

# THE FIXERS

A report by Earthsight  
and Mongabay

Forest Legality Week at World Resources  
Institute, Washington DC

18<sup>th</sup> October 2022

For company responses read  
the full report  
[www.earthsight.org.uk/thefixers](http://www.earthsight.org.uk/thefixers)







# INTRODUCTION

- Who is Indusparquet; company size; location; certifications; major markets US and EU
- 4 case studies spanning country- 2 ongoing corruption cases, 2 about illegal sourcing practices in Pará state
- Overall finding: High-risk supplies of tropical timber from Brazil continue to flood into US despite Lacey Act; indicates urgent changes needed to address true nature of forest 'crime' that take into account the widespread corruption and fraud occurring within state systems associated with timber trade in high-risk countries like Brazil



# CASE 1: ACCUSATIONS OF FRAUDULENT USE OF TIMBER TRACKING DATABASES

- Ongoing bribery cases in Sao Paulo against Indusparquet and its employee
- Prosecutor accused IP + 6 other related companies of large scale timber laundering using country's national database Sinaflor; civil and criminal charges brought
- IP employee allegedly played central role in scheme; prosecutor says IP derived benefits of 30 million USD equivalent to laundering of 19,753 m<sup>3</sup> b/w 2014-2017
- Cases remain ongoing, Ibama employee has confessed to being bribed by the IP employee to access the database on its behalf
- Result of Operation Patio; 2 previous Earthsight publications about this in 2018 and 2021

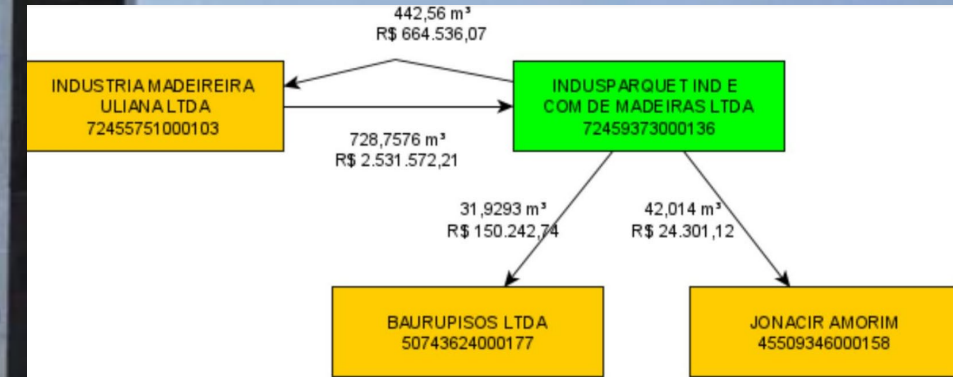


Figura 1 - Síntese de transações entre as empresas no período entre os anos de 2014 e 2016.

## Untamed Timber

The Brazilian flooring giant let off the hook by Bolsonaro's government and now thriving across the US and EU



## CASE 2: ATLANTIC FOREST CORRUPTION CASE

- In ongoing civil case prosecutors allege Indusparquet's co-founder paid a local official bribes to gain access to endemic wood species 'bracatinga' for American client; accessed and analysed hours of video testimony and wiretap transcripts that were made available in the case
- Cleared of criminal charges though possibility of appeal; civil case ongoing
- Wiretaps and video footage shed light on possible unforeseen knock-on effects a client's simple request for a product could have in high-risk environments like Brazil



MINISTÉRIO PÚBLICO

"We had done some business with bracatinga [...] By request of a client in the United States who liked the wood, we went after buying more bracatinga."

