

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1994

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 1-6780

RAYONIER INC.

Incorporated in the State of North Carolina
I.R.S. Employer Identification Number 13-2607329

1177 Summer Street, Stamford, Connecticut 06905-5529
(Principal Executive Office)

Telephone Number: (203) 348-7000

Indicate by check mark whether the registrant (1) has filed all
reports required to be filed by Section 13 or 15(d) of the Securities
Exchange Act of 1934 during the preceding 12 months and (2) has been
subject to such filing requirements for the past 90 days.

YES NO

As of November 10, 1994, there were outstanding 29,574,807 Common
Shares of the Registrant.

RAYONIER INC.
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The following unaudited financial statements reflect, in the opinion of Rayonier Inc. (the Company), all adjustments (which include only normal recurring adjustments) necessary for a fair presentation of the results of operations, the financial position, and the cash flows for the periods presented. Certain reclassifications have been made to the prior year's financial statements to conform to current year presentation. For a full description of accounting policies, see notes to financial statements in the 1993 annual report on Form 10-K.

RAYONIER INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME
(UNAUDITED)
(THOUSANDS OF DOLLARS, EXCEPT PER SHARE INFORMATION)

	Three Months Ended September 30, -----		Nine Months Ended September 30, -----	
	1994 -----	1993 -----	1994 -----	1993 -----
SALES	\$ 286,006 -----	\$ 226,445 -----	\$ 794,503 -----	\$ 699,340 -----
Costs and expenses				
Cost of sales	239,672	196,045	649,026	570,881
Selling and general expenses	7,667	7,095	21,920	20,796
Other operating income, net	(1,408) -----	(940) -----	(2,921) -----	(1,981) -----
Total costs and expenses	245,931 -----	202,200 -----	668,025 -----	589,696 -----
OPERATING INCOME	40,075	24,245	126,478	109,644
Interest expense	(8,290)	(5,941)	(22,881)	(17,163)
Interest and miscellaneous income, net	418	309	1,702	904
Minority interest	(7,490) -----	(2,777) -----	(24,861) -----	(15,013) -----
Income before income taxes	24,713	15,836	80,438	78,372
Income taxes	(8,308) -----	(8,103) -----	(28,200) -----	(29,029) -----
NET INCOME	\$ 16,405 =====	\$ 7,733 =====	\$ 52,238 =====	\$ 49,343 =====
NET INCOME PER COMMON SHARE	\$0.55 =====	\$0.26 =====	\$1.76 =====	\$1.67 =====
Weighted average Common Shares outstanding	29,757,506 =====	29,565,392 =====	29,686,693 =====	29,565,392 =====

RAYONIER INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(THOUSANDS OF DOLLARS)

	ASSETS	September 30, 1994	December 31, 1993
		-----	-----
CURRENT ASSETS			
Cash and short-term investments		\$ 9,510	\$ 5,989
Accounts receivable, less allowance for doubtful accounts of \$4,511 and \$4,268		124,696	82,696
Inventories			
Finished goods		45,901	46,516
Work in process		17,856	16,235
Raw materials		36,758	44,057
Manufacturing and maintenance supplies		29,661	26,751
		-----	-----
Total inventories		130,176	133,559
Deferred income taxes		8,094	10,498
Prepaid timber stumpage		59,903	55,770
Other current assets		13,066	10,752
		-----	-----
Total current assets		345,445	299,264
OTHER ASSETS		28,273	24,025
TIMBER STUMPAGE		23,183	12,480
TIMBER, TIMBERLANDS AND LOGGING ROADS, NET OF DEPLETION AND AMORTIZATION		477,233	470,077
PROPERTY, PLANT AND EQUIPMENT			
Land, buildings, machinery and equipment		1,183,406	1,149,447
Less - accumulated depreciation		524,041	480,518
		-----	-----
Net property plant and equipment		659,365	668,929
		-----	-----
TOTAL ASSETS		\$1,533,499	\$1,474,775
		=====	=====
LIABILITIES AND COMMON SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable		\$ 81,196	\$ 67,783
Bank loans and current maturities of long-term debt		32,626	182,003
Accrued taxes		1,609	2,480
Accrued payroll and benefits		22,894	18,525
Other current liabilities		39,202	39,776
Current reserves for dispositions and discontinued operations		23,390	27,280
		-----	-----
Total current liabilities		200,917	337,847
DEFERRED INCOME TAXES		138,894	126,176
LONG-TERM DEBT		482,937	316,138
NONCURRENT RESERVES FOR DISPOSITIONS AND DISCONTINUED OPERATIONS (Net of discontinued operations' assets of \$12,860 and \$12,986)		28,880	35,920
OTHER NONCURRENT LIABILITIES		17,687	15,741
MINORITY INTEREST		21,536	36,649
COMMON SHAREHOLDERS' EQUITY			
Common Shares, 60 million shares authorized, 29,569,807 and 29,565,392 shares issued and outstanding		157,498	157,426
Retained earnings		485,150	448,878
		-----	-----
Total common shareholders' equity		642,648	606,304
		-----	-----
TOTAL LIABILITIES AND COMMON SHAREHOLDERS' EQUITY		\$1,533,499	\$1,474,775
		=====	=====

