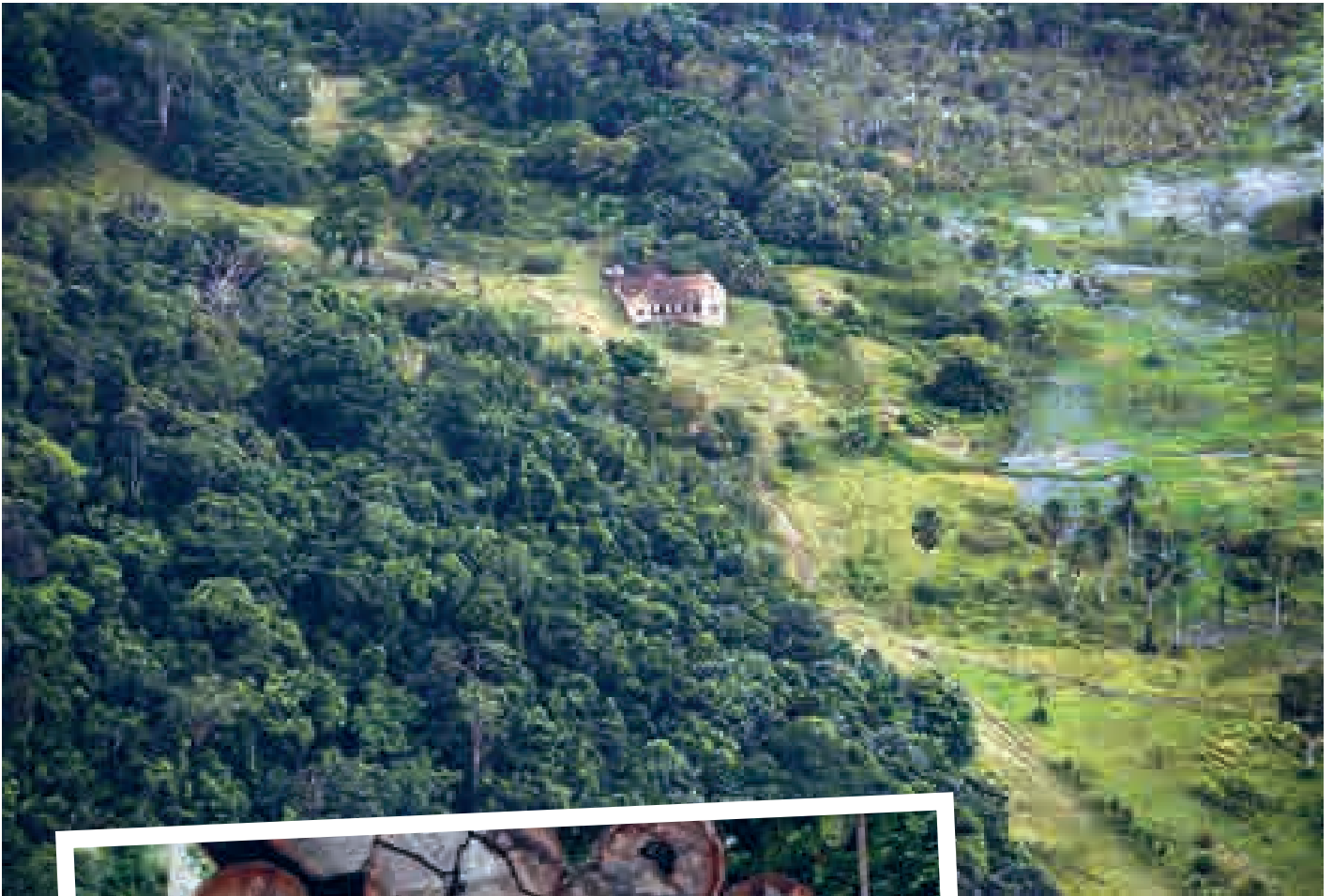
# ESTATE OF VIOLETA ELIZABETH HAGMANN



Logging for timber in the Brazilian Amazon. 03/28/2014  
© Marizilda Cruppe / Greenpeace



<b>Logging Authorisation (AUTEF)</b>	1515/2010	Expiry date	06/12/2011
<b>Rural Environmental Licence (LAR)</b>	1159/2010	Type of Ipê	Not declared
<b>Total area of property</b>	1,589.27ha	Number of Ipê trees declared in Annual Production Unit (UPA)	Not specified
<b>Sustainable Forest Management Plan (PMFS) area</b>	1,271.41ha	Total volume and density of Ipê trees declared in UPA	2,105.55m <sup>3</sup>
<b>Net area authorised for harvesting under AUTEF</b>	428.88ha		(4.91m <sup>3</sup> /ha)
<b>Specialist (forest engineer) responsible for PMFS proposal</b>	Rejane Guedes de Moura e Silva		
<b>Property owner</b>	Estate of Violeta Elizabeth Hagmann		



▲ The Estate of Violeta Elizabeth Hagmann, in the municipality of Santarém, is well known to Brazilian and international travellers, naturalists and researchers as a focus of scientific investigation for over three centuries. Despite its long and illustrious history, the estate has now become a tool of forest crime. A Sustainable Forest Management Plan (PMFS) for low-impact timber harvesting has been approved in 2009, however, there is evidence of practices intended to produce surplus credits to be used for laundering of illegal timber. 28/03/2014 © Marizilda Cruppe / Greenpeace

◄ Timber in an illegally logged area near Santarém. 03/31/2012 © Karla Gachet / Panos / Greenpeace

## A historic site

The Taperinha estate, 50km from Santarém (Pará), is well known to Brazilian and international travellers, naturalists and researchers as a focus of scientific investigation for over three centuries.<sup>1</sup> According to the Museu Emilio Goeldi in Belém, Pará, geologists, zoologists, botanists and archaeologists have all been regular visitors, and the estate is the locality from which over 150 species of animals new to science were first described.<sup>2</sup>

Among the famous researchers who spent time at Taperinha was the American archaeologist Anna Roosevelt, who explored

the shell middens on the estate during the 1980s.<sup>3</sup> Her research was fundamental for the understanding of the pre-Columbian settlement of the Amazon.

The Taperinha estate was acquired in 1917 by Godofredo Hagmann, a former zoologist at the Museu Goeldi.<sup>4</sup> He managed the property until 1946, the year of his death.<sup>5</sup> Taperinha passed to Erica Hagmann and Violeta Elizabeth Hagmann, and it is now owned jointly by all six of Godofredo's grandchildren, one of whom is manager.<sup>6</sup>

# Degradation and fraud

In spite of its long and illustrious history, however, the estate has now become a tool of forest crime. In 2009, a Sustainable Forest Management Plan (PMFS) for low-impact timber harvesting was approved. But a Greenpeace field inspection of the PMFS area in November 2013 observed evidence of practices intended to produce surplus credits to be used for laundering of illegal timber.

Significant errors were found in the forest inventory for logging authorisation (AUTEF) 1515/2010: nine out of eleven trees checked by Greenpeace had been incorrectly described there. Five trees listed in the inventory as Ipê were in fact Jarana (*Holopyxidium jarana*), a commercially less desirable species. These trees, marked for harvesting, had actually been left intact in the forest, despite the entire volume of the AUTEF having supposedly been used up, which should mean that they had been harvested.

Moreover, according to Greenpeace's calculations the total amount of Ipê reported in the inventory for the AUTEF was 2,105m<sup>3</sup>. The combination of the errors noted above and the

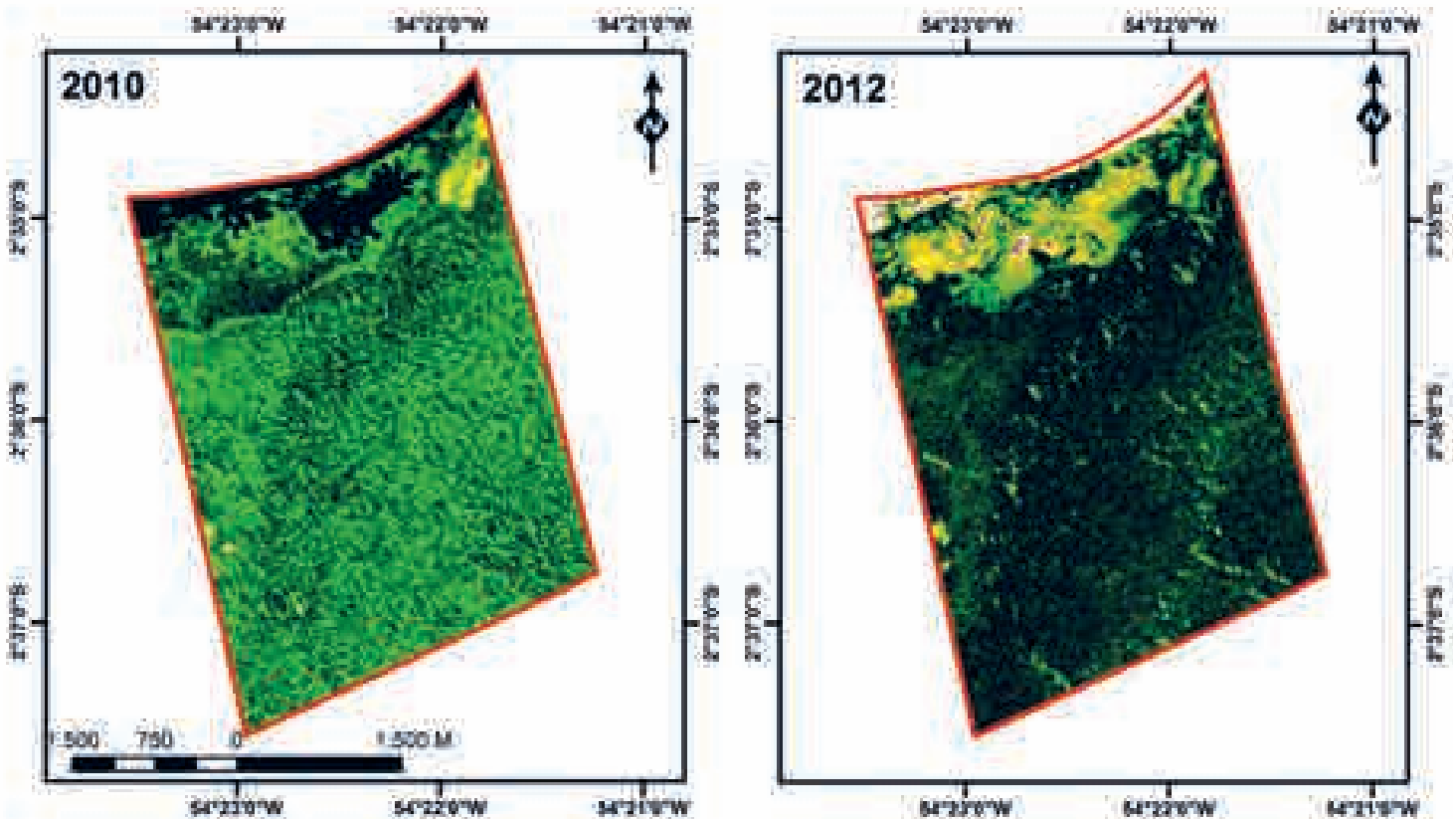
significant volume of Ipê reported in the inventory strongly indicates that credits issued for Ipê are being used to launder timber cut illegally elsewhere.

