



**GREENPEACE**

**FOREST CRIME FILE  
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# The Amazon's Silent Crisis: Licence to Launder





**Front cover:** Ipê tree in Cachoeira Seca do Iriri indigenous land (Dry Waterfall of Iriri). Ipê is the most valuable Brazilian tropical timber.  
22/09/2013 © Daniel Beltrá/Greenpeace

**Above:** Tracks cleared Cachoeira Seca do Iriri Indigenous area, likely used by loggers to transport timber logged illegally within the area. Stolen timber needs to be 'laundered' before it can be sold commercially.  
30/03/2015 © Fábio Nascimento/Greenpeace



# Summary

Over a year ago, a Greenpeace Brazil report, *The Amazon's Silent Crisis*, revealed how loggers in the Brazilian Amazon were exploiting weaknesses in the country's regulatory system to launder illegally logged timber for the global market.

In an October 2014 follow-up report, *The Amazon's Silent Crisis: Night Terrors*, Greenpeace identified a number of forest estates in the Amazon state of Pará that it suspected of fraudulently obtaining official documentation for the purpose of laundering illegally logged timber.

One of these estates, run by a company called Agropecuaria Santa Efigênia Ltda, had declared implausibly high levels of valuable ipê timber. However, even after Greenpeace sounded the alarm, timber continued to be traded with Santa Efigênia's documentation for a further four months.

Finally, in late February 2015, authorities in Pará suspended the company from trading. They also fined it for submitting false information to the chain-of-custody system.

By the time Santa Efigênia was suspended, however, over 43,000m<sup>3</sup> of timber had already been traded using its documentation – including nearly 12,000m<sup>3</sup> of ipê, potentially worth at least US\$7 million if processed and exported.

In defiance of their due diligence obligations, several importers in the EU and elsewhere, whose links with Santa Efigênia's supply chain were also exposed by Greenpeace in October 2014, continued to buy and market potentially illegal timber from Pará sawmills linked to the suspended company.

# Fraudulent forest management plans: Amazon destruction starts here

The Amazon rainforest is the largest rainforest on earth. It covers 5% of the world's surface area and extends over nine South American countries,<sup>1</sup> with just under two-thirds lying inside Brazil, covering almost half of the country's territory.<sup>2</sup> Its biodiversity is unparalleled, it is home to hundreds of indigenous peoples (including many uncontacted tribes), and as one of the world's largest terrestrial carbon stores, containing more than 175 billion tonnes of carbon (over a quarter of all the carbon stored in forests worldwide), it is of vital importance to the stability of the global climate.<sup>3</sup>

Nevertheless, the Amazon rainforest is blighted by uncontrolled economic exploitation. To date, more than 700,000km<sup>2</sup> of Brazil's Amazon rainforest has been deforested,<sup>4</sup> over half of it within the last three decades.<sup>5</sup> The total forest loss across the Amazon to date is estimated to represent a net contribution of about 1.8ppm of atmospheric CO<sub>2</sub> or 1.5% of the increase in the CO<sub>2</sub> level since the beginning of the industrial era.<sup>6</sup>

The Brazilian government made progress in slowing down the rate of forest loss during the past decade, but it rose again in 2013<sup>7</sup> and some scientists expect a further increase in 2015.<sup>8</sup>

Logging is often the first step towards forest degradation and ultimately deforestation. Loggers build roads deep into the rainforest to extract high-value hardwood trees. Settlers subsequently clear

the forest adjacent to these roads for cattle ranches and arable crops. To make matters worse, the regions at the frontier of Amazon deforestation are renowned for poor law enforcement and widespread corruption. Illegal logging is endemic. In Pará State, which produces and exports more timber than any other state in Brazil, more than three-quarters of logging is estimated to be illegal.<sup>9</sup>

In 2006, the Brazilian government responded to the already rampant illegal logging with a programme of legislation and regulatory measures. Overnight, the new legislation transferred the responsibility for approval, monitoring and evaluation of forest management plans (FMPs) to individual states. Furthermore, the registration of timber producers, and the monitoring of the chain of custody through an electronic system intended to track timber and record transactions, became the responsibility of state governments. All timber sales and shipments must now be accompanied by the corresponding quantity of credits entered on this system. In theory, timber that has been logged illegally, for example outside a permitted area or in excess of the permitted harvest volume, should not have access to these credits and their associated documentation, and it should therefore be impossible to sell it. (For a more detailed explanation of the workings of Brazil's timber control system, see page 6.)

However, the reality is somewhat different. In May 2014 a Greenpeace Brazil report, *The Amazon's*





*Silent Crisis*, revealed how loggers were exploiting weaknesses in the regulatory system to generate fraudulent credits that were then used to launder illegal timber.<sup>10</sup> For example, loggers routinely submit applications to harvest timber on land that they have no intention of logging, or overestimate the amount of timber they could feasibly log in a given area. They then apply the credits they receive to timber illegally harvested elsewhere, or else sell the credits to illegal loggers or sawmills to use in this way. This gives illegal timber a fake 'legal' point of origin, making it impossible to tell if a proportion of the timber being sold by a sawmill or exporter has been harvested illegally.

In October 2014 a follow-up Greenpeace report, *The Amazon's Silent Crisis: Night Terrors*, exposed a network of sawmills in Pará centred around a sawmill and timber export company called Rainbow Trading Importação e Exportação Ltda. Using electronic surveillance, Greenpeace monitored trucks travelling back and forth between public forests (where no logging had been authorised), Rainbow Trading and some of its suppliers.

A month after the report's publication, the State Environmental and Sustainability Secretariat (SEMAS) of Pará (the agency responsible for enforcing forest law)<sup>11</sup> inspected Rainbow Trading's premises. Subsequently it fined the company for selling timber illegally, laundering timber and submitting false



information to the electronic chain-of-custody system used in Pará (SISFLORA).<sup>12</sup>

One of Rainbow Trading's suppliers, sawmill operator Comercial de Madeiras Odani Ltda, claimed to source its timber from three estates. As mentioned in *Night Terrors*, Greenpeace analysis of satellite imagery and official documentation suggested that credits from two of these estates, including one run by Agropecuaria Santa Efigênia Ltda, might have been used fraudulently.

The present crime file adds further weight to our suspicions regarding Santa Efigênia, and exemplifies why the systematic granting of logging permits without appropriate assessment and verification of the applicants' FMPs must stop. All FMPs approved in the Brazilian Amazon since 2006 must urgently be reviewed. Those granted on the basis of false information should be canceled, and the remainder correctly monitored.

Moreover, this crime file demonstrates yet again how timber buyers worldwide are failing to face up to the fact that the legality of almost all the Brazilian wood they purchase is dubious at best, due to widespread fraud and the inadequacy of the country's regulatory and chain-of-custody systems. Here, too, change is urgently needed, including improved traceability in Brazil, a more responsible attitude on the part of importers and much stricter enforcement measures by the authorities in importing countries.



# The Brazilian timber control system and its failings

Timber in Brazil is normally harvested on the basis of an approved forest management plan (FMP), governed by Law 12.651/<sup>12</sup>. FMPs establish how forestry activities will be carried out in a particular area.

