

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 MARCH 31, 2000

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

50 North Laura Street, Jacksonville, FL 32202
(Principal Executive Office)

Telephone Number: (904) 357-9100

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 May 3, 2000, there were outstanding 27,357,440 Common Shares of the
Registrant.

RAYONIER INC.
FORM 10-Q
MARCH 31, 2000
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The following unaudited financial statements reflect, in the opinion of Rayonier Inc. and Subsidiaries (Rayonier or 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. For a full description of accounting policies, please refer to the Notes to Consolidated Financial Statements in the 1999 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 March 31,	
	2000	1999
	-----	-----
SALES	\$289,155	\$226,396
	-----	-----
Costs and expenses		
Cost of sales	226,140	188,681
Selling and general expenses	9,936	9,465
Other operating expense (income), net	1,573	(1,194)
	-----	-----
	237,649	196,952
	-----	-----
OPERATING INCOME	51,506	29,444
Interest expense	(22,790)	(7,703)
Interest and miscellaneous income, net	167	713
Gains from sale of assets	23,147	-
	-----	-----
Income before income taxes	52,030	22,454
Income tax expense	(16,557)	(7,324)
	-----	-----
NET INCOME	\$ 35,473	\$ 15,130
	=====	=====
EARNINGS PER COMMON SHARE		
Basic	\$ 1.30	\$ 0.54
	=====	=====
Diluted	\$ 1.27	\$ 0.54
	=====	=====

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

ASSETS	March 31, 2000	December 31, 1999
	-----	-----
CURRENT ASSETS		
Cash and short-term investments	\$ 21,742	\$ 12,265
Accounts receivable, less allowance for doubtful accounts of \$4,863 and \$4,859	122,607	103,535
Inventories		
Finished goods	56,715	52,984
Work in process	12,409	12,478
Raw materials	12,888	17,947
Manufacturing and maintenance supplies	23,343	21,670
	-----	-----
Total inventories	105,355	105,079
Timber purchase agreements	27,343	30,477
Other current assets	16,215	11,107
Deferred income taxes	8,609	9,143
	-----	-----
Total current assets	301,871	271,606
OTHER ASSETS		
	67,204	77,094
TIMBER PURCHASE AGREEMENTS		
	10,774	7,816
TIMBER, FORESTLANDS AND LOGGING ROADS, NET OF DEPLETION AND AMORTIZATION		
	1,219,114	1,247,547
PROPERTY, PLANT AND EQUIPMENT, NET		
Land, buildings, machinery and equipment	1,344,899	1,333,789
Less accumulated depreciation	678,462	657,625
	-----	-----
Total property, plant and equipment, net	666,437	676,164
	-----	-----
TOTAL ASSETS	\$2,265,400	\$2,280,227
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 71,627	\$ 74,035
Bank loans and current maturities	12,420	3,248
Accrued taxes	30,010	15,148
Accrued payroll and benefits	22,445	22,405
Accrued interest	25,987	11,160
Other current liabilities	43,195	48,895
Current reserves for dispositions and discontinued operations	19,492	18,980
	-----	-----
Total current liabilities	225,176	193,871
DEFERRED INCOME TAXES		
	126,243	123,458
LONG-TERM DEBT		
	1,062,930	1,132,930
NON-CURRENT RESERVES FOR DISPOSITIONS AND DISCONTINUED OPERATIONS		
	146,307	149,551
OTHER NON-CURRENT LIABILITIES		
	28,465	27,517
SHAREHOLDERS' EQUITY		
Common shares, 60,000,000 shares authorized, 27,361,696 and 27,407,094 shares issued and outstanding	58,273	60,518
Retained earnings	618,006	592,382
	-----	-----
	676,279	652,900
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$2,265,400	\$2,280,227
	=====	=====

RAYONIER INC. AND SUBSIDIARIES
 STATEMENTS OF CONSOLIDATED CASH FLOWS
 (UNAUDITED)
 (THOUSANDS OF DOLLARS)