As Greenpeace reported in 2006,<sup>7</sup> the forest engineer in charge of the PMFS application had a controversial history, having been arrested and charged in 2006 in connection with a police investigation into illegal logging in the Prainha area. In 2012 she was convicted.<sup>8</sup>

The same engineer also approved the PMFS for Fazenda Agro Santa Fé I (see case study 3, p.23), so it is perhaps unsurprising that generating of excess timber credits through forest inventory errors was discovered on both estates.

In February 2012, after an IBAMA operation in the Santarém region, the Taperinha PMFS was suspended. The IBAMA notice of suspension stated that the PMFS was inactive.<sup>9</sup>

Autef: 1515/2010  
Proprietário: Espólio de Violeta Elizabeth Hagmann



The satellite images above shows Violeta Elizabeth Hagmann's Estate in 2010 and 2012. Greenpeace geo-referenced analysis determined that there is no alteration (which indicates no tree extraction) within the AUTEF's area, which is producing timber credits.





## Processing

According to Greenpeace's investigation, all the credits relating to the Taperinha estate's AUTEF 1515/2010 were used to sell timber to the timber yard MADEVI Ltda.<sup>10</sup> Located in Santarém, in the interior of the state of Pará, MADEVI has a history of environmental illegalities and circumventing of logging regulations.

In 2007 alone, MADEVI was sanctioned by IBAMA at least six times for various infractions such as illegal logging and failure to verify the origin of timber. The resultant fines totalled over R\$1 million (US\$450,000).<sup>11</sup> Between 2009 and 2011, MADEVI received five fines totalling more than R\$26 million (US\$11million).<sup>12</sup>

More recently, in 2012, the Public Ministry of Labour began legal action against the company, after the local forestry workers' union<sup>13</sup> alleged that it had failed to abide by a Term of Adjustment of Conduct signed in 2008, which committed it to minimum working conditions.<sup>14</sup>

# International customers for suspect timber

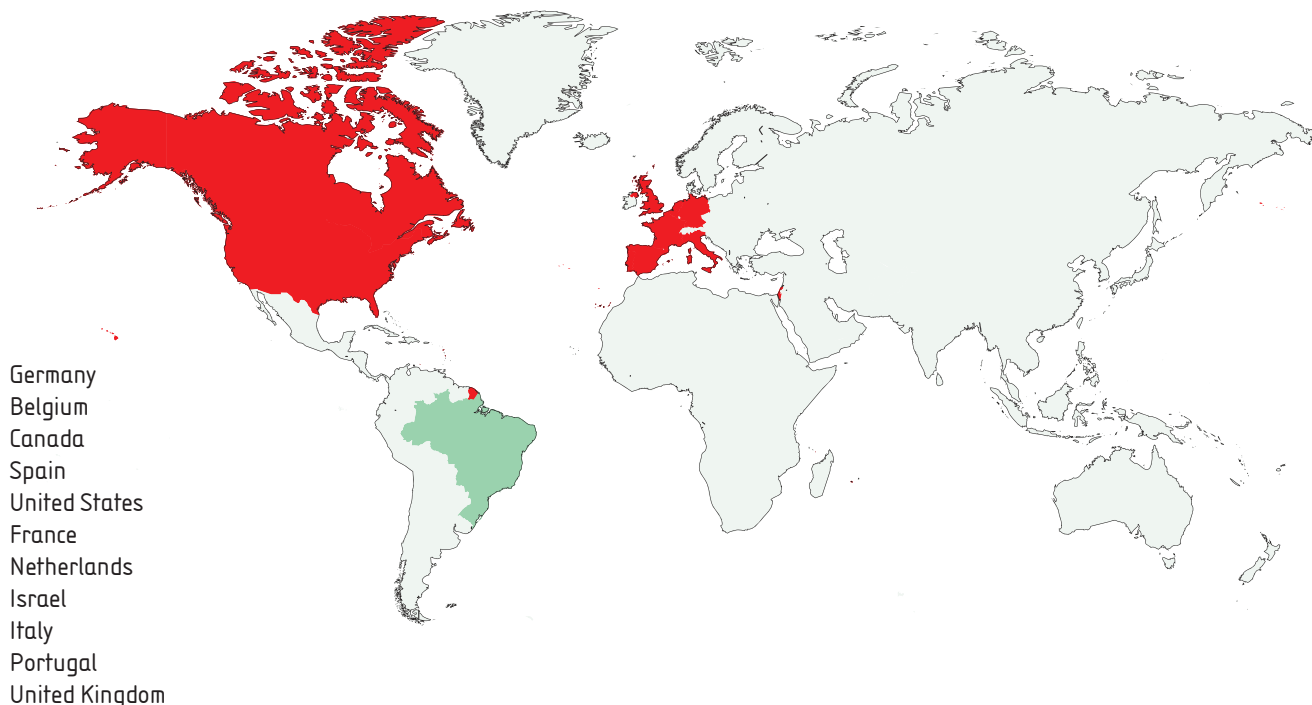
As of 2011, MADEVI sold sawn timber to at least 3 exporters, as identified by Greenpeace: Batista & Farias Transformação de Madeiras Ltda–Me, Wizi Indústria, Comércio e Exportação de Madeiras Ltda, and Madeireira Rancho da Cabocla Ltda. In addition, MADEVI also exports timber directly to various countries. According to Greenpeace research, since February 2013, MADEVI

and the 3 exporters mentioned above have between them exported timber to Belgium, Canada, France, Germany, Italy, the Netherlands, Portugal, Spain, the UK, Israel, and the USA.

Greenpeace has identified importers with which MADEVI has conducted business directly, including Vandecasteele Houtimport in Belgium and DLH in France and Denmark.

US Importers trading with companies buying from MADEVI include Sabra International Inc, Exterior Wood Inc, Aljoma Lumber Inc, Timber Holdings USA LLC and Tradelink.

## Fazenda Taperinha's tainted markets



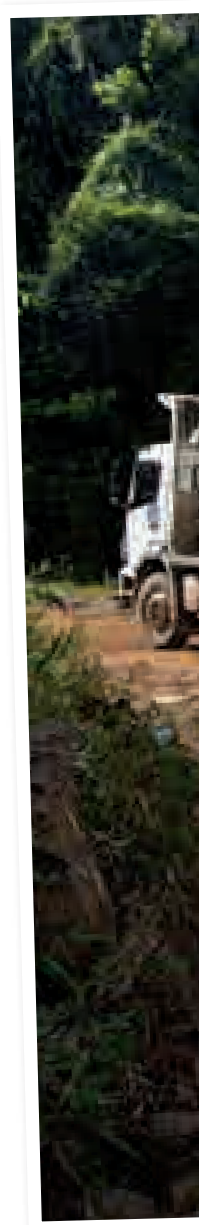
Timber laundered using Fazenda Taperinha's credits may have been exported to the countries shown

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- 10 MPF Para, Investigation Procedure number 1.23.000.001187/2013-31
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- 12 IBAMA case numbers: 02048.000927/2009-75; 02048.000302/2010-47; 02048.000135/2010-34; 02048.000147/2010-69; 02048.000034/2012-25.
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## CASE STUDY 5

# TECNIFLORA LTDA



<b>Logging Authorisation (AUTEF)</b>	2281/2012	Expiry date	13/07/2013
<b>Rural Environmental Licence (LAR)</b>	2143/2012	Type of Ipê	Not declared
<b>Total area of property</b>	8,652.94ha	Number of Ipê trees declared in Annual Production Unit (UPA)	1,109
<b>Sustainable Forest Management Plan (PMFS) area</b>	6,016.19ha	Total volume and density of Ipê trees declared in UPA	5,892.56m <sup>3</sup> (1.46m <sup>3</sup> /ha)
<b>Net area authorised for harvesting under AUTEF</b>	5,164.76ha		
<b>Specialist (forest engineer) responsible for PMFS proposal</b>	Eduardo Costa Coelho		
<b>Property owner</b>	Tecniflora Ltda and others		





▲ A truck loaded with timber on the Curuá-Una road after crossing the River of the same name, near Santarém, Pará State. 03/26/2014  
 © Marizilda Cruppe / Greenpeace

◄ Evidence of logging in Uruará, Pará State. 03/29/2014  
 © Marizilda Cruppe / Greenpeace

## An environmentally sensitive application

The Marituba estate is located in the municipality of Anajás (Pará State), in the centre of the island of Marajó at the mouth of the Amazon.

Tecniflora began the Sustainable Forest Management Plan (PMFS) application process in August 2011 and obtained a Logging Authorisation (AUTEF) in July 2012.<sup>1</sup> The company was authorised to harvest some 152,000m<sup>3</sup> of timber, on approximately 5,150ha of the 8,650ha estate.

According to SEMA's analysis of Tecniflora's PMFS application, the estate is situated inside an Environmental Protection Area (APA),<sup>2</sup> and is only 8km from the Mapuá Extractive Reserve (RESEX),<sup>3</sup> created in 2005 and under federal management.

In addition, consideration is being given<sup>4</sup> to designating the area as a Conservation Unit (UC),<sup>5</sup> while the State Environmental Secretariat (SEMA) is attempting to get the whole island of Marajó designated as a Biosphere Reserve by UNESCO.<sup>6</sup> For these reasons Tecniflora's PMFS application was referred by the SEMA to the state Protected Areas Directorate, which however made no objection to it.<sup>7</sup> Accordingly, after a technical inspection the SEMA approved the PMFS and issued the first AUTEF.