The landowner or company proposing the FMP submits it to the authority responsible for timber regulation. In Pará State this is the State Environmental and Sustainability Secretariat (SEMAS) (formerly the State Environmental Secretariat (SEMA)), which registers estates and licences, including those for logging, on a computerised system called SIMLAM. (Other states have largely similar arrangements, though the names of their authorities and computer systems differ.)

In Pará, once SEMAS has approved an FMP (or at the same time that the FMP is submitted, if it is proposed to carry out all harvesting in a single year), the operator submits an annual operation plan (POA) for the forthcoming year's harvesting. This includes a forest inventory covering the portion of the FMP area to be logged that year and a detailed logging map showing the trees to be felled. If SEMAS approves the POA, it then issues via SIMLAM a logging authorisation (AUTEF), which contains among other things a definition of the area within which timber can be harvested.

This AUTEF generates an electronic quota ('credits') in accordance with the quantity of timber authorised to be harvested. When timber transactions occur, a corresponding quantity of credits is (manually) transferred from SIMLAM onto SISFLORA, the forest product chain-of-custody system used in Pará. Credits are deducted from the vendor and credited to the recipient of the timber according to the volume specified in the transport documents (GFs); the latter are generated by SISFLORA every time timber moves between two stages of the chain of custody. In order to be legally traded, timber must be covered by credits, which are recorded in each GF issued.

However, since the information on which an AUTEF is based (such as the forest inventory) is provided by the FMP holder itself, its reliability is always open to question. For the system to be reliable the information submitted would need to be verified by SEMAS by means of on-the-ground spot checks before, during and after exploitation.

In theory, all estates with an FMP specifying a total designated logging area in excess of 700ha must be inspected before an AUTEF can be granted.<sup>13</sup> With this exception, inspections are rare, falling far short of the frequency that would make them effective. Even those that are carried out do not always succeed in identifying fraud or illegalities that have taken place.



# FRAUDULENT FOREST MANAGEMENT PLANS

**FRAUD 1:** gain authorisation to log where trees have already been logged, then log elsewhere

**FRAUD 2:** authorisation for area with no intention to log in it, then log illegally elsewhere

**FRAUD 3:** overstate the volume or density of valuable trees, log illegally elsewhere

**FRAUD 4:** excess credits issued regardless of the authorised allowance

**FRAUD 5:** credits issued without logging authorisation – requires corruption



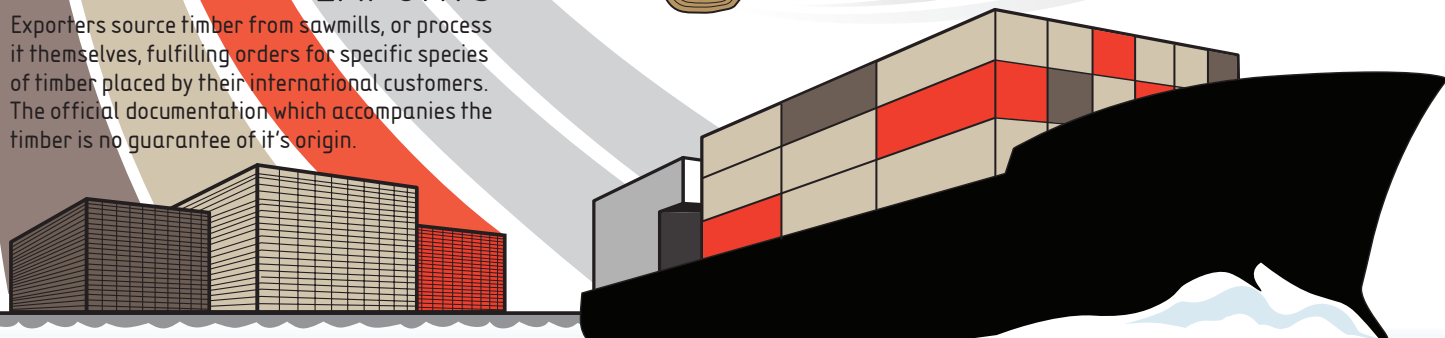
## How the system is abused to allow illegal logging

### SAWMILLS

Wood arrives at sawmills most often accompanied by official documentation. Whether fraudulently obtained or not it states the origin of the timber. Once inside the sawmill the origin of the timber is lost as it is processed according to species.

### EXPORTS

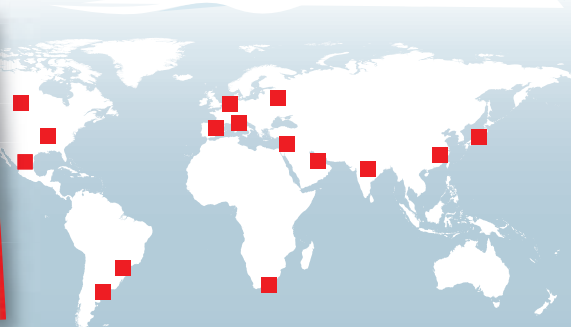
Exporters source timber from sawmills, or process it themselves, fulfilling orders for specific species of timber placed by their international customers. The official documentation which accompanies the timber is no guarantee of it's origin.



### MARKETS

Timber importing companies receive their orders with official documentation. However, the documents do not guarantee the origin and legality of the wood they receive.

Given the widespread illegality and flaws in the system, companies that are not willing to take these challenges seriously should avoid buying timber from the Brazilian Amazon altogether.





# Investigation: Exposing Agropecuaria Santa Efigênia

Agropecuaria Santa Efigênia Ltda (henceforth known as Santa Efigênia) operates a 6,000-hectare estate located in the municipality of Uruará in Pará State, just off the Trans-Amazonian Highway. Some 2,264 hectares of the property were designated for logging and authorised by SEMA (now SEMAS) in 2014.<sup>14</sup>

Greenpeace's October 2014 forest crime file *The Amazon's Silent Crisis: Night Terrors* referred to evidence suggesting that Santa Efigênia might be involved in the laundering of illegally logged timber, and highlighted the need to carry out a field audit of the company's estate.<sup>15</sup>

Company and estate are both owned by José Mário Lazarini, who in 2002 was charged with siphoning off over US\$1 million of funds from the Superintendency for the Development of the Amazon<sup>16</sup> (SUDAM).<sup>17</sup> Unfortunately, the charges were dropped by the Brazilian judiciary in May 2013 after the judge ruled that too much time had passed since the case was opened.<sup>18</sup>