José Antonio Baggio, Indusparquet co-founder

- André: Então me avise o homem aí.  
- Sandro: Fica tranquilo.  
- André: Tá, mais diga pra ele assim que a comissão).  
- Sandro: Tá.  
- André: Na realidade eu ia deixar em setecentos pra vê se ele me pagava uma comissãozinha né (risos).  
- Sandro: Não mais logico, tem que pedi, passe uns setecentos e cinquenta, oitocentos pro ZÉ ANTÔNIO daí.  
- André: Hum, hum.  
- Sandro: Dai já pega uma comissãozinha pra você.  
- André: Então beleza.  
- Sandro: Eu vou passa pra ele, eu vou passa setecentos.  
- André: Hum, hum.  
- Sandro: E pelo menos já pego uns dez (R\$ 10).  
- André: Então beleza.





# Case 3: LARGEST TIMBER BUST IN BRAZILIAN AMAZON'S HISTORY

- Operation Handroanthus; inter-agency crackdown in Amazonas and Pará; end of 2020, 226,000 m3 seized
- Sawmills supplying Indusparquet with wood from farms involved in raids collectively been fined more than half a million dollars for timber laundering and other violations of logging rule in recent years.
- Highest level officials openly supporting loggers involved in raids: Owners of farm whose wood was seized [accused of IL in protected areas and land-grabbing] lobbied ex-Environment Minister for help; subsequent court case for interference one of factors in Salles' resignation

- PICTURED: RAFT INVOLVED IN RAIDS CARRYING LOGS ON MAMURU RIVER, Amazonas/Pará

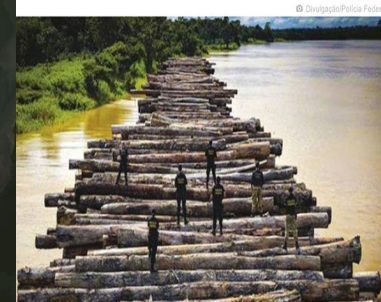


Exemplo de árvores classificadas como "abate" em APP

## Wassef consegue liberar na Justiça madeira retida na gestão de Salles

Um advogado do presidente Jair Bolsonaro (PL) conseguiu liminar no STF representando a MDP Transportes

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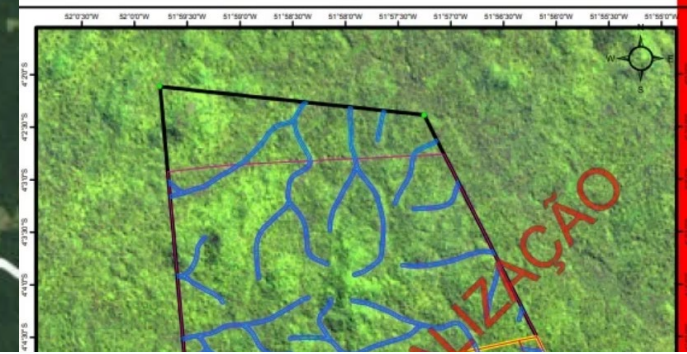


Dacrose shared this photo of himself and Salles on Facebook in 2021. The caption reads: "You know that picture you take full of pride and hope? Or the one you're going to print and put on your office wall? Well that's it! I believe in Brazil Minister of the Environment, Mr. Ricardo Salles!!". Source: Rafael Dacrose / Facebook



## CASE 4: SOURCING FROM INDIGENOUS LANDS

- In another part of Pará, Earthsight traced wood from a threatened indigenous reserve, known to be home to uncontacted peoples, to the Brazilian flooring giant.
- Two sawmill suppliers which sourced wood for Indusparquet from a property within the Ituna Itatá indigenous reserve in the Xingu river basin fined USD 466,198 for entering false information on the origin of wood in official timber accounting databases.
- The owners of the property fined 2.7 million dollars in 2021 for destroying nearly 1,000 hectares of native forest within the reserve and violating access restrictions for an area where uncontacted indigenous peoples are present.