The forest engineer responsible for the Tecniflora PMFS previously represented another company (Agropastoril Eldorado Indústria e Comércio de Madeiras Ltda), accused by IBAMA of illegally deforesting 650ha of native vegetation.<sup>8</sup>

# Evidence of forest fraud

evidence of the illegal transfer of timber credits from the PMFS on the Marituba estate.

According to an article published on the Brazilian G1 news website<sup>16</sup> in September 2013:<sup>17</sup>

*Tecniflora, a company whose Forest Management Plan had been approved by the SEMA and which had been given a logging authorisation and timber credits, came under investigation when the inspectors from the secretariat identified signs of the irregular use of the credits.*

*... The environmental crime was confirmed when the SEMA team went to the forest management area in the municipality of Anajás armed with reports produced by the secretariat's monitoring department, containing an analysis over time of satellite images and data on the sale of credits in the System for Commercialization and Transportation of Forest Products (Sisflora), and confirmed various irregularities in the execution of the management plan, the main one being that less than 5% of the forest had been harvested, proving that there had been no sale of timber but rather a sale of forest credits.*

*... Regarding the analyses of the use of forest credits, the data from the monitoring department of the Environmental Secretariat showed that for the volume of 151,943.48 cubic metres of authorised native timber, 830 transport documents (GFs) were issued, of which 33 were used for consignments of timber that were shipped exclusively by road, which would not have been possible [if they had come from the Marituba estate], since the area is accessible only by river, with the nearest road being 54km away as the crow flies.*

*In addition, the satellite images showed untouched areas where logs were supposed to have been removed. Other cases show shipping partly by river and partly by land of quantities so large (for example 752.9m<sup>3</sup>) that they could not have been shipped in less than three days by a single truck, from Anajás to Moju, for example. It was evident therefore that the timber [from the Marituba estate] had not been physically sold, since besides the large volume, the time claimed for delivery of the timber was insufficient.*

The Marituba estate is located in the centre of the island of Marajó. The island consists mainly of low-lying wetland areas<sup>9</sup> that flood periodically, as a result of which there are only small quantities of commercially viable tree species (which occur only in drier areas). Nonetheless, the inventory included with AUTEF 2281/2012 for Tecniflora's PMFS consists predominantly of species typical of drier habitats. The document also claims densities for species such as Ipê far above what would be expected on the basis of the scientific literature. Furthermore, forest inventories produced for the Brazilian Geological Agency<sup>10</sup> show no Ipê or other dry land species in the region.

When Greenpeace researchers overflew the management area in September 2013, they observed no logging activity, log yards, dragging tracks or even access roads for the transportation of logs. This indicates that the credits generated by this management area were used to legitimise illegal timber coming from elsewhere – a conclusion that was confirmed by an official investigation.<sup>11</sup>

Subsequent to the issuing of the AUTEF, another technical inspection had been scheduled for April 2013 with the aim of evaluating the compliance of the harvesting activities with the AUTEF.<sup>12</sup> However, the SEMA's agriculture and forest management division (GEPAF) requested that the inspection be rescheduled due to illness, and it was then suggested that it should be conducted only after the start of the rainy season in July.<sup>13</sup>

In July, an inspection mission was finally scheduled for September.<sup>14</sup> This 6-month delay gave Tecniflora a period of respite during which it could continue to use its timber credits issued for Marituba to launder timber illegally harvested in other areas. After the inspection, the State Environmental Secretariat announced on its website<sup>15</sup> that it had uncovered



▲ Barges loaded with timber in the river Curuá do Sul, Pará State. 03/28/2014 © Marizilda Cruppe / Greenpeace

▲ Timber is seen in the yard of a sawmill named Alecrim, in Santarém, Pará State. 03/26/2014 © Marizilda Cruppe / Greenpeace



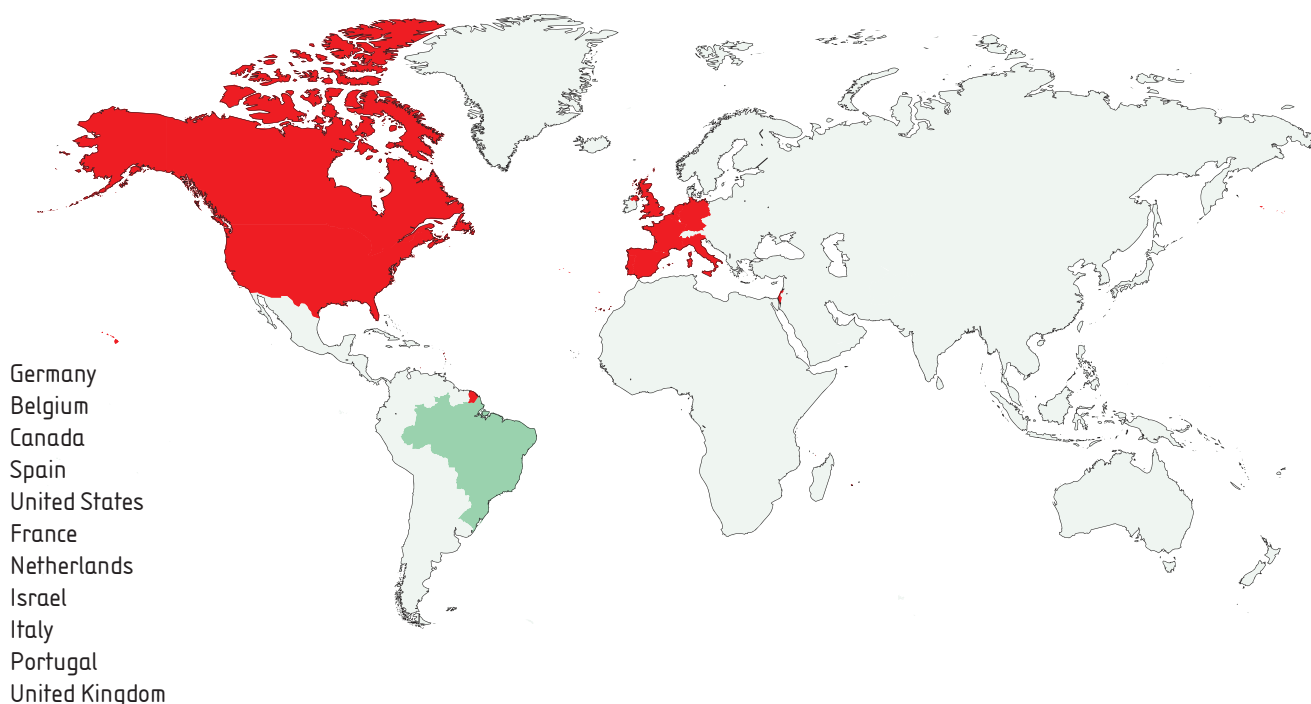
## International customers for suspect timber

According to Greenpeace's investigation, Tecniflora traded 99.9% of the credits generated by AUTEF 2281/2012. The company sold timber claimed to be from the Marituba PMFS area to nine sawmills.<sup>19</sup> These mills are known to have had dealings with no fewer than 40 export companies, which between them have shipped timber to at least 13 countries including Belgium, Canada, China, Denmark, France, Germany, Israel, Italy, the Netherlands, Portugal, Spain the UK and the USA.

Given all the irregularities found, which also included the non-existence of companies that had supposedly purchased the timber (in practice, only credits were purchased), the SEMA not only fined the companies [that had purchased the credits], but also blocked their registration in the Forest Product Producer and Consumer Registration System (CEPROF).

Some of the companies who had laundered wood using Tecniflora credits subsequently went to court to reinstate their CEPROF registrations, since their activities had been brought to a complete halt. The case went to the Brazilian Supreme Court, where on 12 March 2014 the Minister and President of the Court Joaquim Barbosa refused to reinstate their registrations.<sup>18</sup>

### Tecniflora Ltda's tainted markets



Timber laundered using Tecniflora's credits may have been exported to the countries shown

### Endnotes

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- A type of protected area in which low-impact activities are permitted, and where private land can remain in private ownership.
- According to Article 18 of Law 9.985/2000, 'The Extractive Reserve is an area used by traditional extractive populations whose livelihood is based on extraction and, additionally, on subsistence farming and ranching of small livestock, and has as its basic objective to protect the livelihoods and culture of these populations, and to ensure the sustainable use of natural resources of the unit.'
- As described in the Pará SEMA's analysis of Tecniflora's PMFS application. <http://monitoramento.sema.pa.gov.br/simlam/>
- A Conservation Unit is an area of public land where economic activities are forbidden or highly controlled. It is a much more restrictive form of protected area than the APA.
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Evidence of logging in Uruará,  
Pará State, is seen from the air.  
08/05/2014  
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# AMAZON TIMBER IN THE US MARKET AND THE LACEY ACT



Lumber Liquidators store in Rockville,  
Maryland, USA.  
05/07/2014  
© Douglas Reyes-Ceron / Greenpeace

***'The truth is that there are many people who are buying Ipê (from Brazil) which they think has been legally logged, but who may actually be getting something that has, for lack of a better term, been laundered.'*<sup>1</sup>**

Major US-based timber importer,  
J. Gibson McIlvain

The USA represents the largest export market for Brazilian timber.<sup>2</sup> Exotic species are bought at a premium and tend to be used in high-end architecture for decking, siding (cladding), and flooring. Major institutional buyers such as cities, universities and companies with large campuses also purchase massive quantities of Brazilian and other tropical timber for walkways and piers; New York City, for example, is one of the largest purchasers of such timber in North America.<sup>3</sup> These institutions see some South American tropical hardwood varieties, Ipê in particular, as a long-term investment because of their durability and weather resistance.<sup>4</sup> However, buyers of Amazon timber may be not only financing forest destruction but also violating US law.



# Buying Brazilian timber and breaking US law

The trading of illegal timber is banned in the USA under the Lacey Act.<sup>5</sup> This law, in force since 1900, bans trade in illegal wildlife. In 2008 the US government amended it to include trafficked plants as well as fauna, representing the world's first trade ban on illegal timber.<sup>6</sup> The amended act requires buyers to file 'Lacey declarations' that specify the scientific name, value, quantity and country of harvest of imported timber. Most importantly, it bans trade in timber that was acquired in any manner that violated an underlying US, foreign or international law.<sup>7</sup> Trade in timber acquired in violation of any underlying Brazilian law is thus prohibited under US law. Given the high incidence of illegality in the Amazon timber sector, it is very likely that many US purchases of Brazilian timber have been and continue to be in violation of US law.