## Greenpeace raises the alarm, October 2014

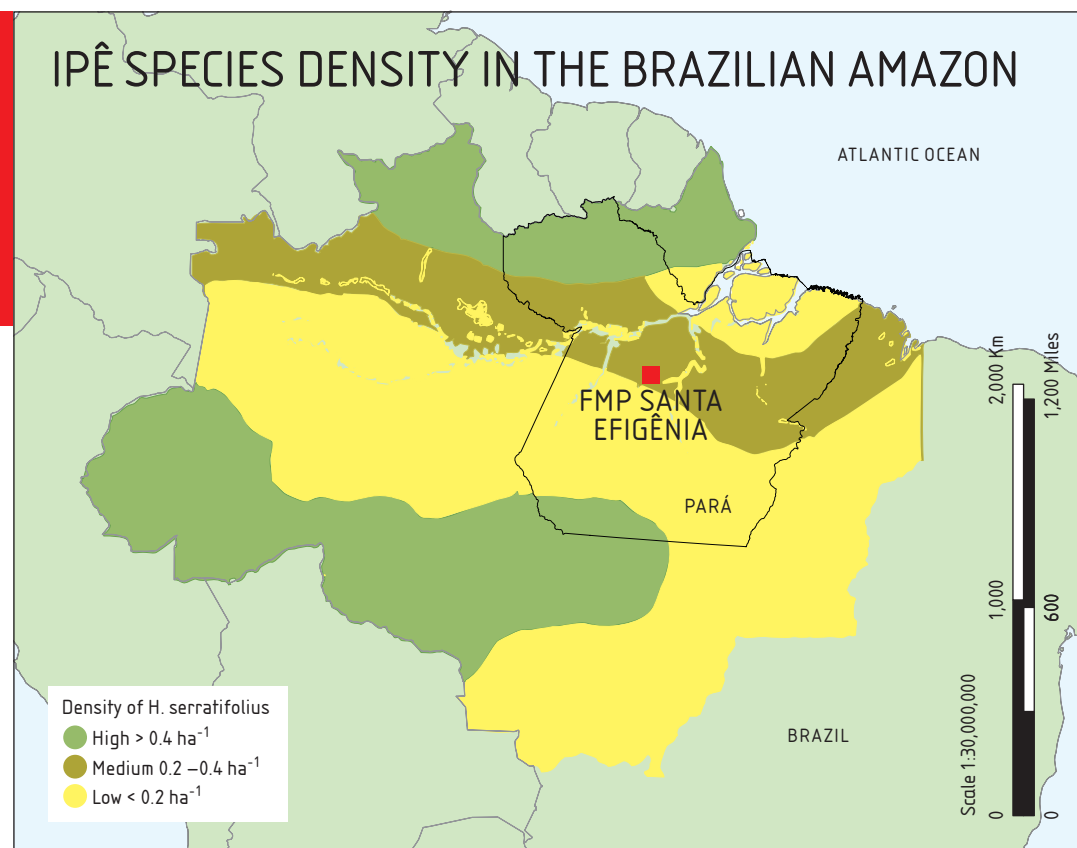
The *Night Terrors* report described how Greenpeace investigators placed secret tracking devices on logging trucks which regularly travelled from illegal logging camps deep in the rainforest to several

locations, including a sawmill operated by Comercial de Madeiras Odani Ltda. Odani was subsequently inspected by SEMA and fined for selling and storing timber illegally and for inserting false or misleading information into the chain-of-custody system.<sup>19</sup>

Prior to the publication of *Night Terrors*, Odani had supplied timber to Rainbow Trading Importação e Exportação Ltda, Ipêzai Comercio de Madeiras Ltda, J&J Comercio e Exportacao De Madeira Ltda and Madeireira Madevi Ltda, which in turn exported timber to companies based in Belgium, France, Portugal, Sweden, Denmark, the Netherlands, Spain, Italy, the USA, Japan and China.<sup>20</sup>

According to SEMA, during the same period Odani's timber was claimed to have been harvested from three different estates, one of which was Santa Efigênia's.<sup>21</sup>

In January 2014 SEMA granted Santa Efigênia a one-year logging permit (AUTEF 20145/2014, expiring on 8 January 2015) authorising it to cut, trade timber credits and issue transport documentation for 45,473m<sup>3</sup> of timber – the first such permit granted for the estate. Some 26.4% (11,985m<sup>3</sup>) of this allowance was for a



Santa Efigênia's estate is located in an area of the Amazon where *Handroanthus serratifolius* (ipê) density has been observed at between 0.2 and 0.4 individuals per hectare.

Source: Based on Radam Brasil/IBGE and Schulze, M., Grogan, J., Uhl, C., Lentini, M. and Vidal, E. (2008) Evaluating ipê (*Tabebuia*, Bignoniaceae) logging in Amazonia: sustainable management or catalyst for forest degradation? *Biological Conservation* 141, pp2071–85, [www.fs.fed.us/global/iitf/pubs/ja\\_iitf\\_2008\\_schulze001.pdf](http://www.fs.fed.us/global/iitf/pubs/ja_iitf_2008_schulze001.pdf)



1. Logging camp in Pará. 19/09/2013 © Greenpeace/Daniel Beltrá
2. Amazon timber for sale in Lumber Liquidators, US. © Greenpeace
3. Tel Aviv's port refurbished using ipê in 2007. 24/11/2013 © Ilai Ben Amar/Greenpeace



## Stolen Ipê pays more

**Ipê is the most valuable Brazilian tropical timber. It is also among the most expensive globally. While the volumes of ipê harvested and exported have declined in recent years, the price continues to increase.**

**The export value of sawn ipê is as much as US\$1,300/m<sup>3</sup>,<sup>28</sup> giving criminal loggers and sawmills an obvious motivation to obtain official documentation through fraud in order to trade illegally logged ipê.**

**At this price, the ipê traded under Santa Efigênia's credits, totalling 11,893m<sup>3</sup>,<sup>29</sup> could have been worth nearly US\$7 million if processed and exported as sawn timber.<sup>30</sup>**

valuable timber species of the genus known as ipê (*Handroanthus serratifolius*),<sup>22</sup> also known to the timber trade as Brazilian walnut or lapacho.

Santa Efigênia's AUTEF authorised the logging of 1,868 ipê trees in a net area of 2,265ha – indicating an average of at least 0.82 ipê trees of harvestable size<sup>23</sup> per hectare and a timber volume per hectare of 5.29m<sup>3</sup>. However, the typical population density of *H. serratifolius* in the part of the Amazon where the Santa Efigênia estate is located is much lower, as is the typical volume per hectare (see below).

These discrepancies made Greenpeace suspicious that the number of ipê trees might have been overstated in order to gain fraudulent credits to launder timber logged elsewhere. Accordingly, while noting in *Night Terrors* the possibility that Santa Efigênia might have overstated its ipê and calling for a field audit of the estate, we approached SEMA to request access to Santa Efigênia's forest inventory (which was granted the day before *Night Terrors* was published in October 2014).

Greenpeace then commissioned a detailed analysis of the inventory from the University of São Paulo. The analysis suggested that the number of ipê trees and volume of ipê timber per hectare declared by the company had indeed been seriously overestimated.

Moreover, it found that some of the individual ipê trees listed in the company's inventory were implausibly large.

According to a published population study, the density of *H. serratifolius* in the area of the Amazon where the Santa Efigênia estate is located varies between 0.2 and 0.4 trees per hectare (see map on page 8).<sup>24</sup> However, according to the University of São Paulo analysis, the company's forest inventory presents an average of 1.0123 trees of at least 30cm diameter at breast height (DBH) per hectare,<sup>25</sup> implying that it may have overstated the number of trees present by 400% or even more.