RAYONIER INC. AND SUBSIDIARIES
 STATEMENTS OF CONSOLIDATED CASH FLOWS
 FOR NINE MONTHS ENDED SEPTEMBER 30, 1994 AND 1993
 (UNAUDITED)
 (THOUSANDS OF DOLLARS)

	1994	1993
OPERATING ACTIVITIES		
Net income	\$ 52,238	\$ 49,343
Non-cash items included in income:		
Depreciation, depletion and amortization	69,610	57,162
Deferred portion of provision for income taxes	11,893	11,251
Increase (decrease) in other noncurrent liabilities	1,946	(250)
Change in accounts receivable, inventories and accounts payable	(25,204)	(21,325)
Increase in prepaid timber stumpage	(4,133)	(16,154)
(Decrease) increase in accrued taxes	(871)	12,167
Change in reserves for dispositions and discontinued operations	(2,252)	1,000
Other changes in working capital	1,481	(3,866)
	104,708	89,328
	=====	=====
INVESTING ACTIVITIES		
Capital expenditures net of sales and retirements of \$300 and \$382	(67,202)	(49,295)
Expenditures for dispositions and discontinued operations, net of tax benefits of \$3,229 and \$8,405	(5,449)	(14,183)
Change in other assets and long-term timber stumpage	(14,951)	(3,864)
	(87,602)	(67,342)
	=====	=====
FINANCING ACTIVITIES		
Issuance of debt	285,403	31,635
Repayments of debt	(267,981)	(26,925)
Dividends	(15,966)	(30,196)
Issuance of common shares	72	-
Decrease in minority interest	(15,113)	(2,444)
	(13,585)	(27,930)
	=====	=====
CASH AND SHORT-TERM INVESTMENTS		
Increase (decrease) during the period	3,521	(5,944)
Balance at beginning of period	5,989	10,731
	\$ 9,510	\$ 4,787
	=====	=====
Supplemental disclosures of cash flow information		
Cash paid (received) during the period for:		
Interest	\$ 19,958	\$ 15,713
	=====	=====
Income taxes, net of refunds	\$ 18,815	\$ (3,448)
	=====	=====

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The amounts and relative contributions to sales and operating income attributable to each of Rayonier's business segments for the three and nine months ended September 30, 1994 and 1993 were as follows (thousands of dollars):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1994	1993	1994	1993
SALES				