The Lacey Act has provisions for both civil and criminal penalties that range in severity depending on the intent of the buyer, whether or not the buyer knows that the timber is illegal and whether or not the buyer has taken 'due care'.<sup>8</sup> Due care is a legal standard of diligence that differs according to context: high-risk origins may require additional scrutiny on the part of the buyer in order to ensure that timber is legal.<sup>9</sup> The Act also has strict liability provisions, meaning that even if a buyer has taken due care to prevent the purchase of illegal timber, they can still be held responsible if any timber purchased proves to be illegal, although the penalties are not

as severe as those for buyers who did not take due care.<sup>10</sup>

Given the systemic flaws in the Brazilian timber regulatory system, due care for purchases from Brazil requires an enhanced level of scrutiny from buyers. This should include looking beyond Brazilian legal documentation, which has been shown to be easily misappropriated. Many US vendors of Brazilian timber claim that they review legal documents from exporters and occasionally make site visits.<sup>11</sup> However, looking at the documents in isolation does not address the issue of whether or not they match the timber that they accompany. In order to ensure that the wood purchased actually comes from the location claimed in the documents, buyers may need to invest additional resources in site visits, third-party auditing, or origin verification technology such as DNA or isotope testing.

Although third-party certification schemes such as that run by the Forest Stewardship Council (FSC) maintain legality as a fundamental principle for certified operations, the US government recognises certification only as an indicator of due care, not as stand-alone proof of legality.<sup>12</sup> Several situations could occur that might result in illegal timber being traded under the FSC label, such as a company further up the supply chain violating laws in the country of origin,<sup>13</sup> or the timber's true origin being hidden from the buyer by means of misappropriated documents.



Aerial of a sawmill named Di Trento, in the municipality of Anapu, Pará State.  
© Marizilda Cruppe / Greenpeace





Lumber Liquidators store in Rockville, Maryland, USA.  
05/07/2014

© Douglas Reyes-Ceron / Greenpeace

## Amazon under foot in the USA

Greenpeace's two-year investigation into logging in the Amazon has found cases that demonstrate how easy it is to fool the regulatory system at the forest management plan level and so introduce unauthorised timber into the market. The ease with which timber can be laundered helps explain how it is possible for illegal logging to occur on such a large scale.

The investigation has uncovered five cases, each relating to a different property, which illustrate the illegal activities of the Brazilian logging trade. Greenpeace was able to trace these properties' sales to certain sawmills in Pará state and then to map out sales from those sawmills to exporters. The exporters identified as doing business with these tainted sawmills sell to a wide range of high-profile importers and businesses in the USA. Below are given a few examples of companies that do not have satisfactory assurances as to where their timber is coming from, and that should be concerned in view of the sources from which they are buying.

Lumber Liquidators, headquartered in Virginia, is the USA's largest national speciality hardwood flooring retailer, with over 318 storefronts in 46 states and Canada, and over US\$1 billion in annual net sales.<sup>14</sup> The firm positions itself as a competitive source of bargain flooring.<sup>15</sup> Unlike its competitors Lowe's<sup>16</sup> and Home Depot,<sup>17</sup> it still sells large quantities of tropical timber species and does not have a public endangered forest policy. Lumber Liquidators claims that it sources from 'managed forests', but this claim is not backed by any meaningful minimum standards.<sup>18</sup>

The company was the subject of a recent report by the NGO Environmental Investigation Agency which found that it sourced solid wood flooring from a factory that admitted it regularly dealt with illegal timber from the Russian Far East.<sup>19</sup> This report coincided with a raid on the company's headquarters by US Federal agents, and the company is still under investigation for violations of the Lacey Act.<sup>20</sup>

Lumber Liquidators' website admits that the firm still does not 'engage third party auditors or verifiers' to monitor its supply chain.<sup>21</sup> Lumber Liquidators is actively trying to increase the market for Brazilian wood products in the USA. The company recently petitioned the US government to redesignate imports of Brazilian timber products as duty-free; it claimed that as a company it refuses products it suspects to be illegal and that the Brazilian government has 'made significant efforts to eradicate illegal logging and to protect the sustainability of its forestry'.<sup>22</sup>

On Lumber Liquidators' store shelves, exotic solid wood flooring commands the highest prices. Species for sale include Ipê, Jatoba, Massaranduba and Cumaru.<sup>23</sup> Lumber Liquidators buys solid wood flooring from the Amazon from suppliers Exportadora De Madeiras Amazonica Ltda. ('Exmam'), Juruá Florestal Ltda ('Juruá') and Pampa Exportações Ltda. ('Pampa').<sup>24</sup> These three exporters have all purchased Ipê from the sawmills Itapuranga Indústria E Comércio De Madeiras Ltda. ('Itapuranga') and Madeball Industria E Comércio Ltda.

(‘Madeball’),<sup>25</sup> both of which have purchased Ipê since the beginning of 2013 from the Associação Virola-Jatobá (see Case Study 1, p.15) or the companies that manage its forest. Juruá has bought from Madeireira Alto Giro Belem Ltda (‘Alto Giro’), which sourced timber said to be from one of Ceser Busnello’s estates (see Case Study 3, p.23).

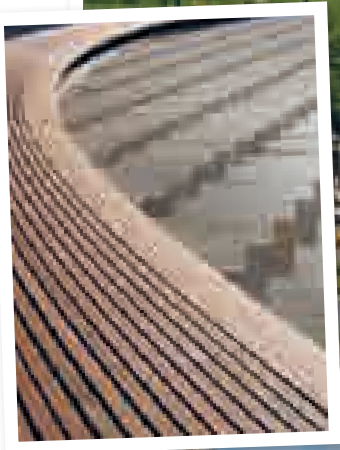
Exmam is located outside Belém, Pará but is owned by an American holding company, Pacific States Industries, Inc.<sup>26</sup> Also part of the same group is Redwood Empire, a Northern California timber company that sells Exmam’s products.<sup>27</sup>

Lumber Liquidators supplier Pampa has purchased timber from sawmill Vargas E Vargas Ltda, which has in turn also sourced timber claimed to have come from one of Busnello’s estates. Pampa has a history of environmental violations and has been fined over \$2.5 million (US\$1 million) in recent years.<sup>28</sup>

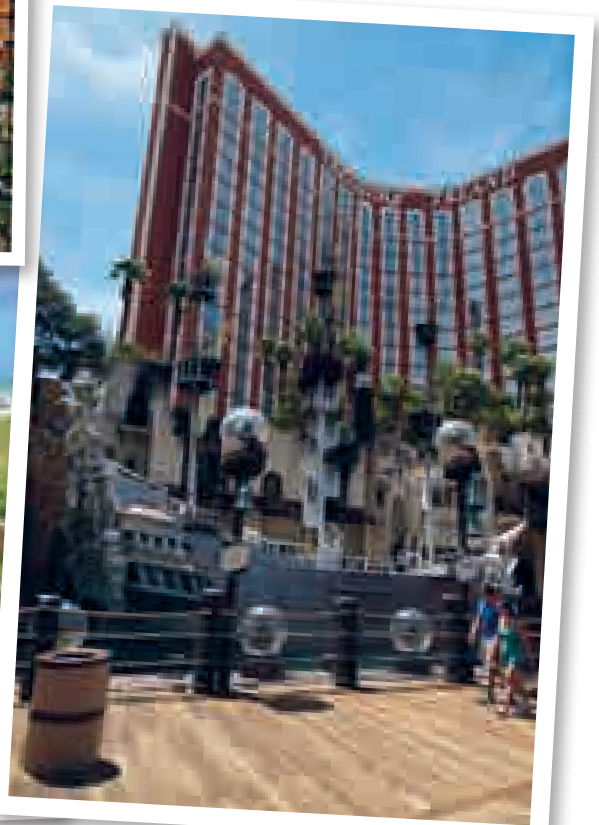
International Forest Products, headquartered in Massachusetts, is a major timber importer owned by the Kraft Group – a sports, real estate and manufacturing group<sup>29</sup> that also owns a major professional American football team, the New England Patriots.<sup>30</sup> International Forest Products purchases Ipê from Monção e Souza Ltda (‘Monção’), Ipêzai Comercio De Madeiras Ltda (‘Ipêzai’) and K.M. Comercio E Exportação De Madeiras

Ltda (‘K.M. Comercio’).<sup>31</sup> Monção and Ipêzai have purchased Ipê from the sawmill Xingu Indústria E Comercio Imp. E Exp. De Madeiras Ltda (‘Xingu’), which has also sourced timber supposedly from one of Ceser Busnello’s estates, as has the sawmill Alto Giro, from which Ipêzai has also purchased. K.M. Comercio has bought Ipê from Madeireira Vitória Indústria e Comércio Ltda, a sawmill that has processed timber purchased from Agropecuária Vitória Régia Ltda (see Case Study 2, p.19).<sup>32</sup>

Timber Holdings USA sells Ipê as ‘Iron Wood’ on account of its durability.<sup>33</sup> Wisconsin-based Timber Holdings imports its Ipê from sources such as K.M. Comercio, Madeireira Rancho Da Cabocla Ltda. (‘Rancho Da Cabocla’), Vitoria Exportacao De Madeiras Ltda. (‘Vimex’) and Ipêzai. The exporter Rancho Da Cabocla has bought timber from MADEVI, the only sawmill known to have processed wood purchased from the estate of Violeta Elizabeth Hagmann (see Case Study 4, p.27).<sup>34</sup> The exporter Vimex buys timber from the sawmill WR Indústria E Comercio De Madeiras Ltda, which has purchased timber from Agropecuária Vitória Régia Ltda.<sup>35</sup> Timber Holdings claims to have supplied high-profile construction projects including the new United States Census Bureau headquarters, rooftop decks and benches at Harvard University, Treasure Island Casino in Las Vegas, the Miami Beach Boardwalk, Disney World and several projects in New York City.<sup>36</sup>