	Three Months Ended March 31,	
	2000	1999
OPERATING ACTIVITIES		
Net income	\$ 35,473	\$ 15,130
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, depletion and amortization	37,434	26,696
Deferred income taxes	2,319	2,848
Gains from sale of assets	(23,147)	-
Non-cash cost of land sales	808	2,572
Increase in other non-current liabilities	948	450
Change in accounts receivable, inventories and accounts payable	(22,564)	(3,401)
Decrease (increase) in current timber purchase agreements	3,134	(572)
Increase in other current assets	(5,108)	(3,189)
Increase in accrued liabilities	24,029	9,974
	53,326	50,508
CASH PROVIDED BY OPERATING ACTIVITIES	53,326	50,508
INVESTING ACTIVITIES		
Capital expenditures	(23,149)	(13,736)
Sales, retirements and reclassifications of property, plant and equipment, net	(2,381)	24
Expenditures for dispositions and discontinued operations, net of tax benefits of \$1,000 and \$1,178	(1,732)	(2,039)
Proceeds from sale of assets, net of cash costs	49,403	-
Change in timber purchase agreements and other assets	6,932	1,350
	29,073	(14,401)
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	29,073	(14,401)
FINANCING ACTIVITIES		
Issuance of debt	15,000	59,853
Repayments of debt	(75,828)	(87,675)
Dividends paid	(9,849)	(8,627)
Repurchase of common shares	(3,543)	(1,523)
Issuance of common shares	1,298	892
	(72,922)	(37,080)
CASH USED FOR FINANCING ACTIVITIES	(72,922)	(37,080)
CASH AND SHORT-TERM INVESTMENTS		
Increase (decrease) in cash and short-term investments	9,477	(973)
Balance at beginning of period	12,265	6,635
	\$ 21,742	\$ 5,662
	=====	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest	\$ 7,963	\$ 3,694
	=====	=====
Income taxes	\$ 799	\$ 216
	=====	=====

RAYONIER INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (UNAUDITED)
 (THOUSANDS OF DOLLARS, EXCEPT PER SHARE DATA)

1. EARNINGS PER COMMON SHARE

The following table provides details of the calculation of basic and diluted earnings per common share in accordance with Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share," for the three months ended March 31, 2000 and 1999.

	2000 ----	1999 ----
Net Income	\$ 35,473 =====	\$ 15,130 =====
Shares used for determining basic earnings per common share	27,390,362	27,806,659
Dilutive effect of Stock options	186,588	230,249
Contingent shares	360,000 -----	240,000 -----
Shares used for determining diluted earnings per common share	27,936,950 =====	28,276,908 =====
Basic earnings per common share	\$ 1.30 =====	\$ 0.54 =====
Diluted earnings per common share	\$ 1.27 =====	\$ 0.54 =====

2. GAINS FROM SALE OF ASSETS

From time to time, Rayonier opportunistically sells non-strategic assets to monetize portions of its asset base. In March 2000, Rayonier sold approximately 57,000 acres of Southeastern United States forestland to various third parties for \$49.6 million, resulting in a pre-tax gain of \$23.1 million (\$14.4 million after tax, or \$0.51 per diluted common share). The proceeds of these sales were used to reduce debt.

3. RECLASSIFICATIONS

Certain reclassifications of the prior year amounts have been made to conform with the current year presentation.

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

SEGMENT INFORMATION

Rayonier operates in two major business segments, Timber and Wood Products and Specialty Pulp Products. The Timber and Wood Products segment includes two reportable business units: Forest Resources and Trading, and Wood Products. Chemical Cellulose, and Fluff and Specialty Paper Pulps are product lines within the Specialty Pulp Products segment.