Relatório de Autuações Ambientais										
Nº Infração	Data Infração	Estado	Município	CNPJ/CPF	Nome Autuado	Nº A.L.	Valor Multa	Nº Processo	Status Débito	Sanções Aplicadas
1	18/03/2021	PA	Senador José Porfírio	306.514.251-15	WILSON PAULA DA MOTA	TEDEMACO	5.742.000,00	02001.08638702021-66	Lancado	1 Portaria Fuzar 582015
1	24/03/2021	PARA	SENADOR JOSÉ PORFÍRIO	306.514.251-15	WILSON PAULA DA MOTA	TEDEMACO	5.742.000,00	02001.08638702021-66	Para homologação/ajustar o de débito	49 Decreto, 65142008





# REVIEW OF INDUSPARQUET SUPPLIERS IN FOUR AMAZON STATES

- Indusparquet has received wood from 416 different sawn wood suppliers in 4 Brazilian states of RO, MG, PA and AM from 2016-2021
- All are high risk states for illegal logging
- Each sawmill likely sourcing from multiple sources, risk of these sub-suppliers sourcing from protected areas and indigenous territories cannot be ruled out
- Complex supply chain makes trade open to risks at different points- logging, processing, storage, transport. Unreliability of official documents further complicates oversight.
- Testimony of Indusparquet staff in the Parana case in 2021 underlines the complexity- 3 separate staff claimed to each handle over thirty calls a day from prospective wood suppliers.



# RISKS IN SECTOR LONG-KNOWN

- Multiple Greenpeace reports in 2014, 2015, 2018 showed illegal logging with the help of large-scale fraud within existing official systems for wood-tracking is rampant
- Even in 2008 it was shown how hackers had accessed timber accounting database and manipulated 1.7 m3 worth of timber stocks in official systems (Greenpeace, 2008)

## The Amazon's Silent Crisis: Night Terrors

**GREENPEACE**  
FOREST CRIME FILE  
OCTOBER 2014

## The Amazon's Silent Crisis **Licence to Launder**

**IMAGINARY  
TREES, REAL  
DESTRUCTION**



# Systemic illegality continues

- Even when supply chains aren't complex risk of illegality and fraud is very high
- Brazilian wood species most in demand in the US are most at risk of being illegally logged; risk of illegal timber being laundered into legal supply chains high (Forest Trends 2021)
- Surge in fake legal logging- widespread fraud in timber accounting systems give appearance of legality to illegal wood (Brancalion et. al, *Science Advances* 2018)



# RISK TODAY?

- Case studies we expose are typical examples NOT exceptions
- **Corruption is a “structural problem” in the timber sector; fraud** in the timber tracking databases like Sinaflor, corruption and **collusion** between public and private actors leading to **watering down of environmental rules** common – Transparency International to Earthsight in Summer 2022
- A spokesperson from Imaflora (FSC certifying body) **“Illegality occurs in several links in the supply chain.** What is lacking is to confront the documentation that is being issued with the reality on the ground.” Summer 2022
- Ex-police chief of Amazonas state has said **up to 90 per cent** of wood leaving the nine states that are home to the so-called legal Amazon is illegal
- Continued fines for timber laundering, not having permits or data on permits not matching reality issued by Ibama month on month
- **Firms using risk assessment measures that continue to take official documents as gospel are exposed to risk!**



## Environment Minister and president of IBAMA are targeted in Federal Police operation

The task force revealed on Wednesday, May 19, investigates illegal timber exports to the US and Europe