- ◀ Columbus Circle (New York City, New York, USA)
- ◀ ▼ Miami Beach Boardwalk (Miami, Florida, USA)
- ▼ Treasure Island Casino (Las Vegas, Nevada, USA)



# Scratching the surface

There are many other US importers that buy from exporting companies that in turn purchase timber from sawmills linked to the properties covered in this investigation's case studies. Some additional links to major US tropical timber importers include the following:

- Ipêzai (see above), linked to Ceser Busnello, has also exported to J. Thompson Mahogany, Sabra International, East Teak Fine Hardwoods and Advantage Trim and Lumber.<sup>37</sup>
- Vimex (see above), linked to both Ceser Busnello and Agropecuária Vitória Régia Ltda, has also exported to Timbex, Baille Lumber and J. Gibson McIlvain.<sup>38</sup>
- K.M. Comercio (see above), also linked to Agropecuária Vitória Régia, has also sold timber to Florida-based importers Universal Forest Products and Aljoma Lumber.<sup>39</sup>
- New Timber Comercio Importação E Exportação De Madeiras Ltda exports to Connecticut-based General Woodcraft Inc, which sells Ipê decking under its 'Mataverde' line.<sup>40</sup> New Timber has bought from the sawmills Madeireira Vitória Indústria E Comércio Ltda and Xingu, linked to Agropecuária Vitória Régia Ltda and Ceser Busnello respectively.<sup>41</sup>

# Marketing forest destruction

Many of the purveyors of tropical timber in the USA bombard customers with specious statements that greenwash the product. A typical marketing ploy entails presenting a false choice to consumers: 'If we do not "manage" this forest, it will lose its value and be converted into agriculture.' One company even claims that by buying tropical timber, customers are 'helping save the rainforest'.<sup>42</sup> Such claims ignore the well-documented role that logging plays in degrading tropical forests and making them more vulnerable to fire and wholesale conversion for agriculture.<sup>43</sup> Several sellers also prominently display the FSC chain-of-custody certification logo on their websites and marketing materials, even though a substantial portion of the products they sell are not FSC-certified.<sup>44</sup> The issue of the legality of the products is addressed in many marketing materials, but very few traders offer any assurances beyond the fact that their timber comes with official documents.

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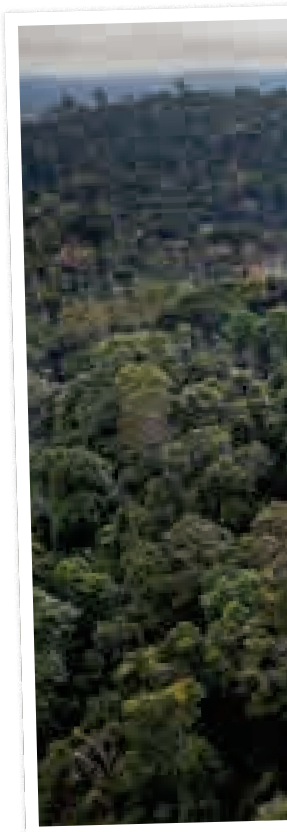
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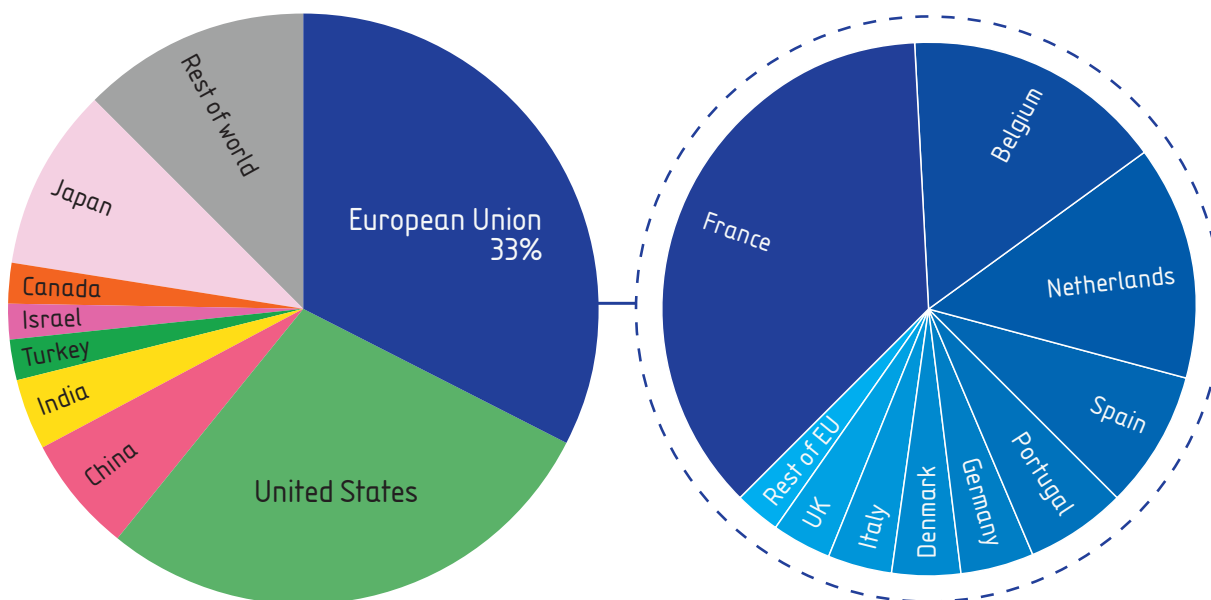
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# AMAZON TIMBER IN THE EU MARKET AND THE EUTR



Brazilian Amazon timber exports by value 2013 (US\$)



Brazilian Ministry of Development, Industry and Trade (2014) Timber exports from the Brazilian Amazon, by value. [www.aliceweb.desenvolvimento.gov.br](http://www.aliceweb.desenvolvimento.gov.br)

Europe is a key market for tropical timber exports from the Brazilian Amazon, with one-third of all timber exported from the region going to EU countries. In 2013, EU countries imported tropical timber products worth US\$148 million from the Brazilian Amazon.<sup>1</sup> Almost half of all timber imported from the Brazilian Amazon into the EU during this period came from the state of Pará, half of whose timber exports went to the EU.<sup>2</sup> Nearly 80% of the area logged in Pará between August 2011 and July 2012 was harvested illegally.<sup>3</sup>

Companies within the EU are bound by the EU Timber Regulation (EUTR),<sup>4</sup> which prohibits the placing on the market of illegally harvested timber. Yet Greenpeace's investigations have discovered that a number of companies in the EU have recently bought and imported timber from high-risk export companies

in Brazil – companies that have handled wood from sawmills that have processed (either knowingly or through wilful negligence) illegal timber laundered by misusing official documentation.

France is the world's second-largest importer of tropical timber from the Brazilian Amazon, with imports totalling over €40 million (US\$54 million) in 2013. Belgium, the Netherlands and Spain are all within the top 10 global destinations; Portugal and Germany sit within the top 15, followed by Denmark, Italy and the United Kingdom within the top 20.<sup>5</sup>

Tropical timber is used primarily for construction (40% of tropical timber imported into France, Belgium and Italy is used in this way), decking (approximately 30% in France and Belgium, and 70% in Spain and Germany), sea defences, furniture and road construction.<sup>6</sup>



◀ Aerial view of the Agropecuária Vitória Régia (forest management plan) in the municipality of Anapu, Pará State. 04/01/2014  
© Marizilda Cruppe / Greenpeace

▼ Logging Trucks in Pará State  
Trucks loaded with timber close to the river Curuá-Una, Pará State. 03/28/2014  
© Marizilda Cruppe / Greenpeace



## Responsibilities of European timber importers

Under the EUTR, which came into effect in March 2013, it is illegal for companies to place illegally logged timber and timber products on the EU market. Importing companies, defined as ‘operators’ under the legislation, are also responsible for assessing their suppliers and taking appropriate steps to prevent illegal timber and timber products from entering their supply chain – referred to as due diligence.

Downstream purchasers, known as traders, must keep records of their transactions, so that any potentially illegal timber can be traced back to the company that imported it. EU Member States are expected to set up appropriate legal and administrative structures to enforce the regulations and, where necessary, impose sanctions on companies that disregard them.

When importing from a high-risk country or region, operators are expected to take even greater care to avoid illegal timber. In particular, where documentation is frequently misused or falsified, as is the case in the Brazilian Amazon, operators cannot rely solely upon paperwork to demonstrate compliance with the law. They must seek further assurances from their suppliers

to mitigate the risk of illegality, and should not import any timber from the supplier or region in question until the risk has been successfully reduced to a negligible level.<sup>7</sup>

The EUTR applies to, for example: 1) imports of sawn timber to be processed in the EU to make products such as decking or flooring and resold; 2) imports of timber products such as flooring for sale in the EU; and 3) imports of timber products such as flooring and decking from outside the EU for the importer’s own use (e.g. a hotel chain importing flooring for use in its hotels, with no intention of selling the goods on).

