



SPECIAL REPORT

How Lumber Brokers & Traders Rip People Off

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How do lumber brokers offer such low prices on decking material?

In the lumber industry, you may run into good brokers. These brokers can engage in good business. Yet, there is no disputing the fact that the industry is riddled with shady characters. How can you tell the difference between a broker who runs a legitimate business and one that runs a shady one? This report is here for you as a guide to help identify those bad brokers that can do irreparable harm to your business and profit line.

Ipe Depot bypasses brokers and traders. We provide you with decking and other materials direct from our mills. By cutting out the middleman, each transaction is straightforward, completely legitimate, and quality is assured.



 **A picture of our Brazilian lumber production**



Premium Grade VS 2nd Grade!

As you can see, Premium grade Ipe does not have the visible defects that is common in 2nd grade material. You can often find 2nd grade material a high amount of knots, and milling defects.

Mixing Grades:

Often times a broker's price is lowered by mixing up to 20 percent "B" grade and selling it as "A" grade. In some extreme cases brokers have even exceeded their typical 20 percent B grade mix when they were desperate for cash flow.

Our long term investment in Brazilian mills ensures that we only produce pure, premium Ipe for export. We sell the second grade or "B" grade to the internal Brazilian market where that material is welcomed and used extensively for small, local applications. This way we do not have to mix the defective or lower grade pieces into our premium grade in order to move product.

Mixing Species:

Many unscrupulous mills and brokers will offer a wide range of "sub-species" and label it "Pure Ipe." The consequences of mislabeled products are lower strength, hardness and a much greater color variance of product. In some rare instances, brokers have even directed mills to substitute cheaper non-Ipe look-a-like species where the botanical name is not even related. The result can be rotting, premature degradation of product in use, lighter density, and extensive movement in service.

We only produce and import premium, clear grade hardwood decking. These boards are of the highest quality and are predominantly free of knots and other visible defects.

Range of Lengths:

To lower production costs, some brokers will quote a tighter range of lengths. Always confirm you are quoting, "apples to apples" against competitors.

We typically offer mixed lengths of 7' to 20'. Brokers sometimes will pull back to 6' to 12' in order to get a cheaper cubic meter cost by omitting the more valuable long lengths from the mix.

Packing List Integrity:

Some brokers will fax a decent looking packing list with a good distribution of lengths among the pieces and have you wire the money. The disappointment often comes when you receive the product and the packing list doesn't match what you receive. A reduced number of pieces or a disproportionate amount of cheaper, short lengths are

often spots where brokers pick up even more profit. In extreme circumstances there are whole bundles missing or a drastic amount of less valuable shorts compared to long lengths.

When you order with Ipe Depot, what you see is what you get. We stand by our packing lists and thoroughly inspect your order constantly during our production and again prior to final shipment. For any reason, if there are necessary changes to your order, you will be notified of options well in advance of shipment.

Credibility:

When buying from a broker you need to trust everyone involved. For example, if a mill screws over a broker by faking documents, or never ships the product, then your money is gone and timely delivery of product is compromised. Even worse, a broker may pretend to be responsible for delivery as promised, but if any problems occur they often disappear, claiming the customer's problem is with the mill, not the broker. Obtaining restitution from a dishonest supplier in South America can be a daunting if not impossible process. Often, their brutally slow legal system is riddled with payoffs, bribes and scandals. Chasing down an unscrupulous broker can prove even more difficult as they have often purposely omitted their name from the packing list, bill of lading and other legal documents... leaving you to fend for yourself against U.S. and/or foreign Customs agents or a mill with which your only contact had been a broker.

This is another great reason to entrust your lumber needs to Ipe Depot. Ipe Depot has built a reliable, company owned supply chain in both Brazil and the United States. We have been a leader in the hardwood decking market for over 20 years and continue to grow our organization even in a lagging economy. We fully honor our commitments and have built a unsurpassed reputation for excellence. Our domestic and international customers know we are a reputable company headquartered in the US which has a relatively swift and fair legal system to settle any disputes.

Reliability:

Shipments and timeframes are promised, but product can often be resold by the mill or broker for a higher profit or to another customer if market price goes up during the milling process. The customer is told stories like there was some equipment problem or delay which ends up costing you and your customer valuable time and money. Additionally, brokers will often delay shipments as they look to exploit gains from the daily swings in the currency markets. This delay may be costing you money with your client, but the broker's main concern is picking up another 2% by shipping the product on a day when the exchange between currencies is more favorable.