May 22, 2021 by Brasil de Fato

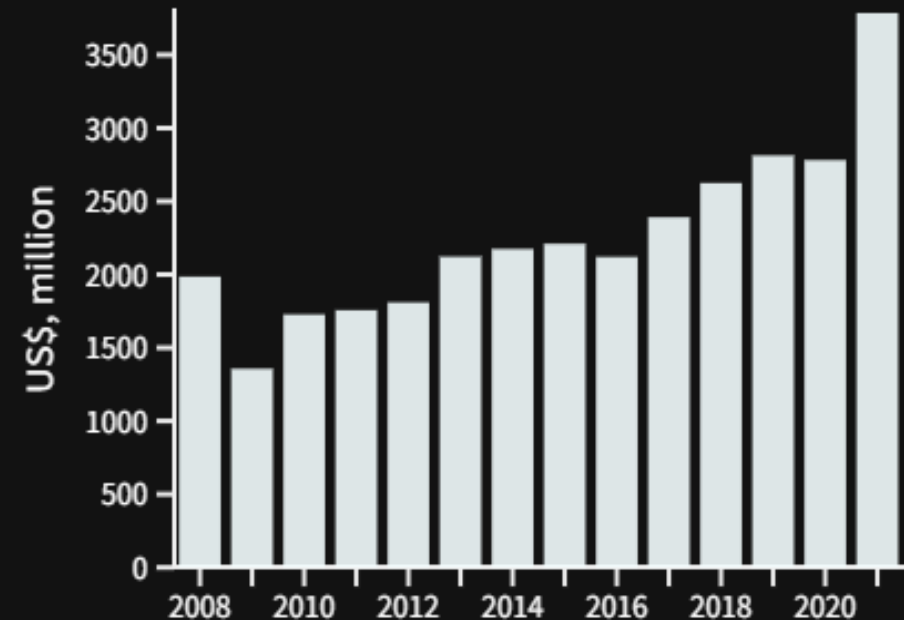




# BRAZIL'S WOOD EXPORTS TO THE US SINCE LACEY

- Since the Lacey Act took effect, Brazil's exports of wood to the US have more than doubled
- Brazil's exports of wood-based products to the US (excluding wood pulp and paper) in June 2022 were up 22 per cent from the same month the year before
- Last year the US even overtook China to become the largest consumer of Brazilian wood in the world – imports were worth 3.8 billion USD in 2021, a massive 36 per cent hike on the year before

**Brazilian wood exports to the USA**



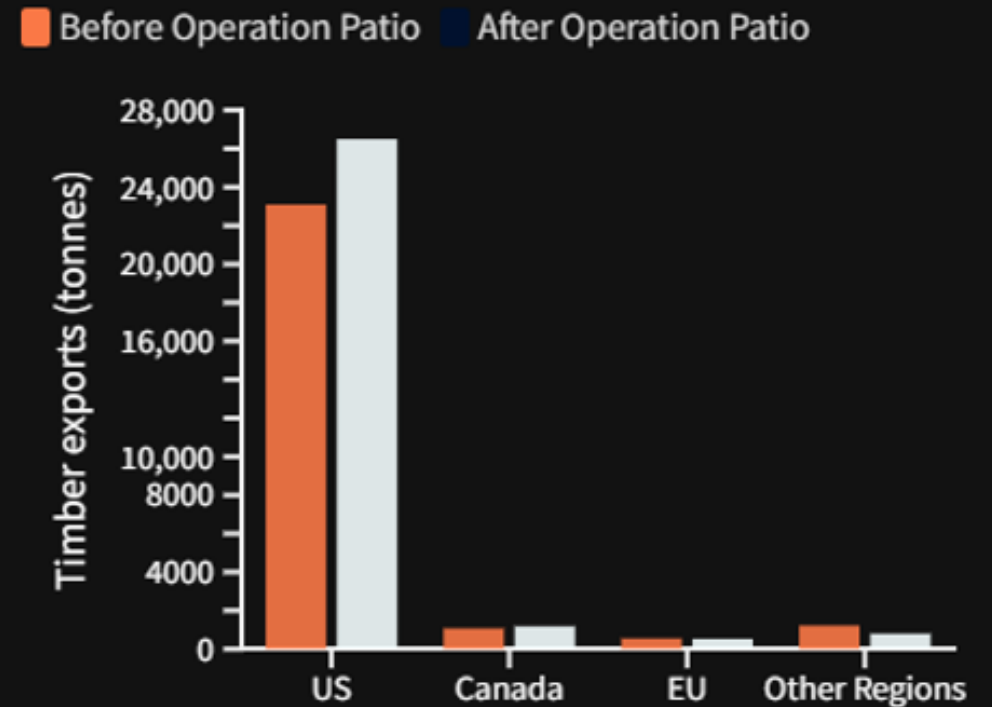
**Source:** Brazilian export data as reported to UN COMTRADE, for HS Customs Codes HS44 (timber) HS47 (pulp), HS48 (paper), and HS940161, HS940169, HS940330, HS940340, HS940350, HS940360