TIMBER AND WOOD PRODUCTS:				
Log Trading and Merchandising	\$100,348	\$ 89,359	\$261,057	\$264,599
Timberlands Management and Stumpage (Standing Timber)	40,038	16,359	130,324	79,696
Wood Products	19,380	10,691	59,763	30,987
	-----	-----	-----	-----
Total Before Intra-segment Eliminations	159,766	116,409	451,144	375,282
Intra-segment Eliminations	(3,511)	(1,651)	(13,341)	(8,917)
	-----	-----	-----	-----
TOTAL TIMBER AND WOOD PRODUCTS	156,255	114,758	437,803	366,365
SPECIALTY PULP PRODUCTS:				
Chemical Cellulose	81,398	68,327	226,519	202,904
Fluff and Specialty Paper Pulps	50,671	45,334	134,237	138,484
	-----	-----	-----	-----
TOTAL SPECIALTY PULP PRODUCTS	132,069	113,661	360,756	341,388
Intersegment Eliminations	(2,318)	(1,974)	(4,056)	(8,413)
	-----	-----	-----	-----
TOTAL SALES	\$286,006	\$226,445	\$794,503	\$699,340
	=====	=====	=====	=====
OPERATING INCOME				

Timber and Wood Products	\$ 39,213	\$ 26,133	\$130,640	\$116,021
Specialty Pulp Products	3,383	1,113	2,915	2,494
Corporate and Other	(3,153)	(1,930)	(7,805)	(5,794)
Intersegment Eliminations	632	(71)	728	(2,077)
	-----	-----	-----	-----
Total Before Dispositions	40,075	25,245	126,478	110,644
Dispositions	-	(1,000)	-	(1,000)
	-----	-----	-----	-----
TOTAL OPERATING INCOME	\$ 40,075	\$ 24,245	\$126,478	\$109,644
	=====	=====	=====	=====

RESULTS OF OPERATIONS

SALES AND OPERATING INCOME

Sales of \$286 million for the third quarter of 1994 were \$60 million or 26 percent higher than the third quarter of 1993 due to stronger sales volumes in both of the Company's business segments. Operating income for the quarter of \$40 million was \$16 million or 65 percent higher than last year's level. Sales for the nine months ended September 30, 1994 of \$795 million, were \$95 million or 14 percent higher than the prior year. Operating income of \$126 million increased \$17 million or 15 percent over the prior year.

Timber and Wood Products

Timber and Wood Products' sales in the third quarter were \$156 million, up \$41 million or 36 percent from the same period of 1993. Operating income for the quarter of \$39 million was up \$13 million from the prior year. Most of the year-over-year improvement was due to a return to normal volumes compared to unusually low timber (stumpage) harvest activity in the third quarter of 1993. Log Trading and Merchandising, which includes the company's New Zealand log sales, experienced higher volumes and prices in U.S. and N.Z. domestic markets, which offset lower prices in other international log markets. Wood Products experienced increased lumber volumes and higher prices offset by higher wood costs.

Sales for the nine month period were \$438 million, up \$71 million from 1993's comparable period, with operating income of \$131 million up \$15 million from 1993. Results for the nine months reflected increased timber sales volumes (which were unusually high in the first quarter of 1994 and unusually low in the third quarter of 1993) and increased timber prices in the Company's Northwest U.S. and Southeast U.S. timberland management regions, partially offset by reduced income from log trading.

Specialty Pulp Products

Specialty Pulp Products' third quarter sales were \$132 million, up \$18 million from last year's third quarter. Operating income for the segment was \$3 million, an increase of \$2 million over 1993. The gains in sales and operating income resulted from improved sales volume and higher fluff and specialty paper pulp prices.

For the nine month period ended September 30, 1994, Specialty Pulp Products sales were \$361 million, up \$19 million from 1993, with stronger shipments offsetting lower pulp prices. The year-over-year decline in pulp prices reflected the continuation into 1994 of the downward trend in prices caused by excess capacity in the pulp industry and weakness in domestic and international markets. However, during the second and third quarters of 1994, the Company experienced a significant increase in demand for pulp products which allowed the Company to increase prices for its fluff and specialty paper pulps. The Company expects that fluff and specialty paper pulp prices will continue to increase during the fourth quarter of 1994. Chemical cellulose pulp prices stabilized in the second quarter of 1994 and the Company expects that these prices, which traditionally lag increases in commodity pulp grades by up to a year, will begin to increase early in 1995.