The amounts and relative contributions to sales and operating income attributable to each of Rayonier's reportable business units for the three months ended March 31, 2000 and 1999 were as follows (thousands of dollars):

	Three Months Ended March 31, -----	
	2000 -----	1999 -----
SALES -----		
Timber and Wood Products		
Forest Resources and Trading	\$ 124,569	\$ 100,042
Wood Products	31,639	24,628
	-----	-----
Total Timber and Wood Products	156,208	124,670
	-----	-----
Specialty Pulp Products		
Chemical Cellulose	74,779	62,840
Fluff and Specialty Paper Pulps	58,363	39,029
	-----	-----
Total Specialty Pulp Products	133,142	101,869
	-----	-----
Intersegment eliminations	(195)	(143)
	-----	-----
Total sales	\$ 289,155 =====	\$ 226,396 =====
OPERATING INCOME (LOSS) -----		
Timber and Wood Products		
Forest Resources and Trading	\$ 41,665	\$ 28,517
Wood Products	(1,397)	(901)
	-----	-----
Total Timber and Wood Products	40,268	27,616
Specialty Pulp Products	17,501	5,866
Corporate and other	(6,263)	(4,038)
	-----	-----
Total operating income	\$ 51,506 =====	\$ 29,444 =====

RESULTS OF OPERATIONS

SALES AND OPERATING INCOME

Sales for the first quarter of 2000 were \$289 million, \$63 million above the first quarter of 1999. The sales improvement was due to increased log trading activity and timber harvesting in the Northwest U. S., higher volumes in the Southeast U. S. resulting from the acquisition of the Smurfit forestlands, higher pulp shipments, and higher fluff pulp pricing. Operating income of \$52 million was \$22 million higher than the first quarter of 1999, primarily related to the stronger U.S. timber results and fluff pulp pricing.

TIMBER AND WOOD PRODUCTS

Sales and operating income for first quarter 2000 were higher than first quarter 1999 by \$32 million and \$13 million, respectively.

FOREST RESOURCES AND TRADING

Forest Resources and Trading sales for the first quarter of 2000 were \$125 million, \$25 million higher than last year's first quarter. Operating income of \$42 million was \$13 million higher than prior year. The sales improvement was the result of unusually strong Northwest U.S. timber volumes and prices, increased volumes in the Southeast U.S. resulting from the Smurfit forestlands acquisition, and higher log trading activity in Asian and U.S. markets. Domestic timber sales remained strong due to a robust U.S. economy, while export demand for timber benefited from the continuing Asian recovery. These improvements in sales were partially offset by lower prices in the Southeast U.S. and reduced log trading volumes in New Zealand. Operating income improved primarily as the result of the strong Northwest U.S. timber sales activity in first quarter 2000.

WOOD PRODUCTS

Wood Products sales of \$32 million for this year's first quarter were \$7 million higher than last year, due to increased lumber and medium-density-fiberboard (MDF) sales volumes, while the operating loss of \$1 million, excluding \$0.5 million in foreign exchange losses, was essentially flat compared to the prior year. Favorable operating and price improvements at the Company's MDF plant in New Zealand were offset by unfavorable log costs at the Company's Southeast U.S. lumber mills.

SPECIALTY PULP PRODUCTS

Sales of Specialty Pulp Products for the first quarter of 2000 were \$133 million, \$31 million higher than first quarter 1999. Operating income for first quarter 2000 of \$18 million was \$12 million higher than the prior year. Fluff and specialty paper pulp prices increased 22 percent, while overall volumes for chemical cellulose, fluff and paper pulps increased 21 percent. Pulp markets continued to trend upward with tighter inventories, and fluff pulp price increases matching or exceeding those for commodity grades.

CORPORATE AND OTHER

Corporate and other costs for the first quarter of 2000 were greater than 1999 principally as a result of costs associated with the headquarters relocation from Stamford, CT to Jacksonville, FL.

OTHER INCOME / EXPENSE

Interest expense of \$23 million for the first quarter of 2000 was \$15 million higher than first quarter 1999, reflecting higher debt levels associated with the Smurfit forestland acquisition and slightly higher interest rates.

In March 2000, Rayonier sold approximately 57,000 acres of non-strategic Southeast U.S. forestland to various third parties for \$49.6 million, resulting in a pre-tax gain of \$23.1 million (\$14.4 million after tax, or \$0.51 per diluted common share). The proceeds of these sales were used to reduce debt.