# INDUSPARQUET'S EXPORTS TO THE US

- Despite scandals, firm thriving; US is 90 per cent of sales; smaller volumes to the EU; one container a month
- Boasts its products have been used in famous locations- mirage hotel in Las Vegas and even the house of Jennifer Aniston
- After Operation Patio and as scandals multiplied, US imports surged: between Jan 2017 and August 2022 IP exported 27,900 tonnes of flooring to the US
- This is wood worth 250 million USD with a weight more than the Statue of Liberty

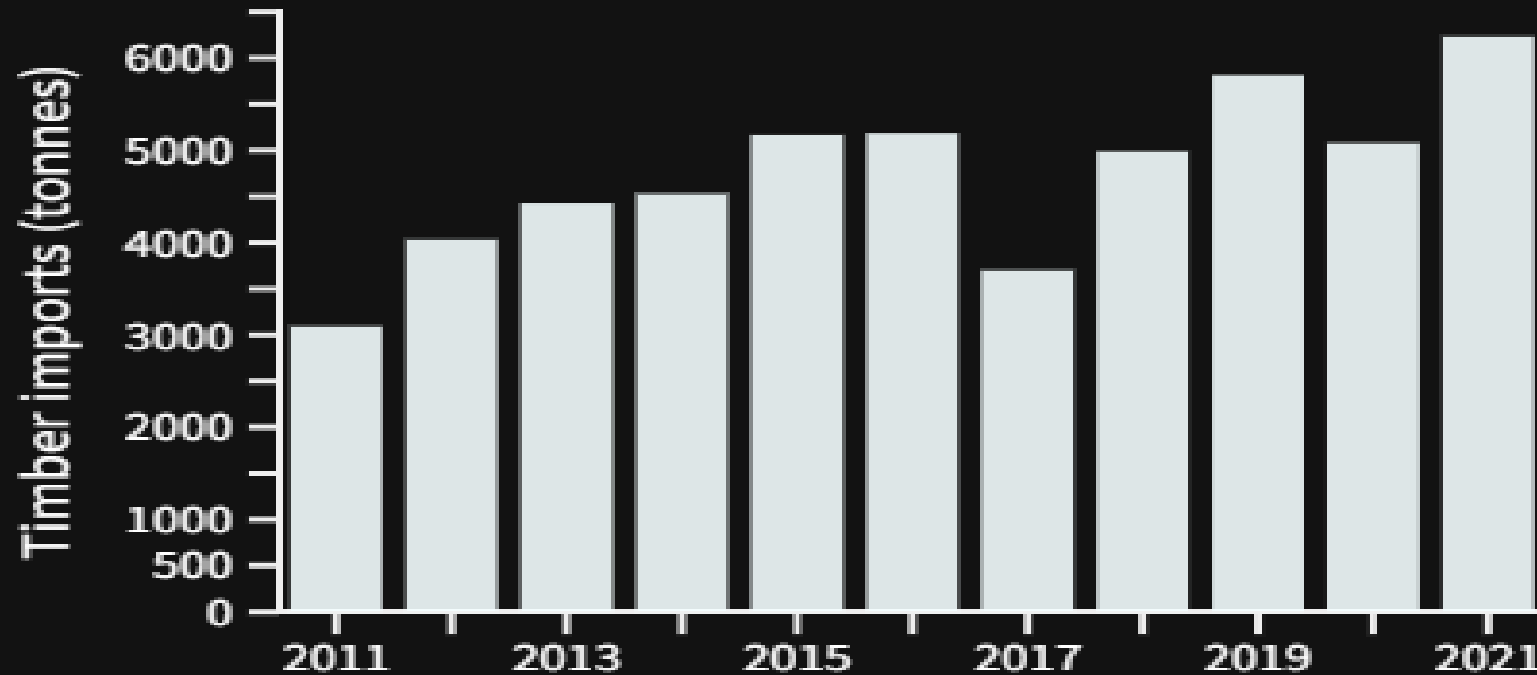
## Despite scandals, Indusparquet thrived in the USA



Source: Untamed Timber (EarthSight, 2021).