Similarly, while the timber volume (above 30cm DBH) per hectare for ipê in the region rarely exceeds 0.4m<sup>3</sup>,<sup>26</sup> Santa Efigênia's forest inventory claims an average of 5.75m<sup>3</sup>/ha of ipê of at least this size, suggesting an overstatement of the volume of ipê present by up to 1300%.<sup>27</sup>

On 27 October, Greenpeace asked SEMA to conduct a field inspection of the Santa Efigênia estate to confirm that the quantity of ipê declared by the company was overestimated. At that point, approximately half of Santa Efigênia's total timber credits were still to be traded.



# LOGGING, ROADS AND PROTECTED AREAS NEAR AGROPECUÁRIA SANTA EFIGÊNIA



Uruará  
Population: 44,720

AGROPECUÁRIA  
SANTA  
EFIGÊNIA

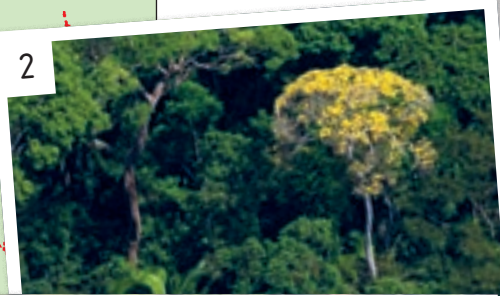
Agropecuária Santa Efigênia logging estate is located on a road that cuts through the Cachoeira Seca indigenous area.

- BR 230 Transamazônica
- Mud roads
- Radarsat alerts indicate areas of logging May–Dec 2014
- Area authorised for logging from 08/01/14 to 08/01/15
- T.I. CACHOEIRA SECA Protected indigenous area

Scale 1:400,000  
0 10 KM  
0 5 Miles



1. Tractor located in one of several log yards, apparently moving logs, suggesting a breach of the embargo regulations.  
30/03/2015  
© Fábio Nascimento/Greenpeace



2. Ipê tree in Cachoeira Seca do Iriri indigenous land (Dry Waterfall of Iriri). Ipê is the most valuable Brazilian tropical timber. 22/09/2013  
© Daniel Beltrá/Greenpeace

3. Mud roads in Cachoeira Seca Indigenous land, likely used by illegal loggers to transport timber logged illegally within the area. 30/03/2015  
© Fábio Nascimento/Greenpeace

4. Logs stockpiled within Cachoeira Seca Indigenous land, where logging is illegal. 30/03/2015  
© Fábio Nascimento/Greenpeace

## SEMA's field inspection at Santa Efigênia, December 2014

In response to Greenpeace's investigation and subsequent request,<sup>31</sup> SEMA reviewed the information in Santa Efigênia's FMP and forest inventory by conducting a field inspection of the estate, which began on 13 December 2014.

The inspection involved checking selected information from the FMP and inventory against the situation in the field. SEMA checked a sample of over 300 trees and found irregularities in the documentation relating to 42% of them. Of the trees sampled, 98 were listed as ipê in the forest inventory. However, 32% of these were actually different species altogether. According to criteria in the Guide for Forest Management Plan Field Inspections (the official handbook produced by the Brazilian Enterprise for Agricultural Research (EMBRAPA) and used for inspections by the Brazilian Institute for the Environment and Renewable Natural Resources (IBAMA)), such mislabelling should not exceed 10% of trees.<sup>32</sup>

These findings reinforced Greenpeace's suspicion that credits from AUTF 20145/2014 had been used to launder illegal logs harvested elsewhere.

The officers who conducted the inspection concluded that there was evidence of 'fraud' in the forest inventory, mainly concerning ipê, and recommended that SEMA suspend Santa Efigênia's FMP.<sup>33</sup>

While the FMP was not in fact suspended, the AUTF expired on 8 January. SEMA (by now renamed as SEMAS) did however stop Santa Efigênia from trading by suspending its registration<sup>34</sup> on the state Forest Products Producers and Consumers Register (CEPROF)<sup>35</sup> on 24 February – but not before 95% of the credits associated with AUTF 20145/2014 (and 99% of those for ipê<sup>36</sup>) had entered the supply chains of various sawmills and timber exporters. Had it acted sooner, SEMAS could have prevented the trading of some of these credits.

Following the field inspection, SEMAS also imposed two fines on Santa Efigênia for providing false information to SISFLORA and failing to manage its estate in accordance with the FMP or AUTF.<sup>37</sup>

In addition to the delay in acting against Santa Efigênia, this case points to further shortcomings in SEMAS's procedures. Santa Efigênia's FMP area exceeded the threshold above which the organisation should have conducted an inspection before granting the company's AUTF. It is unclear whether such an inspection actually occurred, but if it did then it was inadequate, since discrepancies between the company's documentation and the reality on the ground were not identified, until after Greenpeace's investigation and request to SEMA.

## Breaking the rules even after suspension

On 19 December 2014 SEMA published a regulation which, among other matters, established the 2015 forestry calendar for Pará,<sup>38</sup> which stipulates a period during which no harvesting or other forestry activities (including the moving

of timber within an estate) are permitted take place. This is known as the harvesting embargo period and generally corresponds to the rainy season.

The regulation also stipulates that the stockpiling of previously harvested logs must take place within the relevant FMP area in a central yard and that the volume stored must be recorded.

The 2015 embargo period began on 1 March<sup>39</sup> in the area where the Santa Efigênia estate is located, and lasted until the end of May. However, an aerial reconnaissance by Greenpeace on 30 March 2015 (30 days into the embargo period and 34 days after Santa Efigênia was suspended from trading) documented a number of log yards throughout the estate's FMP area as well as a tractor in a yard apparently moving logs (see photos page 10), suggesting a breach of the embargo regulations.

The last GFs relating to Santa Efigênia were issued on 20 February 2015. Given that GFs have a validity of 10 days from the date of issue, any transportation of timber outside the AUTF area after 2 March 2015 would have been unauthorised and illegal. However, a subsequent Greenpeace fly-over of the estate on 5 June 2015 observed that the logs and tractor were no longer present, suggesting that the timber had been transported illegally. Moreover, the sale to a sawmill of timber moved in these circumstances would require the use of fraudulent documentation.

## Laundered timber – where does it really come from?

Santa Efigênia's estate is located some 30km from the Cachoeira Seca do Iriri indigenous area, where no logging is authorised but where illegal logging is an ongoing problem. The total territory of the Cachoeira Seca is 733,700ha, equivalent to almost five times the area of São Paulo city.

While Greenpeace Brazil does not hold hard proof that any of the timber sold under Santa Efigênia's credits originated in the Cachoeira Seca area, there is mounting evidence of the impact of illegal logging within the area.

In 2013, in response to local communities' alerts, Greenpeace flew over the Cachoeira Seca indigenous area and documented a number of illegal logging camps and transportation of timber through the area. In 2015, Greenpeace flew over the area again and observed a similar situation (see photographs page 10). Santa Efigênia's estate is intersected by a road that goes right through the indigenous area. The forest surrounding the road within the indigenous area has suffered heavy degradation, in patterns typical of logging.