The effective tax rate of 31.8 percent for the first quarter of 2000 was slightly below the 32.6 percent rate in first quarter 1999. The effective tax rates continue to be below U.S. statutory rates, resulting from the lower tax rates in effect for foreign subsidiaries and various tax credits.

NET INCOME

Net income for the first quarter of 2000 was \$35.5 million, or \$1.27 per diluted common share, compared to \$15.1 million, or \$0.54 per diluted common share, for the first quarter of 1999. First quarter 2000 included \$14.4 million, or \$0.51 per diluted common share, on gains from the sale of non-strategic forestland.

OTHER ITEMS

The Company believes that the Northwest U.S. harvest levels achieved in first quarter 2000 were atypically high and will not be sustained over the rest of the year. Fluff pulp prices are expected to continue to increase and will further improve Specialty Pulp Products results over the next several quarters. Overall, the Company believes that, with the improving strength in many of its markets, anticipated 2000 earnings will exceed 1999 levels.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow provided by operating activities of \$53 million for the first three months of 2000 increased \$3 million from 1999, primarily as a result of the improvements in net income. Cash flow provided by investing activities for the first three months of 2000 was \$29 million, primarily as a result of monetizing certain non-strategic forestlands. EBITDA (defined as earnings from continuing operations before significant non-recurring items, provision for dispositions, interest expense, income taxes, depreciation, depletion, amortization and the non-cash cost of land sales) for first quarter 2000 amounted to \$90 million, \$31 million higher than first quarter 1999 results. Cash provided by operating activities along with cash from investing activities helped to finance capital expenditures of \$23 million, dividends of \$10 million, the repurchase of common shares for \$3.5 million, and allowed for the repayment of \$61 million of debt. Free cash flow (defined as income from continuing operations plus depreciation, depletion and amortization, deferred income taxes and changes in working capital, less custodial capital spending and prior-year dividend levels) increased \$38 million to \$71 million in first quarter 2000, primarily as a result of higher net income and working capital changes.

The Company repurchased 85,600 of its shares during the first quarter of 2000 at an average cost of \$41.39, for a total of \$3.5 million. During the first quarter of 1999, the Company repurchased 37,400 shares at an average cost of \$40.52 for a total of \$1.5 million.

At March 31, 2000, debt was \$1.075 billion and the debt-to-capital ratio was 61.4 percent, compared to debt of \$1.136 billion and a debt-to-capital ratio of 63.5 percent at December 31, 1999. Excluding U.S. timberland external debt, corporate debt was \$360 million, a reduction of \$59 million from December 31, 1999 and \$102 million from March 31, 1999. The Company has unsecured credit facilities totaling \$300 million, which were used as support for \$52 million of outstanding commercial paper. As of March 31, 2000, Rayonier had \$248 million available under its revolving credit facilities.

In connection with the financing of the Smurfit forestland acquisition, Rayonier Timberlands Operating Company, L.P. (RTOC), a wholly-owned limited partnership, issued notes totaling \$485 million, and entered into an agreement with a group of banks that provided RTOC with an unsecured term loan of \$200 million and revolving credit facilities totaling \$75 million, which expire in 2004. As of March 31, 2000 and December 31, 1999, RTOC's outstanding external debt was \$715 million and \$717 million, respectively. RTOC had \$45 million of available borrowings under its revolving credit facilities as of March 31, 2000.

In addition, the Company has on file with the Securities and Exchange Commission shelf registration statements to offer \$150 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, share repurchases, working capital and other liquidity needs for the foreseeable future.

SAFE HARBOR

Comments about market trends, anticipated earnings and future activities in 2000 and beyond, are forward-looking and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Changes in the following important factors, among others, could cause actual results to differ materially from those expressed in the forward-looking statements: changes in global market trends; interest rate and currency movements; fluctuations in demand for specialty chemical cellulose and fluff pulps, export and domestic logs, and wood products; the impact of such market factors on the Company's timber sales in the U.S. and New Zealand; production costs for wood products and for specialty pulps, particularly for raw materials such as wood and chemicals; governmental policies and regulations affecting the environment, import and export controls, and taxes.

