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GREENPEACE



**AN AMAZON TREE SAGA:
FROM THE FOREST TO THE MARKET**

INTRODUCTION

For decades, illegal logging in the Brazilian Amazon has been destroying the forest. It is estimated that 60% to 80% of Amazon timber is illegal: It is extracted, processed and/ or commercialized by people and companies that do not respect Brazilian law. The Federal Environmental Agency IBAMA's president, Marcus Barros, has declared that 90% of all Amazon timber is illegally produced¹.

In a study recently published in *Science Magazine*, a group of North American and Brazilian researchers exposed the shocking impact of illegal logging in the Amazon. With a new methodology using satellite images, the researchers showed that illegal selective logging – which extracts only those trees with commercial value – has destroyed an area of forest at least as large as that destroyed each year through deforestation.² In other words, the destruction of the Amazon forest is twice as bad as previously thought. However, unlike deforestation, selective logging is rarely registered as an environmental debt.

The case study presented in this report exposes the *modus operandi* of a complex illegal logging scheme involving the misuse official documents. These documents, mainly Forest Products Transport Authorizations (ATPFs), are used to legalise illegal timber, taking advantage of the weaknesses of the current timber monitoring system in Brazil. Greenpeace aims to expose how the gaps in the system help to perpetuate illegal logging in the Amazon and highlight its consequences, such as environmental and social impacts, tax evasion, corruption and unfair competition against those companies that do respect the law.

The current timber monitoring system is the responsibility of IBAMA. It is out-of-date, bureaucratic and inefficient and does not prevent illegal Amazon timber reaching the market and being sold in timber stores in Brazil and across the world.³ From a market point of view, it is difficult for consumers who want to purchase only legal and sustainable timber to do so.

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Photos: Greenpeace/Rodrigo Baleia

1 O GLOBO News Agency. *Ibama projeta a morte das ATPFs (IBAMA foresees the death of ATPFs)*, Brasília, 01 November 2005.

2 Deforestation is when forest is destroyed or cleared resulting in the long term or permanent removal of forests. Selective logging is where only a select number of trees in a stand are cut, leaving the forest standing, although sometimes in a highly degraded state.

3 In 2004, 36% of all timber produced in the Amazon was exported.

ILLEGAL TIMBER ROUTE

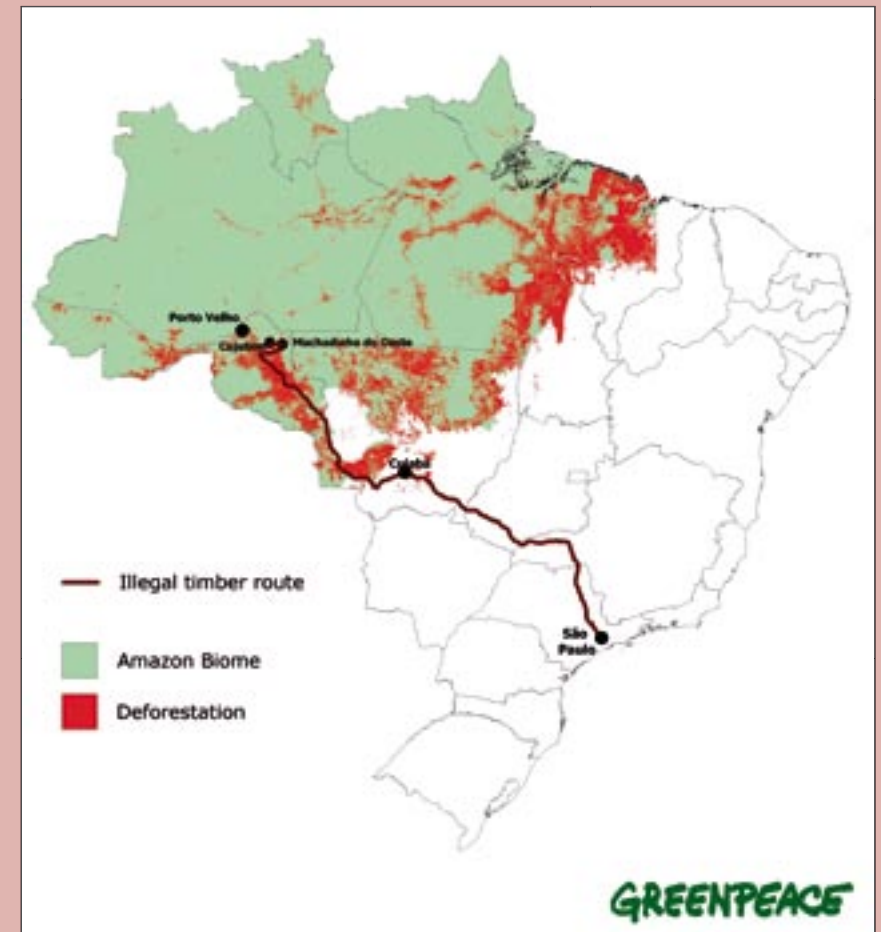
According to IBAMA, one million ATPFs are issued in the Brazilian Amazon every year to companies that, in theory, are complying with Brazilian law. As exposed below, some of these legal documents are used to perpetuate the chain of illegality from the forest to the market. It is crucial for Brazil and for all timber consumers that this situation is stopped.