**Our investigations, supported by other widely available and easily accessible information, show that illegal logging and timber laundering remain serious and systemic problems in the Brazilian Amazon in general and in the state of Pará in particular. Operators should act on this information, incorporating it into their risk assessments and implementing effective mitigation measures. Each EU Member State’s competent authorities should investigate its country’s trade in timber from the Brazilian Amazon and ensure that operators are acting correctly, in compliance with the due diligence obligations laid down in the EUTR, and are not violating the EUTR prohibition on placing illegally harvested timber on the EU market.**

# Amazon Brazilian timber exports to the EU market

## France

France is the largest European importer of timber from the Brazilian Amazon and the largest importer of Ipê specifically (to a value of \$8 million in 2013).<sup>8</sup> Companies importing timber from the Brazilian Amazon into France include Tradelink Wood Products Ltd, Ets Pierre Robert & Cie, Guillemette & Cie, Rougier Sylvaco, Ets Peltier, Décoplus and J. Pinto Leitão SA. Each of these companies has recently bought and imported timber from companies in Brazil whose supply chains are contaminated by wood from sawmills that have processed illegal timber laundered with official documentation.<sup>9</sup>

## Belgium

Belgium is the second-largest importer of Brazilian Amazon timber in the EU. Last year, it imported timber worth US\$23 million, making it the fifth-largest importer globally.<sup>10</sup> It is also the third-largest importer of Brazilian Amazon Ipê, following the USA and France, with imports valued at US\$6.8 million.<sup>11</sup> The port of Antwerp also functions as an important hub for distribution of tropical timber products to other EU and non-EU countries.<sup>12</sup>

Greenpeace has identified a number of Belgian companies that have recently bought and imported timber from companies in Brazil whose supply chains are contaminated by wood from sawmills that have processed illegal timber laundered with official documentation. These are: Vogel Import Export NV, Vandecasteele Houtimport, Somex NV, Leary Forest Products BVBA, Van Hoorebeke NV, Craco and Saelens Trading BVBA.<sup>13</sup>

## The Netherlands

The Netherlands is the sixth-largest destination worldwide for Brazilian Amazon timber, and the third-largest one in the EU. Export data from Brazil show a value of over US\$21 million in 2013.<sup>14</sup> Large importers buying from Brazil have shown a trend towards sourcing responsibly produced hardwood (i.e. certified by the Forest Stewardship Council (FSC)).<sup>15</sup> However, Greenpeace investigations have uncovered trade links between the Netherlands and companies that have handled wood from sawmills that have processed illegal timber laundered by misusing official documentation. These including Madeireira Rancho Da Cabocla Ltda, LN Guerra Indústria E Comercio De Madeiras Ltda. and Madesa – Madeireira Santarém Ltda.<sup>16</sup>

## Spain

Spain has traditionally been a big market for Amazon timber, especially during the pre-recession construction boom. Despite the recent decline in construction, Spain remains the fourth-largest destination for Brazilian Amazon timber in the EU and eighth-largest destination globally with exports worth US\$12 million in 2013.<sup>17</sup> In Spain, Ipê has been used in a number of public building projects, including the Pedro Arrupe Bridge over the Río Nervión in Bilbao, the Ebro Environmental Centre in Zaragoza, Diagonal Avenue in the Poblenou in Barcelona, and the Arganzuelas Bridge over the Manzanares river in Madrid.<sup>18</sup>

During 2013, timber companies including López Pigueiras SA, Maderas Casas SA, Tarimas Tropicales y Exóticas SL and Maderas Rías Baixas SL imported timber from high-risk companies in Brazil.<sup>19</sup> The number one importer of Ipê in Spain, López Pigueiras SA, has a history of trading with law-breaking companies in Brazil. In 2006, Greenpeace revealed its links with Brazilian companies involved in illegalities related to fake land titles and forest management plans; the management plans were subsequently suspended by the Brazilian environmental authorities.<sup>20</sup>

## Germany

Exports of Amazon timber to Germany reached nearly US\$7million in 2013 which makes Germany among the top 15 destinations globally for all Brazilian Amazon timber exports – and the sixth-largest importer of Ipê from the Brazilian Amazon in the EU.<sup>21</sup> Several German companies have recently bought and imported timber from companies in Brazil whose supply chains are contaminated by wood from sawmills that have misused official documents to launder illegal timber.<sup>22</sup>

## Italy

Exports to Italy amounted to nearly US\$6 million in 2013 ranking the country among the top 20 destinations globally for Brazilian Amazon timber exports and 11th for Brazilian Amazon Ipê. Ipê is used primarily in exterior decking for both private and public properties, such as lake- and seafront boardwalks (Lesà, Golfo Aranci), piers (Misano Adriatico) and terraces (the Polytechnic University of Turin). Key suppliers to the Italian market include New Timber and Ipêzai, each of which has traded with high-risk companies in Brazil in the last year.<sup>23</sup>





Sawmill named *Madeira* Santa Bárbara, in the village of Moju, Pará State. 04/01/2014 © Marizilda Cruppe / Greenpeace

## Denmark

Denmark is also among the top 20 destinations globally for Brazilian Amazon timber exports, importing timber worth over US\$6 million in 2013.<sup>24</sup> Major importers to the Danish market include DLH Denmark and Keflico A/S. These and other companies have recently bought and imported timber from companies in Brazil whose supply chains are contaminated by wood from sawmills that have misused official documents to launder illegal timber.<sup>25</sup>

## Portugal

Exports to Portugal were nearly US\$9 million of Brazilian Amazon timber from Brazil, ranking the country the 12<sup>th</sup> largest destination in 2013. Significant amounts of Brazilian Amazon timber, including Ipê, are imported into Portugal by J. Pinto Leitão SA.<sup>26</sup> J. Pinto Leitão is known to purchase timber from companies in Brazil whose supply chains are contaminated by wood from sawmills that have misused official documents to launder illegal timber, such as UTC MADEIRAS LTDA.<sup>27</sup>

## The UK

Exports of Amazon Brazilian timber to the UK were over US\$5 million US\$ in 2013. The UK is among the top 20 destinations globally for Brazilian Amazon timber exports in general and also for Ipê specifically.<sup>28</sup> Key suppliers to the building trade are Tradelink Wood Products and International Timber (part of the Saint-Gobain group). In addition to specialist decking suppliers, Brazilian hardwood decking, including Ipê, is available from Jewson (also part of the Saint-Gobain group) and AW Champion Timber. Over the year to February 2014, Tradelink Wood Products, Wood and Beyond Ltd, and DLH imported timber into the UK that was bought from high-risk companies in Brazil.<sup>29</sup>

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# ISRAELI TRADE IN AMAZON TIMBER



Israel has become a key destination for Amazon timber: in 2013, it ranked as the 11<sup>th</sup> biggest importer in terms of value for all Brazilian Amazon timber and 8<sup>th</sup> for the valuable Ipê wood.<sup>1</sup> The vast majority of Ipê imported into Israel is used for decking, and nearly all the decking projects currently being carried out by public bodies are being constructed with this timber.<sup>2</sup> Notable examples of Ipê decking in Israel are at Tel Aviv Port commercial and entertainment district,<sup>3</sup> the First Train Station complex in Jerusalem and the Tel Aviv Promenade, where there is an ongoing project to install decking and pergolas (see below).

In 2013 Israel imported nearly 5,000 tonnes<sup>4</sup> of Amazon timber, the vast majority believed to be Ipê. Some 80% of the total came from two

Amazon states, Pará and Mato Grosso,<sup>5</sup> where illegal logging in 2011–12 is estimated to have represented 78%<sup>6</sup> and 54%<sup>7</sup> respectively of the entire area logged.

The main export ports for Amazon timber destined for Israel are Belém, Itajaí, and Paranaguá. Generally, Ipê and other Amazon timber is loaded into containers, which are shipped to the port of Ashdod via other countries.<sup>8</sup>

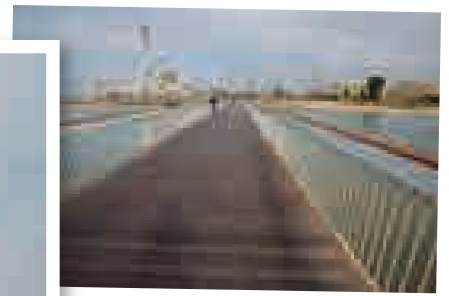
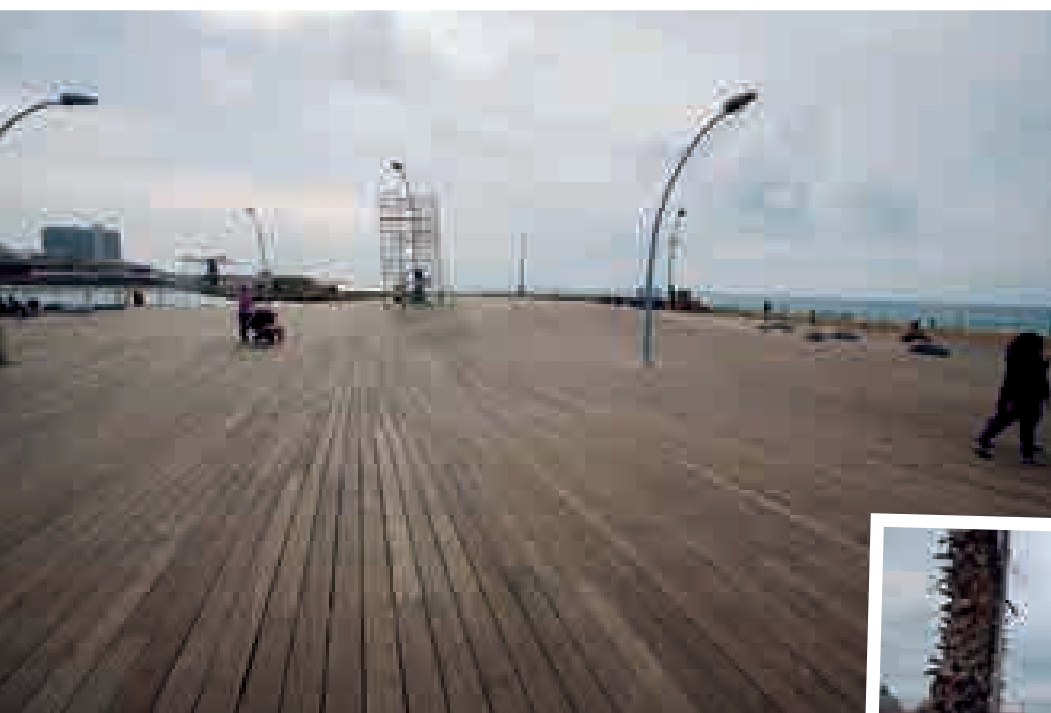
Importers and traders of Amazon timber in Israel include Etz Vetza, Brotim, Treelog, Ordilan, Botvin, May Hasharon, A.Z. Gerbi, Averbuch, Ashdod Timber Trade, and Shamayim Yerukim (Green Sky). Retailers include well-known Israeli companies such as the DIY store Home Center and Carmel Carpets.<sup>9</sup>

## Carmel Carpets

Carmel Carpets purchases its Ipê from Ordilan,<sup>10</sup> believed to be the biggest timber importer in Israel.<sup>11</sup> Amazon timber suppliers to Ordilan include DLH. Greenpeace's investigation has established that DLH buys timber from several sawmills that have handled timber from estates engaged in illegality, including those owned or held by Agropecuária Vitória Régia SA, the Associação Virola-Jatobá, the late Ceser Busnello, Tecniflora Ltda and the estate of Violeta Elizabeth Hagmann. Ordilan also purchases timber from Marine Box, which has sourced timber said to be from one of Ceser Busnello's estates.