According to the Brazilian NGO ISA (Socio-Environmental Institute),<sup>40</sup> more than 700km of tracks have been cleared in the Cachoeira Seca indigenous area in 2014, and loggers are now just 30km from Iriri village, the home of the Arara indigenous people. ISA estimates that the area illegally exploited by loggers within the Cachoeira Seca area more than doubled between 2013 and 2014, from 4,700ha to 13,390ha. All the timber stolen from these areas will need to be laundered before it can be sold commercially.



## GREENPEACE The Amazon's Silent Crisis: Licence to Launder

Belgium, Denmark, France, Germany, Italy,  
Netherlands, Spain, United Kingdom, Israel, Canada,  
Portugal, Mexico, USA, China, Japan and South Korea.

[illegible]

# Laundering timber for export

The results of Greenpeace's investigation into rampant illegal logging in the Amazon state of Pará, confronted importers with the reality of a flawed Brazilian regulatory and monitoring system that enables loggers and sawmills to launder and market illegal timber and that fails to provide traceability or credible assurances of legality. The investigation thus put companies on notice of the facts, and highlighted the legal and reputational risk to importers that continue to purchase Brazilian timber under these circumstances – and identified a number of European, American and Far Eastern importers and retailers of suspect timber.

Since then, some timber importers and organisations have taken action,<sup>44</sup> for example cutting ties with specific sawmills or asking the Brazilian authorities for assurances that the problem is being tackled. However, the laundering of illegal timber by means of fraudulently obtained official documentation remains endemic in the Brazilian Amazon. This report provides further evidence that the timber industry in the region continues to operate outside the law.

This widespread illegality, coupled with the shortcomings of the Brazilian timber control system, ought in theory to render Brazilian Amazon timber unsaleable in markets where regulations against imports of illegal or potentially illegal timber apply, as is the case in the EU (EUTR) and the USA (the Lacey Act). Nevertheless, timber from the Brazilian Amazon continues to enter these markets accompanied by unreliable official documentation – pointing to serious flaws in the application and enforcement of regulations in the importing countries.

## Santa Efigênia: still tainting EU supply chains

The EU Timber Regulation (EUTR), which became applicable across the EU in March 2013, prohibits the placing of illegally harvested timber (and of timber products deriving from such timber) on the EU market. It also requires operators<sup>45</sup> to put in place and use a due diligence system in order to identify and mitigate this risk.<sup>46</sup>

As mentioned above, Greenpeace's October 2014 *Night Terrors* report exposed some EU operators who were importing timber from sawmills whose supply chains included Santa Efigênia.

Even after this exposé, however, Santa Efigênia's documentation continued to facilitate the trade

in illegally logged timber. Between October and February, when Santa Efigenia was suspended from trading, its documentation continued to accompany timber supplied by sawmills to exporters dealing with EU operators. These operators included some already identified in *Night Terrors*, as importing timber from sawmills whose supply chains included Santa Efigênia; and some identified in *The Amazon's Silent Crisis*, as importing timber from sawmills whose supply chains were contaminated by other sources of illegal timber.

**Given the lack of timber segregation at sawmills and the consequent impossibility of tracing timber to source, there was no way in which the official chain-of-custody system could have enabled these EU operators to rule out the presence of timber originating from Santa Efigênia in their supply chain. Indeed, all timber from sawmills supplied by Santa Efigênia must be considered at risk of being illegal given the contamination of the supply chain.**

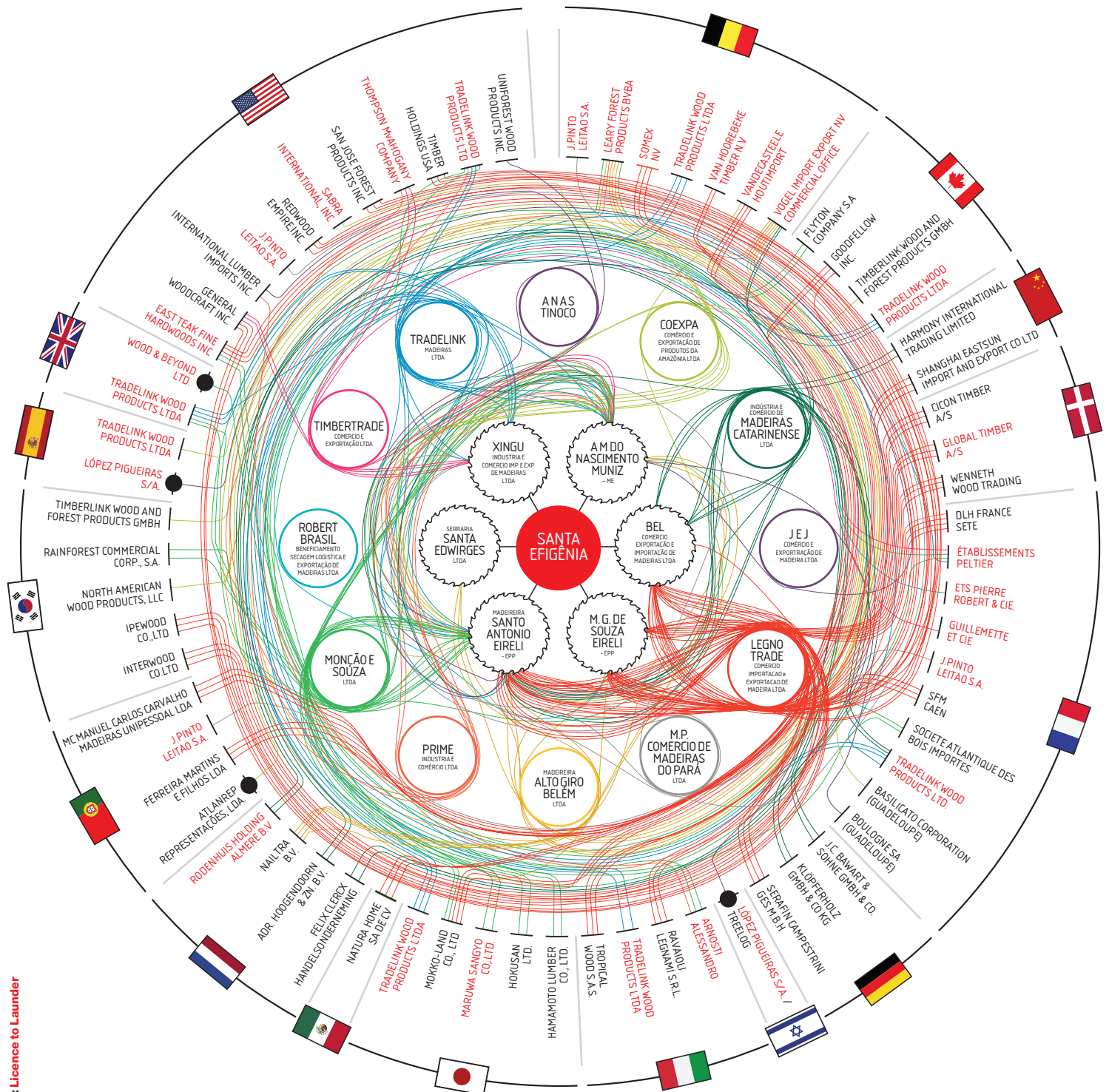
As a result, competent authorities in the EU countries concerned cannot reasonably conclude that the operators importing timber from sawmills linked to Santa Efigênia have carried out adequate due diligence in order to identify and mitigate the risk of trading illegal timber.