Intersegment

Nine month intersegment sales of \$4 million in 1994 were less than the comparable 1993 amount due to lower stumpage sales from the Timber and Wood Products segment to the Specialty Pulp Products segment.

OTHER ITEMS

Interest expense of \$23 million for the first nine months of 1994 increased \$6 million over 1993 primarily as a result of additional debt utilized by the Company to finance a \$90 million special dividend to the Company's former parent ITT Corporation (ITT) in December 1993, to settle intercompany accounts with ITT and to fund an increase in working capital.

Minority interest in the earnings of Rayonier's subsidiary, Rayonier Timberlands, L.P. (RTLPL), increased \$10 million to \$25 million in the first nine months of 1994 due to significantly higher partnership earnings resulting from increased stumpage volume and prices in the Company's Northwest U.S. and Southeast U.S. timberland management regions. The minority participation in the earnings of RTLPL will change from approximately 25 percent to approximately 1 percent effective January 1, 2001.

NET INCOME

Net income for the third quarter was \$16 million or \$0.55 per common share, up \$9 million or \$0.29 per common share from 1993's level. Net income for the nine months ended September 30, 1994 was \$52 million or \$1.76 per common share, up \$3 million or \$0.09 per common share from 1993's net income.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operating activities was \$105 million in the first nine months of 1994 versus \$89 million in 1993. Cash from operating activities together with an increase in debt of \$17 million financed capital expenditures of \$67 million, timber purchases of \$15 million, common dividends of \$16 million, a special distribution of \$20 million to the minority unitholders of RTLP and \$5 million (after tax benefits) of environmental remediation and other costs relating to discontinued operations and units held for disposition. The Company's September 30, 1994 debt/capital ratio of 45 percent is the same as the December 31, 1993 level.

EBITDA (defined as earnings before provision for dispositions, interest expense, income taxes and depreciation, depletion and amortization) for the first nine months of 1994 of \$173 million increased \$19 million over the comparable period of 1993. Free cash flow (EBITDA less capital expenditures) was \$106 million compared to \$104 million in 1993.

In April 1994, the Company closed on revolving credit agreements with a group of banks which provide the Company with unsecured credit facilities totaling \$300 million. The Company subsequently borrowed \$85 million under these credit facilities to retire short-term debt. The Company also issued \$100 million of commercial paper in the second quarter of 1994 under a newly implemented commercial paper program backed by the revolving credit facilities. As a result of the refinancing described above, the Company's net working capital position improved from negative net working capital of \$39 million at December 31, 1993 to positive net working capital of \$145 million at September 30, 1994.

As of September 30, 1994 the Company has \$115 million of available borrowings under its revolving credit facilities. In addition, through currently effective shelf registration statements filed with the Securities and Exchange Commission, the Company may offer up to \$174 million of new public debt securities. The Company believes that internally generated funds combined with available external financing will enable Rayonier to fund capital expenditures, working capital and other liquidity needs for the foreseeable future.

ITEM 3. SELECTED OPERATING DATA

	Three Months Ended September 30, -----		Nine Months Ended September 30, -----	
	1994 ----	1993 ----	1994 ----	1993 ----
TIMBER AND WOOD PRODUCTS				
Log Sales Volume				
North America - millions of board feet	94	70	219	218
New Zealand - thousands of cubic meters	405	348	1,232	984
Other - millions of board feet	2	-	7	-
Timber Harvest Volume				
Northwest U.S. - millions of board feet	39	19	143	101
Southeast U.S. - thousands of short green tons	726	324	1,679	1,422
New Zealand - thousands of cubic meters	277	244	844	626
Lumber Sold - millions of board feet	50	31	147	89
Intercompany Sales				
Northwest U.S. Timber Stumpage - millions of board feet	8	3	22	19
Southeast U.S. Timber Stumpage - thousands of short green tons	27	23	73	247
SPECIALTY PULP PRODUCTS				
Pulp Sales Volume				
Chemical Cellulose - thousands of metric tons	116	87	320	266
Fluff and Specialty Paper Pulps - thousands of metric tons	93	89	269	259
Production as a Percentage of Capacity	100%	83%	94%	86%
SELECTED SUPPLEMENTAL INFORMATION (thousands of dollars)				
New Zealand - Sales	\$24,945 =====	\$27,303 =====	\$75,793 =====	\$68,717 =====
New Zealand - Operating Income	\$ 2,751 =====	\$ 9,337 =====	\$ 9,928 =====	\$23,864 =====