## Etz Vetza

Etz Vetza is one of the best-known timber importers in Israel. This family business operates in several locations, including Ashdod port and a showroom in the prestigious design centre in Bnei Brak. Etz Vetza has a certificate of origin for the Ipê it sells. However, this names the firm's Ipê supplier in Brazil as Tradelink.<sup>12</sup> Greenpeace's investigation has established that Tradelink buys timber from several sawmills that have handled timber from estates engaged in illegality, including those owned or held by Agropecuária Vitória Régia SA, Associação Virola-Jatobá, Ceser Busnello, and Tecniflora Ltda.<sup>13</sup>



## Tel Aviv Municipality

Tel Aviv Municipality started a project in 2013 to refurbish the city's popular beachfront promenade. Parts of the promenade have already been rebuilt with Ipê decking as well as a pergola, and more decking and another 10 pergolas are planned.

The timber contractor for the first stage of the project was Shamayim Yerukim, whose Brazilian suppliers include K.M. Comercio E Exportação De Madeiras, which buys timber from several sawmills that have handled timber from landowners Agropecuária Vitória Régia SA and Tecniflora Ltda,<sup>14</sup> both shown by Greenpeace's investigation to have laundered illegal timber. Shamayim Yerukim is believed to be Israel's biggest contractor for Ipê work.

## Endnotes

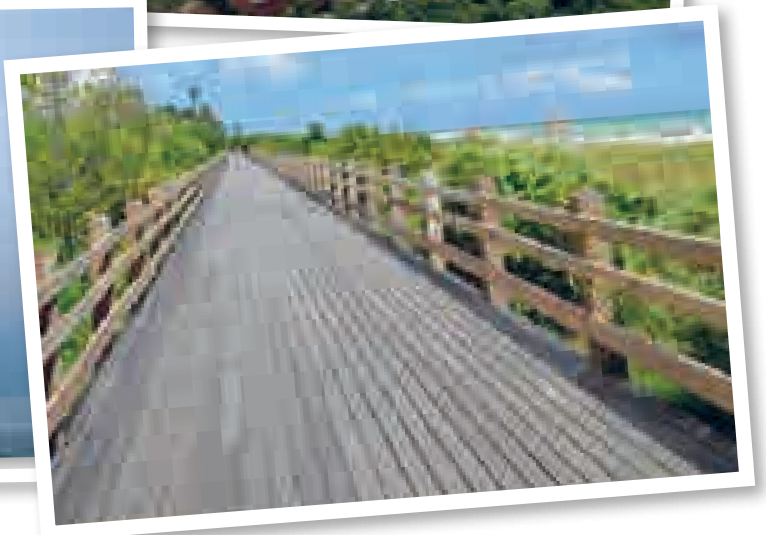
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# DEMANDS

The timber industry in the Brazilian Amazon is a key driver of forest degradation and deforestation. Thanks to inadequate governance, logging opens up intact forest areas to colonisation, damages the region's rich ecosystems and contributes to greenhouse gas emissions. Furthermore, widespread illegal logging causes social conflict and is characterised by the use of slave labour and by acts of violence against its opponents. In view of these multiple impacts, it is clear that a new approach to the Brazilian Amazon forest is required – one that will tackle the excesses of the timber industry, protect biodiversity and the global climate, provide safeguards and opportunities for forest-dependent communities, and reassure timber buyers that they are not contributing to forest destruction.

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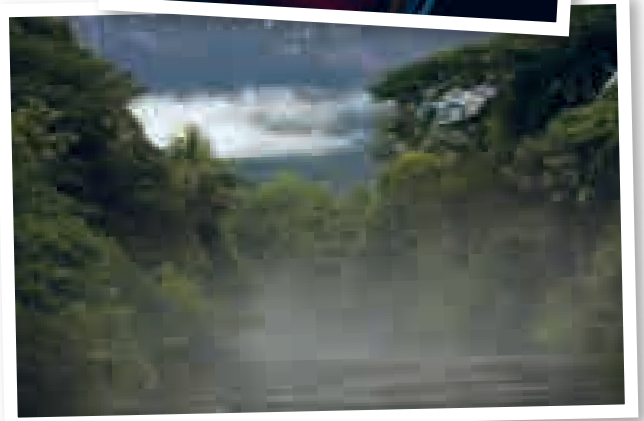
## Companies trading Brazilian Amazon timber must:

- stop buying timber from the Brazilian Amazon unless their suppliers can provide credible assurances that it is legal - which requires a standard of proof beyond current official documentation - and has not contributed to deforestation, forest degradation, biodiversity loss, or negative social impacts.
- immediately classify Brazilian Amazon timber as high risk, given the chronic problems with the Brazilian Amazon timber management, monitoring and enforcement, and take them into account when complying with the regulations or legislation to which they are subject.
- implement strong procurement policies to ensure the timber they purchase is from legal sources and has not contributed to deforestation, forest degradation, biodiversity loss or negative social impacts.
- support reform of the Brazilian system of timber industry management, monitoring and enforcement to ensure that timber from the Amazon is produced legally and has not contributed to deforestation, forest degradation, biodiversity loss, or negative social impacts.



## The Brazilian government must:

- undertake an immediate review of all forest management plans (FMP) approved in the Amazon since 2006.
- draw up and implement new, more stringent rules to ensure effective assessment and approval of forest management plans.
- create and implement a more robust governance, monitoring and enforcement system for Amazon timber extraction which is transparent and standardised nationally.
- review all sawmill licenses and create a new regulatory system for their operation.
- increase the capacity of state and federal environmental agencies by improving infrastructure and increasing funding for surveillance, monitoring and enforcement, and enforce the penalties for those convicted of forest crimes.
- make the development and implementation of an ambitious plan for effective functioning of community forest management a priority.



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## Brazil's Federal Council of Engineering and Agronomy (CONFEA) must:

- suspend the professional licenses of forestry engineers accused by authorities of being involved in illegalities, and cancel licenses of those convicted.



Sawmill in the middle of  
the forest, close to the river  
Curuá do Sul, Pará State.  
03/28/2014  
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# METHODOLOGY

Greenpeace's investigation into timber laundering in the Brazilian Amazon began with a systematic review of every Logging Authorisation (AUTEF) on record in the state of Pará.

Between 2006 and 2013, 1,325 AUTEF applications were made. Excluding applications whose approval was still pending, and AUTEFs that had been cancelled or suspended, these applications resulted in the issuing of 1,036 AUTEFs that were still 'active',<sup>1</sup> 146 extensions of pre-existing AUTEFs, and 15 AUTEFs that had been concluded without suspension or cancellation as of September 2013. These 1,197 AUTEFs formed the pool that we began to filter in order to arrive at a shortlist for closer investigation. They were refined using a three-stage process, which produced a shortlist of 18 AUTEFs that appeared to involve overestimation of the volume of Ipê [<http://www.chegademadeirailegal.org.br/doc/doc01pt-br.pdf>] present in the corresponding Annual Production Unit (UPA) – probably far fewer than had actually been involved in illegality.<sup>2</sup>

The identification of these 18 AUTEFs was conducted as follows. In the first phase, Greenpeace identified those AUTEFs whose forest inventories listed Ipê trees. This produced a longlist of 763 AUTEFs.

In the second phase, these AUTEFs were examined for possible overestimation of Ipê in the forest inventories. First, AUTEFs that declared a large overall volume of Ipê – 3,000m<sup>3</sup> or more – were marked for further investigation. Then, for those AUTEFs that did not meet this criterion, the total volume of Ipê declared was assessed against a benchmark volume per hectare figure derived from known figures for average population density and average volume of wood per tree.<sup>3</sup> In total, 104 of the AUTEFs on the longlist (nearly 14%) either declared over 3,000m<sup>3</sup> of Ipê, or declared a volume of Ipê per hectare that was more than 60% above the average of 2.4m<sup>3</sup>/ha.

At this stage Greenpeace undertook aerial inspections of several Sustainable Forest Management Plan (PMFS) areas to assess their state of conservation and note any logging activities. Finally, the 104 remaining AUTEFs were

filtered using a number of criteria, including property size and the year of validity of the AUTEF.

Points were awarded for each of these criteria, and priority given to those AUTEFs that were most recent and contained the most Ipê, while ensuring that both large and small properties were represented. The 18 AUTEFs with the highest scores were selected for field visits, which were carried out in November 2013. These AUTEFs related to 15 PMFSs.

Two teams were assembled to run the field visits, each consisting of Greenpeace staff and a representative from the Pará State Environmental Secretariat (SEMA). One of the teams also included a representative of the Federal Public Ministry (MPF). One team covered the region of Altamira, and the other covered Santarém.

The field visits were conducted under the legal compliance assessment criteria outlined in the *Guide for Forest Management Plan Field Inspections*, the official handbook used by the Brazilian Enterprise for Agricultural Research (EMBRAPA) and the Brazilian Institute for the Environment and Renewable Natural Resources (IBAMA).<sup>4</sup>

On the basis of these criteria, Greenpeace concluded that 14 of the 18 AUTEFs had enough infractions to warrant a recommendation of suspension. These 14 AUTEFs related to 12 PMFSs, which belonged to 11 owners. The 18 shortlisted AUTEFs are shown on a map below.