Nevertheless, to date, authorities in EU timber-importing countries have failed to implement and enforce EU regulations, letting the global illegal timber trade run unabated.

**While some EU companies have merely failed to address the risk of illegal trading due to lack of traceability, Greenpeace's investigation has confirmed that the Spanish company Lopez Pigueiras SA and Portuguese Atlanrep - Representações Lda have actually sourced, after Night Terrors, timber accompanied by documentation from Santa Efigenia's fraudulent FMP in December and November 2014 respectively. UK-based company Wood and Beyond sourced timber accompanied with Santa Efigenia's documentation months after Night Terrors. Timber was supplied to them by Monção E Souza LTDA with Santa Efigenia's documentation, even after Santa Efigenia had been sanctioned by authorities in Pará. This demonstrates how some EU operators are prepared to play an active part in the trade in illegal timber from the Amazon.**<sup>47</sup>



# From Santa Efigênia to the global market, an international timber laundry



Santa Efigênia's chain of custody for the period between November 2014 and February 2015 showing the top five sawmills (see centre from Santa Efigênia) by volume that admitted to continuing to source 1000m3 or more timber from Santa Efigênia during the same period (i.e. after the publication of Night Terrors). It also shows exporters they have supplied during the

same period, and their international clients. Santa Efigênia was suspended from trading on 24 February 2015.

Also included is a sixth sawmill - A. M. Do Nascimento Muniz - ME. Greenpeace Mediterranean obtained official documentation linking them to Santa Efigênia's, accompanying timber sold to companies in Spain and Israel.

Companies highlighted in red have previously had links with contaminated supply chains exposed in either or both of Greenpeace's reports The Amazon's Silent Crisis (May 2014) and Night Terrors (October 2014).

Companies marked with ● are known to have imported timber or timber products accompanied by documentation from Santa Efigênia.

## MADEIREIRA SANTO ANTONIO EIRELI – EPP

Almost 95% of the timber acquired by Santo Antonio Eireli between November 2014 and February 2015 (over 7,500m<sup>3</sup>) was covered by Santa Efigênia's documentation. This sawmill supplied 7 exporters in this period of time, including Tradelink Madeiras and Legno Trade.

## BEL COMERCIO EXPORTAÇÃO E IMPORTAÇÃO DE MADEIRAS LTDA

Almost 95% of the timber acquired by Bel between November 2014 and February 2015 (over 4,300m<sup>3</sup>) was covered by Santa Efigênia's documentation. This sawmill supplied Indústria E Comércio De Madeiras Catarinense and Legno Trade.

## SERRARIA SANTA EDWIRGES LTDA

Half of the logs they acquired between November 2014 and February 2015 (2,500m<sup>3</sup>) were covered by Santa Efigênia's documentation.

Serraria Santa Edwirges supplied exporter Madeireira Alto Giro Belém in the same period of time.

## XINGU INDUSTRIA E COMERCIO IMP. E EXP. DE MADEIRAS LTDA

About 60% of logs acquired by Xingu between November 2014 and February 2015 (1,277 m<sup>3</sup>) were covered by Santa Efigênia's documentation. Xingu supplied 3 exporters in this period including Tradelink Madeiras.

## M. G. DE SOUZA EIRELI – EPP

About 45% of all logs acquired by M.G. De Souza Eireli between November and February (1000 m<sup>3</sup>) were covered by Santa Efigênia's documentation.

In this period, M.G. De Souza Eireli supplied Tradelink Madeiras, Legno Trade, Robert Brasil, and Madeireira Alto Giro Belém.

## A.M. DO NASCIMENTO MUNIZ - ME

Claimed to have acquired 1,345m<sup>3</sup> of timber covered by Santa Efigênia's documentation between June 2014 and October 2014, and supplied many exporters including J E J Comércio E Exportação de Madeira LTDA. Santa Efigênia's documentation then made it to Spain, accompanying ipê that López Pigueiras purchased in December 2014.

22 sawmills received timber covered by credits and documentation from Santa Efigênia between June 2014 and February 2015, after which it was finally suspended from trading. Most of these sawmills were located in the municipalities of Uruará and Placas in Pará, at the centre of the state's logging industry.

**These 22 sawmills in turn supplied 45 timber exporters, which are listed in the Annex on page 19.**

The list left shows the top five sawmills (by volume) that claimed to source timber from Santa Efigênia after the publication of *Night Terrors*, along with the exporters that they have supplied since then. Also included is a sixth sawmill, A.M. Do Nascimento Muniz - ME. Greenpeace has obtained Santa Efigenia documentation which accompanied timber from this sawmill that was ultimately sold to companies in Spain and Israel.

In Israel, timber company Treelog purchased ipê for a major beach promenade refurbishment in Tel Aviv. The ipê was sold to Treelog by Lopez Pigueiras with Santa Efigênia's documentation. This was revealed by Treelog when Tel Aviv Municipality started to question the legality of the timber. Following Greenpeace expose and the evidence of fraud by Santa Efigênia, the municipality of Tel Aviv stated ipê would be no longer used for public procurement.<sup>48</sup>

In the US, importers listed in *The Amazon's Silent Crisis* also continued to buy from exporters linked to illegalities until at least February 2015. These include East Teak Fine Hardwoods, Timber Holdings USA, Sabra International, Redwood Empire, Aljoma Lumber, J. Thompson Mahogany. Universal Forest Products did so until December 2014.

The combination of weak law enforcement and flaws in the electronic systems set up to control Brazil's timber industry has fostered a culture of illegality that pervades the entire sector – reaching straight through to the international market.

As this evidence makes clear, authorities both inside and outside Brazil are failing to prevent illegal logging or to bring the perpetrators to justice.

Given the inadequacies of the Brazilian timber control and chain-of-custody systems, timber importing companies that are unwilling to face the challenge of carrying out due diligence and to verify legality independently must therefore stop buying timber from the Brazilian Amazon altogether.

Meanwhile, competent authorities in the various importing countries must finally begin to take firm enforcement action against companies that fail to comply with the relevant legislation on imports of timber and timber products.



# The Rainbow Trading saga

## How tainted timber gets into the EU despite EU law

The failure of EU operators to comply with their EUTR obligation to identify and mitigate their risk of placing illegal timber on the EU market is exemplified by the situation in Belgium and the Netherlands.

Greenpeace's monitoring of the situation since May 2014 indicates that entrenched practices continue. Operators disregard their duty to collect information on their supply chain and ignore risk factors that should guide their behaviour in the market. They are content merely to collect official documentation. Sometimes they do not even see these documents before buying the timber. Sometimes they make no attempt to verify the information in them unless they receive a request from the authorities.<sup>49</sup> In short, those that accept the validity of official documentation at face value do nothing to reduce their risk of placing illegal timber from the Brazilian Amazon on the EU market.