Greenpeace recommends that individual consumers choose to buy only FSC certified timber products. The FSC seal ensures that the manner in which the timber logged, processed and transported, respects Brazilian law and that its production is environmental friendly, socially just and economically viable. In Brazil, public procurement is regulated by the Licitacion Law. The law was created to regulate contracts involving expenditure of public monies and to promote competition between product suppliers and service providers. Although there are a series of factors⁴ which must be considered before government supply and purchase contracts can be entered into, environmental criteria, such as the purchase of timber complying to the

standards of FSC certified timber, are not one of these. The main criterion is price. Illegal timber is cheaper, therefore, this procurement legislation unfairly undermines timber businesses that do comply with the law.

In response to this gap in public procurement policy, Greenpeace Brazil has created the Amazon Friendly City programme. The programme encourages Brazilian municipalities to implement environmental procurement policies and to open the market for sustainably produced timber. By setting criteria to buy FSC certified Amazon timber, the municipalities lead by example, and by becoming responsible consumers they can then take this message to the rest of society.

As at December 2005, 26 Brazilian municipalities have joined the programme. However, it is also necessary that the timber monitoring system be improved in order to ensure that timber on the market and purchased by the Government, is of legal origin.



⁴ The main criterion is the price, but others include administrative integrity and equity on conditions. The latter effectively stops FSC certified timber being set as a standard, as the certificate is considered to be a "differential" when purchasing forest products.

UNDERSTANDING THE CASE

THE TIMBER

The timber that Greenpeace was able to purchase was extracted from areas surrounding the municipalities of Cujubim and Machadinho D'Oeste, in the Northeast of Rondônia State.⁵ The Greenpeace investigation indicated that the timber was of illegal origin, due to the lack of proof that the logs were extracted in accordance with Deforestation Permits or Forest Management Plans granted by the Federal Government.⁶



PURCHASING THE DOCUMENTS

Greenpeace purchased documents that functioned to legalise the illegal timber, in the municipality of Ariquemes, also in Rondônia. An “official documents broker” identified as Sergio Krammer coordinated the supply of the documentation. He was the connection between illegal timber buyers and registered logging companies. Companies that integrate this scheme into their business sell official ATPFs and Nota Fiscais (tax receipts) to Sergio, who re-distributes them to timber traders interested in “laundering” illegal timber cargoes. Three sets of documents (ATPFs and Nota Fiscais)

PROCESSING THE TIMBER

The logs were sold by a third party supplier (logger), who identified himself as *Vandinho*. They were transported without the required documents to the log yard, located at the geographic coordinates S 09° 22' 24.5" and W 062° 35' 08.7", in the municipality

of Cujubim, Rondônia. According to current Brazilian law, the logs should have been accompanied by ATPFs during transportation between the forest and the log yard. The Brazilian Government grants the ATPFs to holders of Deforestation Permits or Forest Management Plans.

Greenpeace was able to purchase 40 cubic metres of angelim (*Dinizia excelsa* Ducke) logs, a species known as *faveira-ferro* in the region. The price of R\$ 4,600 [approx € 1,650]⁷ was paid in cash. A *Mr. Maziero* presented himself as being responsible for the log yard

The logs were sawn at Serraria Fortaleza, owned by an individual that presented himself as *Elias*. The sawmill was operating irregularly because the processing of logs is not permitted without proof of origin. The processing of logs resulted in 29 cubic metres of sawn timber. The service cost of R\$ 2,900 [approx € 1040] was paid in cash.



- 5 The large majority of these areas are being converted into pasture lands.
- 6 There is also evidence that the timber was illegally extracted in two deforested areas in which logs and transport have no documents. Location: geographic coordinates S 09° 23' 26.1", W 061° 28' (area known as Muquém, probably part of the municipality of Colniza, in Mato Grosso, border with Machadinho D'Oeste, in Rondônia); and S 09° 11' 09.3", W 061° 34' 31.1" (Fazenda Asa Branca, municipality of Machadinho D'Oeste, in Rondônia).
- 7 Currency exchange rates used as at 20 December 2005.