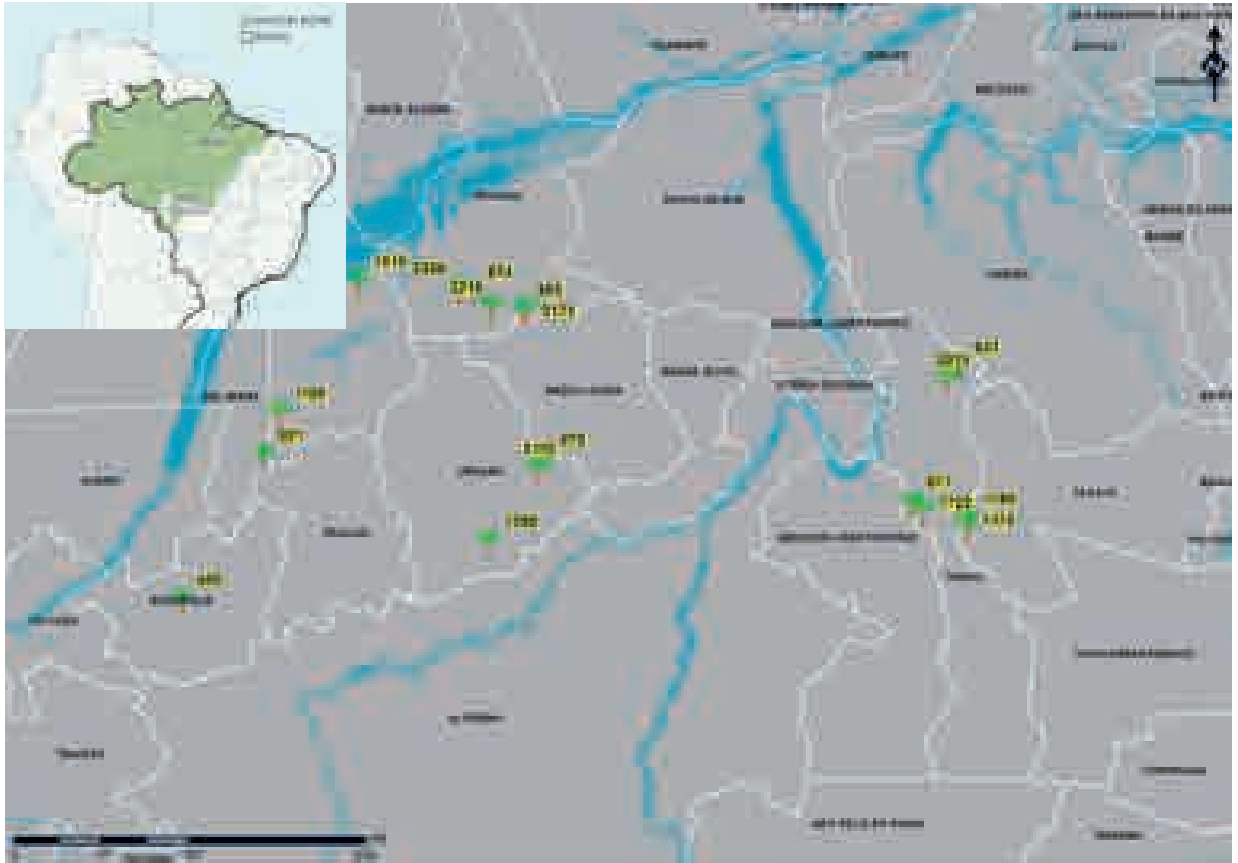
Following the field investigation, we selected four case studies for publication that best illustrated the different types of apparently fraudulent activities that we had uncovered. An additional case, not selected by the original filtering process, was added because of its size, ecological importance and significance as a location where SEMA had uncovered timber fraud too late to prevent it.

In each case, a majority of the credits generated by these AUTEFs had been traded,<sup>5</sup> even though in some cases

there was no evidence that logging activities had taken place. This suggests that documentation relating to these AUTEFs was being misused to launder illegal timber.

Finally, our researchers mapped out the supply chains that linked our chosen cases to export markets. Using publicly available MPF data,<sup>6</sup> we identified sawmills that had purchased timber covered by credits from the 12 PMFSs for which significant infractions had been found, then companies that were selling this timber to export markets.

Subsequently, we analysed Brazilian customs and export data, from which we were able to produce a list of importing companies worldwide that bought timber from these identified exporters in the period of March 2013 to February 2014. From this analysis we can therefore confirm that these importers have purchased timber from companies in Brazil whose supply chains have been contaminated by wood from sawmills that have been processed (either knowingly or through wilful negligence) illegal timber that logging companies have laundered by means of fraudulent use of official documentation.



PMFSs inspected by teams. Source: Greenpeace Amazon timber investigation, 2013

## Endnotes

- 1 In other words, they have some remaining credits that have not yet been traded. An operator may apply at any time to extend such an AUTEF for a further year, even if its initial period of validity has expired. However, remaining credits of an expired AUTEF may not be traded until an extension has been approved.
- 2 Ipê species, while among the most valuable trees in the Amazon today, are not the only ones whose numbers

are inflated. The same thing occurs with other valuable species, meaning that a much larger number of AUTEFs can be assumed to be backed by some sort of false information concerning volumes of wood. The case of Ipê was chosen as emblematic of the wider problem.

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# GLOSSARY

## **AMF – Área de Manejo Florestal Forest Management Area**

The total area within an estate covered by a PMFS. The AMF is usually subdivided into UPAs, but may consist of only a single UPA.

## **APA – Área de Proteção Ambiental Environmental Protection Area**

A conservation area in which local populations are permitted to carry out sustainable extractive activities, and where land is allowed to remain in private ownership.

## **APP – Área de Preservação Permanente Permanent Preservation Area**

A protected area within a private or public estate, within which no logging operations are permitted.

## **AUTEF – Autorização de Exploração Florestal Logging Authorisation**

An authorisation, issued by a SEMA via SIMLAM, that permits a landowner/operator to harvest timber inside a UPA, within the limits specified in the POA.

## **Biosphere Reserve**

A protected area established under UNESCO's Man and the Biosphere (MAB) Programme, which aims to achieve a balance between environmental conservation, cultural values and economic development.

## **CEPROF – Cadastro de Exploradores e Consumidores de Produtos Florestais Forest Products Producers and Consumers Register**

A register containing the details of companies that harvest forest products or purchase them for commercial use. Registration

on CEPROF is necessary in order to be included in Sisflora. 'CEPROF' is also used to denote a company's individual identity number in the register.

## **Chain of custody**

A system by which a product or derivative can be tracked from its original source to the consumer. The chain-of-custody system used in Pará and Mato Grosso states is Sisflora.

## **CONJUR – Departamento de Consultoria Jurídica dos Órgãos Públicos Federais e Estaduais Department of Juridical Consultancy for Federal and State Public Institutions**

Government organisation that provides legal advice and assistance to Federal and State institutions.

## **Credits**

Electronic documents required by producers, sawmills and traders in order to transact timber legally. Credits are allocated to a producer upon the issuing of an AUTEF, in accordance with the quantity of timber to be harvested as specified in the POA, and are then transferred from SIMLAM onto the Sisflora or DOF chain-of-custody system. Credits are deducted from the vendor and credited to the purchaser at each stage of the chain-of-custody system.

## **DOF – Documento de Origem Florestal Forest Origin Document**

Term applied by IBAMA to the GF; also the name of the Federal timber chain-of-custody system managed by IBAMA (Sistema DOF).

## **FSC – Forest Stewardship Council**

Independent non-profit organisation that certifies timber and timber products produced using sustainable forestry practices.

## **GEPAF – Gerência de Projetos Agrosilvipastoris Management of Agriculture, Timber and Livestock**

This management function sits within the SEMA in the state of Pará (see below), and its mandate includes the administration of PMFSs.

## **GF – Guia Florestal Transport Document**

A document generated in the Sisflora or DOF system to authorise transportation of timber. Every consignment of timber must be accompanied by a GF as it moves between two stages in the chain of custody.

## **IBAMA – Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis Brazilian Institute for the Environment and Renewable Natural Resources**

Federal body coordinated by the Minister for the Environment (MMA), with responsibility for monitoring and enforcement activity concerning the use and protection of natural resources.

## **IDEFLOR – Instituto de Desenvolvimento Florestal do Estado Pará Institute for Forest Development in the State of Pará**

Body responsible for the management of State-controlled public forests in Pará.



**INCRA – Instituto de Colonização e Reforma Agrária  
Institute for Colonization and Land Reform**

Federal body responsible for implementing land reform and land regulation, with particular focus on sustainable rural development

**LAR – Licença Ambiental Rural  
Rural Environmental Licence**

A licence issued by a SEMA for economic activities undertaken on a rural property.

**MPF – Ministério Público Federal  
Federal Public Ministry**

Federal body responsible for bringing prosecutions in defence of individual and societal rights, including protecting the environment and public patrimony. Also responsible for prosecuting cases of corruption in public life.

**MPT – Ministério Público do Trabalho  
Public Ministry of Labour**

A federal body responsible for bringing prosecutions in defence of individual rights, with special focus on labour issues.

**PDS – Projeto de Desenvolvimento Sustentável  
Sustainable Development Project**

A category of settlement, managed by INCRA, where families and communities are permitted to undertake activities with low environmental impact, including farming and sustainable forestry.

**PMFS – Plano de Manejo Florestal Sustentável  
Sustainable Forest Management Plan**

A technical document outlining how forestry management of an estate will be undertaken over a period of up to five years. A PMFS, approved by the SEMA, is obligatory for timber harvesting beyond the 20% of an estate that is allowed to be completely deforested.

**POA – Plano Operacional Anual  
Annual Operation Plan**

A plan indicating how a UPA is to be harvested (including a forest inventory specifying number of trees to be felled, their location and species, and the estimated cubic metres of timber in each tree). A POA is submitted to the SEMA for approval, whereupon an AUTEF is issued and the UPA may be harvested.

**RESEX – Reserva Extrativista  
Extractive Reserve**

A conservation area intended to be used by a traditional community for the sustainable extraction of forest products, including logging within certain limits.

**SEMA – Secretaria Estadual de Meio Ambiente  
State Environmental Secretariat**

State institution responsible for environmental protection and sustainable development.

**SIMLAM – Sistema Integrado de Monitoramento e Licenciamento Ambiental  
Integrated System for Environmental Monitoring and Licensing**

Computerised system used in Pará and Mato Grosso states, by means of which estates are registered and monitored, and licences issued for their activities, including logging.

**Sisflora – Sistema de Comercialização e Transporte de Produtos Florestais  
System for the Commercialisation and Transportation of Forest Products**

Chain-of-custody system for forest products, used in Pará and Mato Grosso States.

**UC – Unidade de Conservação  
Conservation Unit**

A protected area on public land, within which economic activities are forbidden or highly controlled – a much more restrictive form of protected area than the APA.

**UMF – Unidade de Manejo Florestal  
Forest Management Unit**

The area of a UPA minus any APP falling within that area; the portion of the UPA in which logging operations may be conducted.

**UPA – Unidade de Produção Anual  
Annual Production Unit**

A subdivision of a Forest Management Area (AMF) to be exploited within one year (with the option of extending operations for a second year).

**UT – Unidade de Trabalho  
Work Unit**

A subdivision of a UPA by means of which locations of individual trees are identified.



Logging trucks in  
Uruará, Pará State,  
seen from the air.  
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