Upon the publication of *The Amazon's Silent Crisis* in May 2014, Greenpeace communicated the report to the EUTR competent authorities (CAs) of EU Member States that import Brazilian Amazon timber, including Belgium and The Netherlands. Greenpeace also wrote to the relevant operators to warn them about the substantial risk of illegality that they were incurring when importing timber from Pará State, including from sawmill and exporter, Rainbow Trading Importação e Exportação Ltda.

On 15 October 2014, Greenpeace published its follow-up report, *Night Terrors*. This pointed specifically to the violations of Brazilian law suspected to have been committed by Rainbow Trading and its suppliers.

The report warned EU operators sourcing timber from this company that they were likely to be considered in violation of the EUTR. Greenpeace contacted several operators known to deal with Rainbow Trading, as well as other timber industry companies and organisations, to make them aware of the risks associated with the firm.<sup>50</sup>

On 16 October 2014, one day after the publication of *Night Terrors*, SEMA seized timber at Odani, one of the sawmills exposed by the report as supplying Rainbow Trading. SEMA fined Odani for a number of illegalities, including the laundering of illegal timber. Odani claimed to source timber from Santa Efigênia.<sup>51</sup>

In spite of the risks that Greenpeace had highlighted, Rainbow Trading's timber continued to make its way into the EU. On 6 November 2014, Greenpeace activists confronted a ship carrying timber from Rainbow Trading to the port of Rotterdam. The timber was en route to Belgium for customs clearance, after which it would have been placed on the EU market.

This was the third delivery of Rainbow Trading timber to EU operators in Belgium, since the beginning of October. All the operators concerned had already been identified in *Night Terrors*.

By this point, two Dutch companies, Stiho and LTL Woodproducts, had announced that they were suspending purchases of the timber species supplied by Rainbow Trading, pending investigation, and had cancelled their contracts with Rainbow Trading.<sup>52</sup>

A third company however, Rodenhuis Holding, continued to source Rainbow Trading's timber, even after being warned by Greenpeace in May 2014 following *The Amazon's Silent Crisis* report, and being exposed in *Night Terrors* in October 2014. The company confirmed to Greenpeace that they would continue to receive timber from Rainbow Trading.<sup>53</sup>

Subsequently, the French company Rougier Sylvaco also confirmed that it was suspending all purchases from Rainbow Trading pending investigation,<sup>54</sup> while Swedish-based Interwood announced that it would no longer buy timber from Rainbow Trading, as well as suspending all purchases of Amazonian ipê due to the impossibility of verifying its legality.<sup>55</sup>

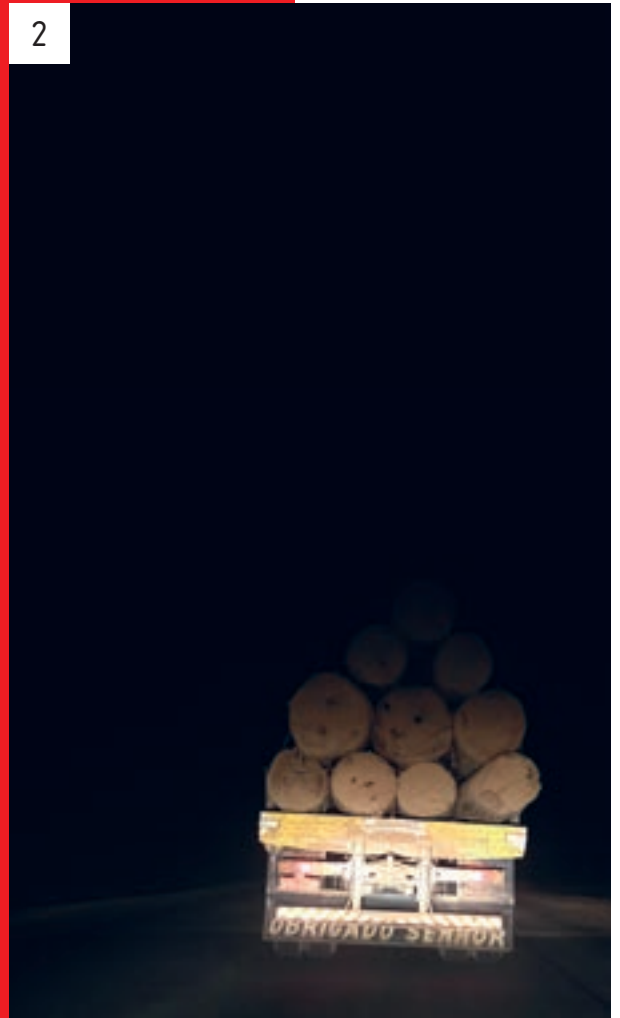
On 7 November 2014, Rainbow Trading's licence to trade (DOF) was suspended by IBAMA pending investigation.<sup>56</sup> Brazilian companies must be in possession of this licence in order to export timber lawfully from the country.

1. Illegal logging camp in the rainforest. A truck monitored by Greenpeace made two trips between this camp and the Rainbow Trading sawmill in Santarém.  
01/09/2014 ©Otávio Almeida/Greenpeace

2. A truck loaded with timber travels on the BR-163 highway towards Santarém. Trucks carrying illegal timber often travel at night to avoid surveillance.  
30/08/2014 © Otávio Almeida / Greenpeace

3. Rainbow Trading Importação e Exportação Ltda  
30/08/2014 ©Otávio Almeida/Greenpeace

2







On 11 November 2014, SEMA inspected Rainbow Trading's premises and imposed four fines on the company for selling several hundred cubic metres of timber illegally, laundering timber with fake or fraudulently obtained credits and entering false information onto SISFLORA.<sup>57</sup>

On 13 November 2014, the Belgian authorities publicly confirmed that they had impounded six containers of Brazilian timber – some presumed to be connected to the cargo that Greenpeace had exposed on 6 November 2014.<sup>58</sup>

On 5 December 2014, Greenpeace submitted a complaint to the Belgian CA, backed up with specific information on Rainbow Trading's illegal practices and records of Greenpeace correspondence with Belgian operators, which contained repeated warnings from Greenpeace about the legal and reputational risks of sourcing timber from the company.

Greenpeace asked the Belgian CA to carry out checks to verify whether the operators concerned had due diligence systems in place that were fit for the purpose of importing timber from the Brazilian Amazon, and whether they had exercised sufficient due diligence.

These companies included Belgium Leary Forest Products and a number of operators for which it sourced timber: Vandecasteele Houtimport, Houtimport Lemahieu and Omniplex, for which it sourced ipê decking timber, and Hout De Groote and W. Houthoff & Zoon, for which it sourced massaranduba (*Manilkara bidentata*) decking timber.

However, on 14 January 2015, the Belgian CA released the timber that it had impounded earlier on, without imposing any penalty on the operators linked to it.<sup>59</sup>

Despite the confirmation of Rainbow Trading's involvement in the illegal timber trade represented by the fines imposed by SEMA, and the company's inability to provide any assurance as to the legitimate origin of the timber it trades, the Belgian CA justified its decision by claiming that the wood in these specific shipments was legally logged.