Between July and November 2005, a Greenpeace team has been in the Amazon State of Rondônia on several occasions to investigate illegal timber trading. The team posed as buyers, interested in purchasing timber and the official documents needed for the transport and trade in timber products. As a result of these investigations, Greenpeace decided to expose how the illegal system operates. Greenpeace was able to purchase illegal logs in Rondônia, send the wood to a sawmill for processing without the required paperwork and purchase official documents to 'legalize' the timber during transportation to Sao Paulo, a large timber retail centre in the Southeast of Brazil. The timber – some 30 tonnes – traveled 3,000 km without passing any inspection. Later, the illegal timber was delivered to the Federal Police headquarters in Sao Paulo as evidence of crime.

were purchased at different stages in the operation, although only one of these was used to transport the illegal timber from Rondônia to São Paulo. The first set of documents cost R\$ 5,000 [approx. € 1,800]. The second and third sets cost R\$ 6,000 each [€ approx 2,150]. Part of the payment was deposited into a bank account at Banco do Brasil, Agency 1178-9, account number 24040-0. Sergio sold documents and, according to him, the increase in price between the purchases occurred because "the situation was getting tense" after some Federal Police operations in the region⁸.

Technical analyses indicated that the documents sold by Sergio were real, not fakes. According to IBAMA's regional office in the municipality of Ariquemes, all ATPFs were in fact issued to those companies registered in the documents.⁹ The ATPFs and Nota Fiscales are needed to transport sawn timber by road from production centres to consumer markets in the South and Southeast of Brazil, or to the ports for export to international markets. This type of fraud is common in the Brazilian Amazon.

⁸ The Brazilian Federal Police together with IBAMA carried out three full-size operations in the Amazon States in 2005 that resulted in the dismantling of gangs responsible for defrauding logging authorisations in the region for decades. More than 200 people were arrested or under investigation, including IBAMA agents and loggers.

⁹ See Table 1.

TRANSPORTING THE TIMBER

After being sawn, the timber was loaded onto a transport company vehicle in Cujubim, in Rondônia. The total cost for the shipment of R\$ 6,750, [approx €2400] was paid in cash. The vehicle used was a Scania truck, white colour, and black packing sheet. Truck's plate: BXH 8772.

The transport company is also implicated in the illegal logging scheme, for two reasons:

- Transporting an illegal timber cargo between the municipalities of Cujubim and Ariquemes (Ariquemes is approximately 130 kilometers in a straight line from the extraction area); and
- Using illegally acquired documents to transport the timber.



ARRIVING IN SÃO PAULO

The illegal timber cargo was transported across more than 3,000 kilometers of federal and interstate highways. It crossed three interstate borders and two IBAMA inspection borders, one in Vilhena (Rondônia) and another one in Cuiabá (Mato Grosso), until its arrival in São Paulo on 6 December 2005. The timber was then stored in a warehouse waiting to be delivered to the Federal Police in São Paulo as evidence of crime.