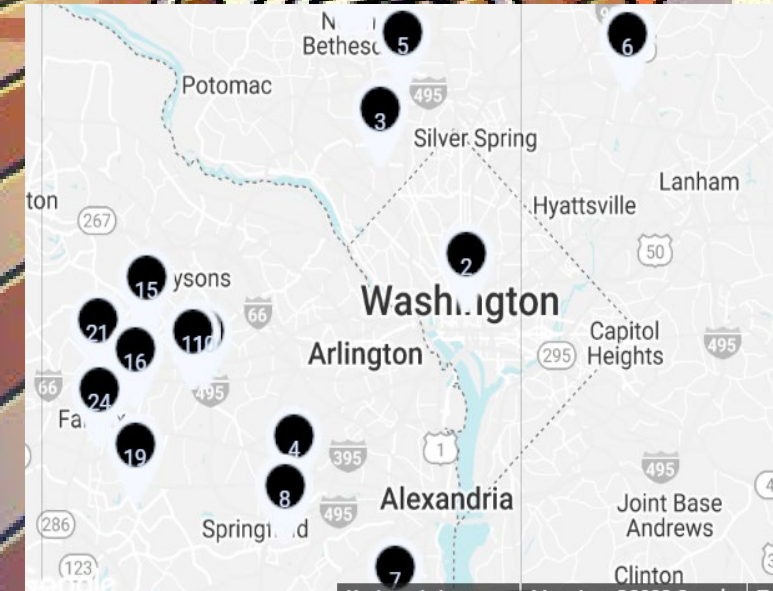
## Indusparquet flooring sales in the USA



**Source:** US import shipment records obtained from Panjiva.com; shipments from Indusparquet include those where 'shipper' is Indusparquet or Compensados Imperio, or (in cases where no shipper is given) where the true shipper is identified in other data fields

# CLIENTS INCLUDE AMERICA'S MOST WELL-KNOWN RETAILERS and DIY STORES

- **Floor and Décor** was likely the "American client" in Parana court case
- **Lumber Liquidators** (which was able to import its wood despite being closely monitored by US authorities under a plea deal it reached with US government for previous breaches of the Lacey Act for which it was fined a total of more than 13 million dollars and placed on probation).
  - Lumber Liquidators imported 6 million USD of the firm's flooring between May 2018 and the end of its probation period
- Well-known US home store **Menards** is also an Indusparquet client
- Store locator on Indusparquet USA website- **Indusparquet products are literally all over the US**; e.g. 15 stockists are within a 30-min. driving radius of the WRI offices alone
- In **2021 Indusparquet's sales to US hit a record high** of
  - 6,234 tonnes- timber worth 50 million USD; enough wood to floor the Pentagon five times over
- This was also a 23 per cent increase on 2020 and 7 per cent on 2019 (pre-covid)





An aerial photograph of a large industrial lumber yard. The yard is filled with numerous stacks of cut timber and logs, organized in neat piles. Several large trucks are parked or moving within the yard. The surrounding area includes some greenery and a paved road. The word "CONCLUSIONS" is overlaid in a large, white, sans-serif font on a black rectangular background in the upper center of the image.