Our Wholesale and Procurement teams have decades of experience dealing with, investing in, and operating foreign mills. We invest our money in timber land and logs which reduces any concern of daily currency swings, thereby relieving any need to delay a shipment until there are favorable conditions in the currency market. We take the "game" and risk out of international production and trade.

Consistent, On-Hand Inventory:

Most brokers consist of a phone and a fax machine. They enter the market only when it benefits them. Often, when they do quote stateside inventory the material belongs to someone else and several traders are offering the same product. When you go to purchase the quoted material, you end up discovering that the material no longer exists, thereby causing you additional time wasted and frustration.

Our company makes large investments in labor, timberland, logs, and finished inventory to ensure high quality, stateside product and outstanding customer service for our valued customers. We also have several company owned customization mills located in the U.S. to serve our customers with just-in-time shipments or highly customized orders.

Customs Compliance:

The ISF (Importer Security Filing) is a mandatory document filing which is electronically submitted to customs 24 hours before the cargo is loaded. It must contain the following 10 data elements from the importer:

1. Manufacturer (or supplier) name and address
2. Seller (or owner) name and address
3. Buyer (or owner) name and address
4. Ship-to name and address
5. Container stuffing location
6. Consolidator (stuffer) name and address
7. Importer of record number/foreign trade zone applicant identification number
8. Consignee number(s)
9. Country of origin
10. Commodity Harmonized Tariff Schedule number

Customs will be enforcing 10+2 through the assessment of liquidated damages, in addition to penalties applicable under other provisions of law. Customs can assess liquidated damages up to \$5,000.00 for violations, such as failure to submit the ISF timely, accurately, or completely. Liquidated damages will be assessed against the holder of the bond posted for the ISF. Mitigation will be the exception, not the rule.

At Ipe Depot, compliance is a core part of our daily routine. We triple check each step of the process to ensure timely delivery and costs. We have highly-experienced and multi-lingual staff solely dedicated to this process in order to ensure complete compliance with international and domestic law. Don't let a broker fool you, when they lead you to believe that you are free of legal ramifications for their common document foul-ups, Run.

Lacey Act Compliance:

What is the Lacey Act? The Lacey Act is a century old United States law that makes it a federal crime to buy, sell, or trade any wildlife or plants that were procured and transported by illegal means. Signed into law in 1900 and recently amended in 2008, the act expanded its protection to a broader range of plants and plant products. Under the amended Lacey Act, beginning April 1, 2009, importers are required to submit a declaration for certain plants, plant products, which include many wood products. The declaration must contain, among other things, the scientific name of the plant, value of the importation, quantity of the plant, and name of the country from which the plant was harvested.

At Ipe Depot, our facilities have a clean track record of producing legally harvested timber. You can be rest assured knowing that you are working with a completely legitimate and recognized lumber producer and importer that follows all international trade laws, including the Lacey Act.

Legal Wood:

It is a mistake to assume that brokers and suppliers are aware of and/or comply with trade laws like the Lacey Act. Beware of buying direct from a broker or supplier, especially one you don't know well, as it's extremely hard to tell if the wood they sell you is legal. In fact, the most unscrupulous brokers and suppliers are a lot like ambulance chasing lawyers. They are successful because they understand International trade laws and do everything in their power to circumvent them. To make matters worse, some will make it appear as if you are buying legally harvested hardwoods. Another problem has been brokers and suppliers who manipulate the information they submit to you with erroneous data for the bill of lading, ISF form, or any other required legal documents, ultimately shifting all the responsibility and liability onto you. Companies that unknowingly purchase illegally sourced wood are still subject to the Lacey Act as well as the ISF. Lacey Act penalties can range from a forfeiture of goods to fines of up to \$500,000, as well as fines and penalties for erroneous ISF submissions. If any company is found to have knowingly purchased or traded illegally sourced wood, there could also be possible prison sentence.

We are proud to put our name on all Customs paperwork and other legal documentation because we stand by our product and ensure that all paperwork is filled out and submitted clearly, correctly, and legally.

Conclusion:

Now that you know the behind-the-scenes truth about many lumber brokers, it makes good economic and business sense to work with Ipe Depot. We've built a remarkably strong reputation for supplying the United States and many international clients with the highest grade hardwood decking, flooring, and cabinet grade lumber. Also as a FSC certified company, we are further proving our dedication to supplying you with legally harvested and sustainable wood products.

To buy legally certified and premium grade hardwood, contact our Wholesale Department at 941-388-9299, or visit www.IpeDepot.com/boycott-the-middleman.htm