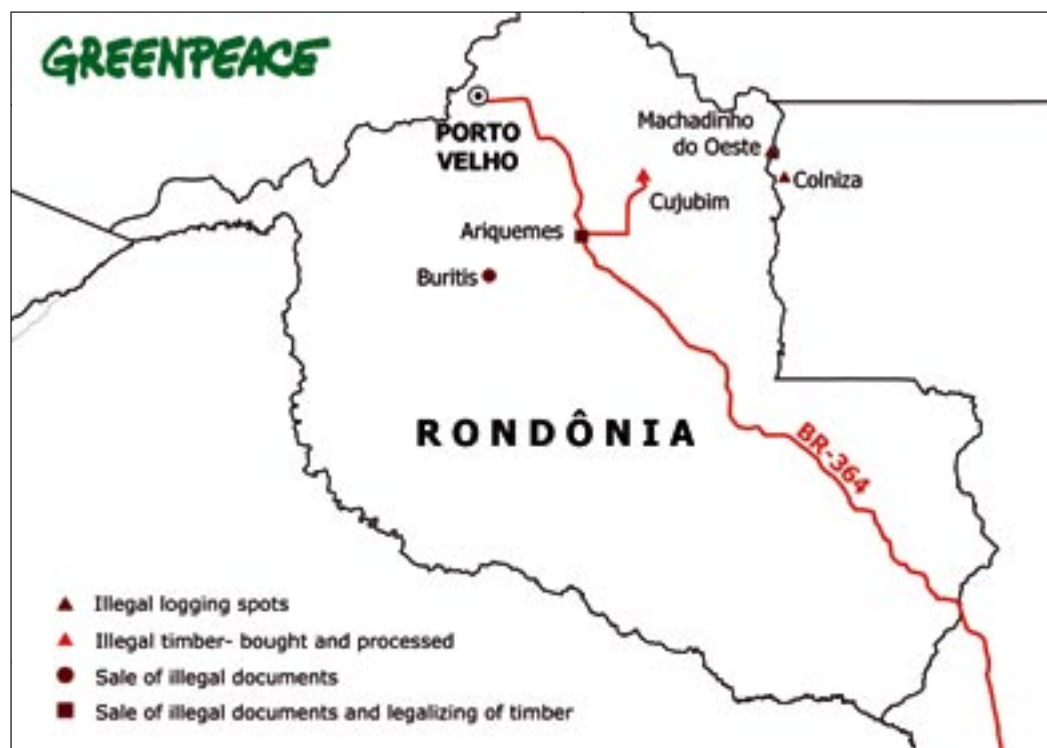
Greenpeace conducted a quick survey of seven timber retailers in a timber sales centre in São Paulo called Gasômetro. Angelim is being sold for between R\$ 1,500 [approx € 540] to R\$ 3,700 [approx € 1300] per cubic metre. Therefore, a cargo of 29 cubic meters of sawn angelim could generate anywhere between R\$ 43,500 [approx € 15,800] and R\$ 107,300 [approx. € 39,000] in a direct transaction. The angelim species is used for doors, frames, ceilings, floors and building structures.



COMPANIES INVOLVED WITH SUPPLY OF DOCUMENTS

Companies	CNPJ and Location	ATPF Number	Nota Fiscal	Date of purchase
J. B. de Oliveira Madeiras Ltda.	05.120.102/0001-64 Buritís – RO	7308806	2013	13/10/2005
Angico Madeiras Com. Imp. Exp. Ltda.	06.213.464/0001-62 Ariquemes – RO	7548483	000105	11/11/2005
Brastimber Exp. Imp. Ltda.	00.577.109/0001-96 Ariquemes - RO	7552517	01568	01/12/2005

Table 1 Data on companies and documents sold to Greenpeace, November 2005.



The companies, which are listed on the documents which were able to be purchased by Greenpeace, are fully operating and active in the market.

According to IBAMA, they had received the following fines between 2003 and 2005:

J.B. de Oliveira Madeiras:

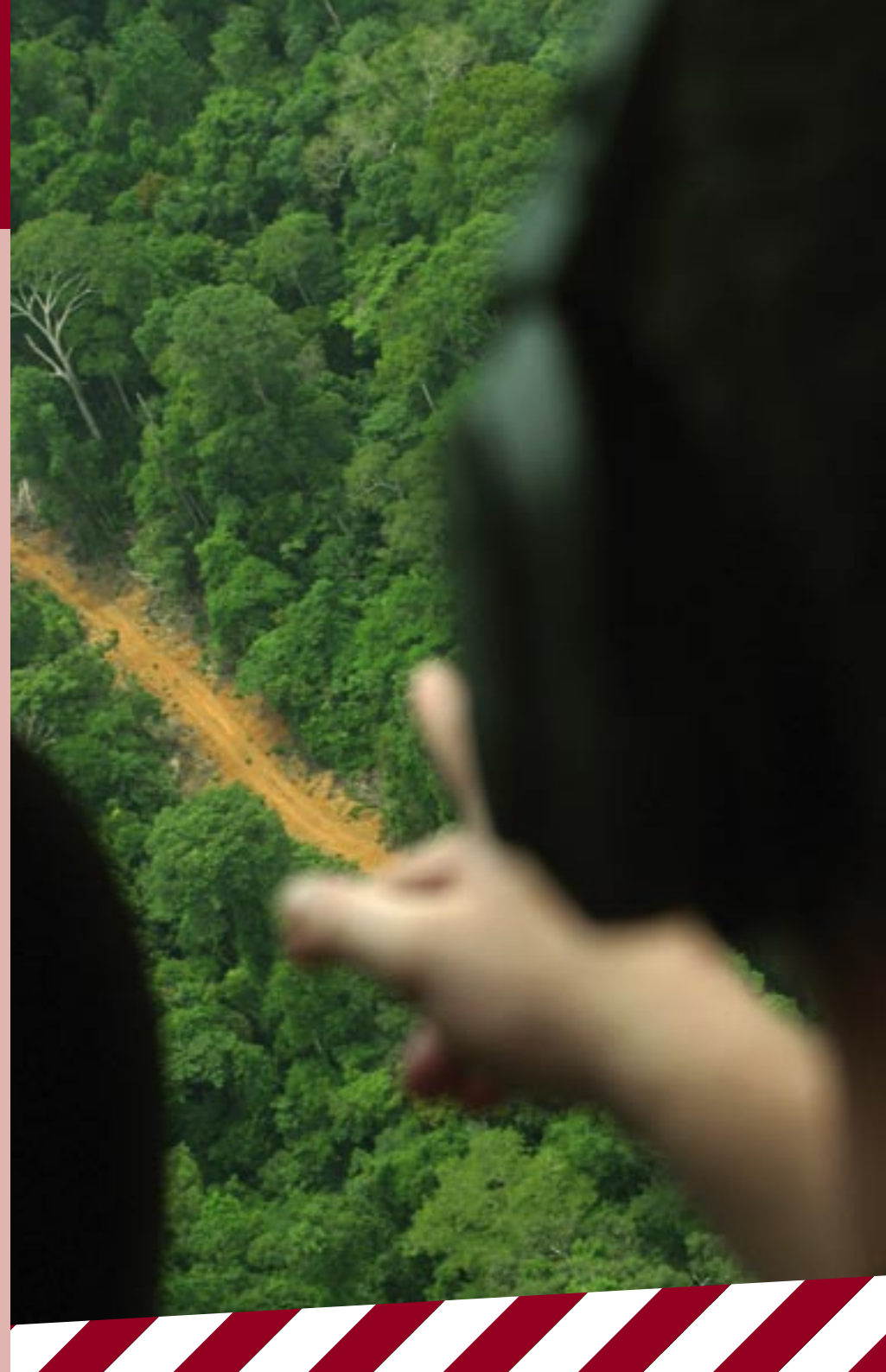
- Al no 199368/D in 2004, total R\$ 230,000.00 [approx € 84,000] for selling 1,152.000 cubic meters of illegal timber.
- Al no 249594/D in 2003, total R\$ 10,500 [approx € 3,800] for purchasing 104 cubic meters of illegal timber.
- Al no 199730/D in 2004, total R\$ 64,900 [approx € 24,000] for purchasing and selling 648 cubic meters of timber with stolen ATPF.

Angico Madeiras Com. Imp. e Exp. Ltda.:

- Al no 251371/D in 2005, total R\$ 335,700 [approx € 122,000] for getting 839 cubic meters of sawn illegal timber.
- Al no 251377/D in 2005, total R\$ 5,500 [approx € 2,000] for selling 54 cubic meters of illegal logs.

GREENPEACE CALLS ON:

- **The Federal Government:** To strengthen IBAMA, Federal Police and Public Prosecutor structures to stop illegal logging and prevent associated crimes, such as land-grabbing, rural violence, fraud and falsification of official documents and the invasion of protected areas and indigenous lands.
- To strengthen the National Institute for Land Reform (INCRA) to order land tenure, affect land reform and prevent land grabbing.
- To prioritise and promote forest management activities which respect the law and the environment.
- **The National Congress:** To approve the project of law on public forests management to increase the offer of legal timber in the market.
- **IBAMA:** To make structural changes in the timber monitoring system in a way to allow flexibility, sharing of information, efficiency, trust, transparency and control by consumers. Furthermore to increase inspection in sawmills and undertake market control measures.
- **The Public Prosecutor and Federal Police:** To fully investigate this exposé which involves illegality in the logging, the transportation and documentation of the timber.
- **The São Paulo State Government:** To follow the State decree 49673, of June 2005, which establishes control and inspection rules for transport of timber products and sub-products.
- **The São Paulo City Government:** To inspect timber retailers in the city and forward seized documents, such as ATPFs, to IBAMA; fulfill the Terms of Commitment and Decree 4638 on Greenpeace's Amazon Friendly Cities programme.
- **The Amazon Friendly cities:** To fulfill the Terms of Commitment and decrees referring to the Amazon Friendly Cities programme. To forward documents (ATPFs) presented by timber suppliers on Governmental purchases to IBAMA. Sign onto the Greenpeace letter demanding a ban on illegal logging.
- **Individual consumers:** To purchase only FSC certified timber products, which ensures legal origin as well as environmentally friendly and socially just production.
- **International Market Countries:** To implement legislation outlawing the import of illegal timber.



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