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Rayonier's Form 10-Q for the second quarter of 1994 described the intervention by Rayonier's wholly-owned subsidiary Southern Wood Piedmont Company (SWP) in an action filed by the U.S. Environmental Protection Agency in 1990 in the U.S. District Court for the Western District of Louisiana against Marine Shale Processors, Inc. (MSP). The 10-Q referred to a pending trial on the issue of whether SWP should be fined for sending hazardous waste to MSP's facility on the grounds that it did not have a hazardous waste storage permit even though SWP had been furnished with copies of correspondence from the Louisiana state agency to MSP indicating that MSP had the authority to store SWP's waste. This trial has now been held, and on August 30, 1994, the Court, citing SWP's "good faith effort to comply" with applicable legal requirements, entered an order setting a nominal civil penalty of \$25,000 against SWP, which fine SWP has paid.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) See Exhibit Index.
- (b) Rayonier Inc. did not file a report on Form 8-K during the quarter covered by this report.

SIGNATURE

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RAYONIER INC. (Registrant)

BY KENNETH P. JANETTE

Kenneth P. Janette
Vice President and Corporate Controller
(Chief Accounting Officer)

November 14, 1994

EXHIBIT INDEX

EXHIBIT NO. -----	DESCRIPTION -----	LOCATION -----
2	Plan of acquisition, reorganization, arrangement, liquidation or succession	None
4	Instruments defining the rights of security holders, including indentures	Not required to be filed. The Registrant hereby agrees to file with the Commission a copy of any instrument defining the rights of holders of the Registrant's long-term debt upon request of the Commission.
10	Material contracts	None
11	Statement re computation of per share earnings	Not required
12	Statement re computation of ratios	Filed herewith
15	Letter re unaudited interim financial information	None
18	Letter re change in accounting principles	None
19	Report furnished to security holders	None
22	Published report regarding matters submitted to vote of security holders	None
23	Consents of experts and counsel	None
24	Power of attorney	None
27	Financial data schedule	Filed herewith
99	Additional exhibits	None

RAYONIER INC. AND SUBSIDIARIES
RATIO OF EARNINGS TO FIXED CHARGES
(UNAUDITED)
(THOUSANDS OF DOLLARS)

	Nine Months Ended September 30,	
	1994 ----	1993 ----
Earnings:		
Net Income	\$ 52,238	\$ 49,343
Add (Deduct):		
Income Taxes	28,200	29,029
Minority Interest	24,861	15,013
Amortization of Capitalized Interest	1,059	1,154
	----- 106,358	----- 94,539
Adjustments to Earnings for Fixed Charges:		
Interest and Other Financial Charges	22,881	17,163
Interest Factor Attributable to Rentals	1,320	1,403
	----- 24,201	----- 18,566
EARNINGS AS ADJUSTED	\$130,559 =====	\$113,105 =====
Fixed Charges:		
Fixed Charges above Capitalized Interest	\$ 24,201 33	\$ 18,566 -
	----- \$ 24,234	----- \$ 18,566
TOTAL FIXED CHARGES	=====	=====
RATIO OF EARNINGS AS ADJUSTED TO TOTAL FIXED CHARGES	5.39 =====	6.09 =====

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1,000

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	JAN-01-1994	
	SEP-30-1994	
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	129,207	
	4,511	
	130,176	
	345,445	
		1,183,406
	524,041	
	1,533,499	
200,917		
		482,937
		157,948
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		485,150
1,533,499		
		794,503
	794,503	
		649,026
	649,026	
	42,158	
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	22,881	
	80,438	
		28,200
52,238		
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	52,238	
	1.76	
	1.76	