In particular, the CA said that its conclusion was based on its correspondence with SEMA – even though this did not in fact offer any specific indication that the shipments had been harvested in compliance with Brazilian law.

Indeed, the Brazilian administration only gave the Belgian CA a general explanation on the functioning of the official control systems in Brazil, at federal and state level. In this context, it warned its Belgian counterpart that the control systems used in Pará state were vulnerable to fraud and that the authorities of Pará were going to adopt a new version of the system in 2015, called Sisflora II, in an attempt to address the weaknesses.<sup>60</sup>

Since October, companies Vandecasteele Houtimport and Leary Forest Products have sourced from supply chains linked to Santa Efigênia's timber credits. In other words, they continue to fail to mitigate risks, even after Greenpeace exposed them in the *Night Terrors* report.<sup>61</sup>

Furthermore, Belgian operators Vogel Import Export NV, Van Hoorebeke NV and Somex NV, already exposed in Greenpeace's May 2014 report, have been buying timber from sawmills that received timber credits and documentation from Santa Efigênia between November 2014 and February 2015.<sup>62</sup>

Greenpeace activists confront a cargo ship carrying Amazon timber from Rainbow Trading into the EU.  
06/11/2014  
© Bas Beentjes/  
Greenpeace

# Annex

The 45 exporters known to have been supplied by one or more of 22 sawmills that have handled timber accompanied by Santa Efígenia's documentation.

A N A S T I N O C O

AMAZON MADEIRAS LTDA. - ME

AMAZÔNIA FLORESTAL LTDA

ANDRÉ SOUSSANA

BORTOLANZA EXPORT LTDA

CINDEX - COMERCIO INDUSTRIA E EXPORTAÇÃO DE MADEIRA EIRELI

COEXPA COMÉRCIO E EXPORTAÇÃO DE PRODUTOS DA AMAZÔNIA LTDA

COWOOD TIMBERS LTDA

E A TREMARIN MADEIRAS EIRELI

E. ANTONIO TREMARIN EIRELI-ME

EXMAM EXPORTADORA DE MADEIRAS AMAZÔNICA LTDA

EXPAMA-EXP PARAGOMINAS DE MADEIRAS LTDA

GMF EMPREENDIMENTOS E REPRESENTAÇÕES LTDA

GREENEX INDÚSTRIA, COMÉRCIO E EXPORTAÇÃO DE MADEIRAS LTDA

INDÚSTRIA E COMÉRCIO DE MADEIRAS CATARINENSE LTDA

IPEX COMÉRCIO DE MADEIRAS LTDA

IPEZAI COMÉRCIO DE MADEIRAS LTDA

IPIAÇAVA INDÚSTRIA E COMÉRCIO D MADEIRAS LTDA.

J E J COMÉRCIO E EXPORTAÇÃO DE MADEIRA LTDA

K. M. COMERCIO E EXPORTAÇÃO DE MADEIRAS LTDA

LEGNO TRADE - COMERCIO IMPORTACAO E EXPORTACAO DE MADEIRA LTDA.

M. C. SKOLIMOVSKI MADEIRAS

M. P. COMÉRCIO DE MADEIRAS LTDA

M.P. COMERCIO DE MADEIRAS DO PARÁ LTDA

MADEIREIRA ALTO GIRO BELÉM LTDA

MADESA - MADEIREIRA SANTARÉM LTDA

MONÇÃO E SOUZA LTDA

NEW TIMBER AGENCIAMENTO E EXPORTAÇÃO DE MADEIRAS LTDA

OURO VERDE EXPORTAÇÃO DE MADEIRAS LTDA

PARIS DESIGN LTDA

PRIME INDUSTRIA E COMÉRCIO LTDA

RAINBOW TRADING IMPORTAÇÃO E EXPLORAÇÃO LTDA.

ROBERT BRASIL BENEFICIAMENTO SECAGEM LOGISTICA E EXPORTAÇÃO DE MADEIRAS LTDA

SILVA E SUSKI LTDA-ME

SMART MONEY - INDUSTRIA, COMERCIO, IMPORTAÇÃO E EXPORTAÇÃO DE PRODUTOS AGROFLORE

TAMANCO DO PARA INDUSTRIA COMERCIO E EXPORTAÇÃO DE BIOMASSA LTDA

TAP TIMBER COMÉRCIO DE MADEIRAS LTDA

TIMBERTRADE COMERCIO E EXPORTAÇÃO LTDA

TÓFOLI INDÚSTRIA E COMÉRCIO DE MADEIRAS LTDA

TRADELINK MADEIRAS LTDA

TRAMONTINA BELÉM S/A

UTC MADEIRAS LTDA

VIMEX - VITORIA EXPORTAÇÃO DE MADEIRAS LTDA

WIZI INDÚSTRIA COMÉRCIO E EXPORTAÇÃO DE MADEIRAS LTDA

ZERO IMPACT BRAZIL LTDA

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# Demands

## The Brazilian government must:

1. Investigate the Brazilian companies identified in this crime file, and take enforcement action to stop illegal timber entering the market
2. Review all FMPs approved in the Amazon since 2006
3. Implement existing rules for assessment and approval of FMPs, and add technical criteria to assess them
4. Implement a more robust, transparent and nationally standardised timber industry governance system, including monitoring and enforcement
5. Review all sawmill licences and create a new regulatory system for their operation
6. Strengthen state and federal environmental agencies by improving infrastructure and increasing funding for surveillance, monitoring and enforcement, and enforce the penalties imposed on those convicted of forest crimes
7. Prioritise development and implementation of an ambitious plan for effective community forest management
8. Ensure that Amazon timber is produced legally and has not contributed to deforestation, forest degradation, biodiversity loss or negative social impacts.

## Companies buying timber and timber products must:

9. Stop buying timber from the Brazilian Amazon unless their suppliers can provide credible assurances (to a standard of proof beyond current official documentation) that it is legally harvested, complies with relevant trade and customs legislation and has not contributed to deforestation, forest degradation, biodiversity loss or negative social impacts
10. Classify Brazilian Amazon timber as high-risk, given the chronic problems with the management and governance of the timber industry in the region, and take those problems into account when seeking to comply with the due diligence or other regulations or legislation to which they are subject
11. Implement strong procurement policies to ensure that the timber they purchase is from legal sources and has not contributed to deforestation, forest degradation, biodiversity loss or negative social impacts
12. Support reform of the Brazilian system of timber industry management and governance to ensure that Amazon timber is produced legally and has not contributed to deforestation, forest degradation, biodiversity loss or negative social impacts.

## Authorities in timber importing countries must:

13. Investigate the companies identified in this crime file as buying Amazon timber, find out what steps they have taken to mitigate the risk of illegal timber being placed on the market, and take appropriate enforcement action against any that have failed to adhere to the relevant due diligence or other regulations or legislation
14. In the case of the EU, treat any company as having failed to meet its due diligence requirement under the EUTR if it cannot supply credible information demonstrating risk mitigation measures that go beyond official documentation, and penalise the company accordingly.

**GREENPEACE**

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