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Chile earthquake rattles wood industry

The 8.8 magnitude earthquake in Chile hit businesses hard, and now the American wood industry is feeling economic aftershocks. Annie Murphy reports.

TEXT OF STORY

KAI RYSSDAL: In Santiago, Chile today the economic effects of February's earthquake became official. The central bank down there lowered its estimate for gross domestic product in the coming year. It raised its inflation predictions, too. Businesses all up and down Chile were affected by the 8.8 earthquake, including its lumber-producing areas along the Pacific coast. And now the American wood industry is having economic aftershocks.

Annie Murphy reports.

ANNIE MURPHY: Tsunamis that followed February's earthquake did as much damage as the quake itself. Residents here in the coastal town of Arauco describe a wave over 30-feet high, and you can see evidence everywhere.

I'm at a sawmill that was destroyed. Lumber and heavy machinery are strewn over a couple acres. It looks like a tornado touched down.

Rodrigo Gujardo is the manager of this sawmill, or what's left of it. It's called ProSilva Limited. He's out surveying the damage.

RODRIGO GUJARDO: Imagine that a wave moved that truck about 500 yards and here to my left is what used to be the dining hall for workers. It's 600 yards from where it used to stand. When I first saw this, the truth is I almost cried, because I have been working here for the past 15 years.

The area around Arauco is home to Chile's booming wood industry. After copper, wood is the county's second biggest export.

LLOYD IRLAND: It affects the United States, it affects the world.

Lloyd Irland is a professor at the Yale School of Forestry. He says Chile is a great case study in globalization.

IRLAND: Here's this small country with a very small forest resource, which is a prominent supplier to China of pulp and paper. It's a prominent supplier of solid wood products to the United States market. It has woven itself into supply chains that reach into Europe. So when something happens there that disrupts their supply, all the sudden people pay attention at lumberyards, construction sites, and paper mills in a lot of different places in the world.

One of those people is Mark Shirvan. He's the president of Consolidated Companies, based in New Jersey. His company imports Chilean lumber, door parts, and moulding. He says prices rose 30 percent after the quake.

MARK SHIRVAN: There's been a sharp increase in pricing. And I think a lot of that is due to the quandary as to when things will start flowing again.

But Shirvan feels like he's in a good position, because his company also sells American wood products. He says the Chile earthquake could mean opportunity in the U.S. for domestic wood.

SHIRVAN: Purchasers of wood products. They'll realize that maybe all the eggs should not have been placed in the import basket, and maybe they should continue to support domestic production.

Even those directly hit by the earthquake are looking to make the best of the destruction, like sawmill manager Rodrigo Gujardo.

GUJARDO: Before the earthquake, the wood industry was on standby because of the economic crisis in the United States. Now we're seeing prices jump as high as 42 percent in the U.S. because of demand, so I think that this could actually turn out very well in the long run. In every catastrophe there's opportunity.

But standing before the crushed sawmill, it's hard to imagine this business up and running anytime soon.

Meanwhile, aftershocks continue to rumble below our feet. Experts say it may take up to a year for these tremors to subside, and it may take even longer for Chile's lumber industry to recover from the quake.

In Arauco, Chile, I'm Annie Murphy for Marketplace.

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