# CONCLUSIONS

- High-risk Brazilian imports are being sold in stores all across the country despite Lacey Act being in force
- The case of Indusparquet shows imports actually increased despite its many scandals, and that major US firms were able to continue to buy its wood despite being closely watched by US authorities
- In spite of the diligent efforts of NGOs and US authorities in the high-profile cases they have pursued to great effect, the law is not having the impact it should on high-risk trade volumes at a broad level
- Large-scale illegal logging is rampant in Brazil but have yet to see any prosecutions being brought for timber from the country

# Recommendations

**For companies in the US and Europe trading Brazilian tropical wood**

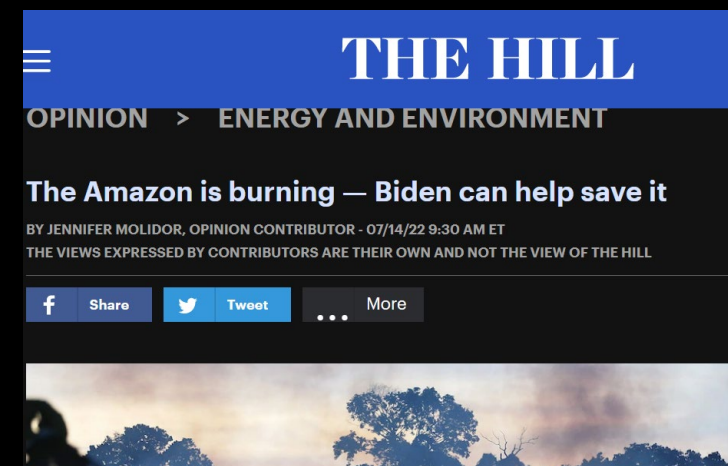
**Cease purchases of Brazilian tropical hardwood and associated products, until such time as further checks can be carried out, going beyond flawed Brazilian government traceability and licensing systems, and also beyond equally flawed independent certification systems such as FSC, to ensure these are legally sourced and compliant with US and EU legislation.**



# Recommendations

## For the US government

- Welcome President Biden's recent pledges to protect the Amazon, Lacey Act should be placed front and center of any 'whole-of-government' approaches as the most important existing tool available to address US demand for Brazilian wood products
- Enact the recommendations to improve Lacey made by a coalition of environmental organisations and US wood product companies in April 2022 regarding strengthening the enforcement of the Lacey Act in relation to wood, including making the necessary financial appropriations called for by them
- Consider options such as broadening the current Lacey Declaration requirement into a more meaningful traceability and due diligence requirement
- Agencies such as CBP could ask firms buying Brazilian wood what steps they have taken to interrogate their supply chains so as not to fall foul of the Lacey act
- There are underlying problems facing the forest sector in Brazil other than illegal logging which the FOREST Act would go a long way towards addressing. It must be urgently passed.



American Forest & Paper Association · American Forest Foundation · American Sustainable Business Network · Center for International Environmental Law · Ceres · Climate Advisers · Conservation International · Decorative Hardwood Association · Environmental Investigation Agency · Forest Stewardship Council US · Friends of the Earth US · Hardwood Federation · International Paper · League of Conservation Voters · National Alliance of Forest Owners · National Wildlife Federation · National Wood Flooring Association · Rainforest Action Network · Sierra Club · Sustainable Furnishings Council · Sylvamo · The Nature Conservancy · United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (USW) · Wildlife Conservation Society · World Wildlife Fund

### Recommendations to Halt the Illegal Timber Trade: Fully Utilize the Bipartisan Lacey Act Amendments of 2008

Illegal logging and associated trade has been ranked as the third-largest global transnational crime after counterfeiting and drug trafficking, generating between US\$52–157 billion per year. Illegal logging threatens some of the world's most biologically diverse and vulnerable forests, contributes to climate change, harms Indigenous peoples and local communities, and undermines the legal forest products trade by significantly depressing world timber prices. In many tropical countries, over half of deforestation is illegal, and recent reports from the Brazilian Amazon put deforestation at record high levels. Left unaddressed, persistent illegality and impunity undermine all conservation and climate efforts, including the recent pledge by the United States and 140 countries, covering 90% of the world's forests, to halt and reverse forest loss by 2030.

# THANK YOU FOR YOUR TIME

Read the report at: [www.earthsight.org.uk/thefixers](http://www.earthsight.org.uk/thefixers)

Em Português : [www.earthsight.org.uk/osintermediarios](http://www.earthsight.org.uk/osintermediarios)

Please get in touch!

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