ITEM 3. SELECTED OPERATING DATA

	Three Months Ended March 31,	
	2000	1999
	----	----
TIMBER AND WOOD PRODUCTS		
Log trading sales volume		
North America, in millions of board feet	62	30
New Zealand, in thousands of cubic meters	244	272
Other, in thousands of cubic meters	119	110
Timber sales volume		
Northwest U.S., in millions of board feet	90	65
Southeast U.S., in thousands of short green tons	999	533
New Zealand, in thousands of cubic meters	253	270
Lumber sales volume, in millions of board feet	65	56
Medium-density-fiberboard sales volume, in thousands of cubic meters	37	27
Intercompany timber sales volume		
Northwest U.S., in millions of board feet	20	10
Southeast U.S., in thousands of short green tons	12	7
New Zealand, in thousands of cubic meters	109	121
SPECIALTY PULP PRODUCTS		
Pulp sales volume		
Chemical cellulose, in thousands of metric tons	89	74
Fluff and specialty paper pulp, in thousands of metric tons	94	77
Production as a percent of capacity	104.0%	100.6%

SELECTED SUPPLEMENTAL FINANCIAL DATA (thousands of dollars, except per share data)

	Three Months Ended March 31,	
	2000 ----	1999 ----
GEOGRAPHICAL DATA (NON-U.S.)		
Sales		
New Zealand	\$ 19,294	\$ 18,284
Other	11,138	9,982
Total	\$ 30,432 =====	\$ 28,266 =====
Operating Loss		
New Zealand	\$ (1,109)	\$ (1,635)
Other	(40)	(306)
Total	\$ (1,149) =====	\$ (1,941) =====
FOREST RESOURCES		
Sales		
Northwest U.S.	\$ 34,298	\$ 23,866
Southeast U.S.	27,342	16,942
New Zealand	4,558	5,362
Total	\$ 66,198 =====	\$ 46,170 =====
Operating Income		
Northwest U.S.	\$ 29,629	\$ 18,566
Southeast U.S.	12,885	12,463
New Zealand	1,122	998
Total	\$ 43,636 =====	\$ 32,027 =====
EBITDA per share		
Northwest U.S.	\$ 1.11	\$ 0.69
Southeast U.S.	0.86	0.54
New Zealand	0.14	0.14
Total	\$ 2.11 =====	\$ 1.37 =====

PART II. OTHER INFORMATION

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: GEORGE C. KAY

George C. Kay
Vice President and
Corporate Controller
(Chief Accounting Officer)

May 15, 2000

EXHIBIT INDEX

EXHIBIT NO. -----	DESCRIPTION -----	LOCATION -----
2	Plan of acquisition, reorganization, arrangement, liquidation or succession	None
3.1	Amended and restated articles of incorporation	No amendments
3.2	By-laws	No amendments
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 to be filed
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)

	Three Months Ended March 31,	
	2000 -----	1999 -----
Earnings:		
Net income	\$ 35,473 -----	\$ 15,130 -----
Add:		
Income taxes	16,557	7,324
Amortization of capitalized interest	577 -----	584 -----
Additions to net income	17,134 -----	7,908 -----
Adjustments to Earnings for Fixed Charges:		
Interest and other financial charges	22,790	7,703
Interest factor attributable to rentals	342 -----	438 -----
Adjustments for fixed charges	23,132 -----	8,141 -----
EARNINGS AS ADJUSTED	\$ 75,739 =====	\$ 31,179 =====
Fixed Charges:		
Fixed charges above	\$ 23,132	\$ 8,141
Capitalized interest	- -----	53 -----
TOTAL FIXED CHARGES	\$ 23,132 =====	\$ 8,194 =====
 RATIO OF EARNINGS AS ADJUSTED TO TOTAL FIXED CHARGES	 3.27 =====	 3.81 =====

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1,000

3-MOS

	DEC-31-2000	
	JAN-01-2000	
	MAR-31-2000	
		21,742
		0
		127,470
		4,863
		105,355
		301,871
		1,344,899
		678,462
		2,265,400
225,176		1,062,930
		0
		0
		58,273
2,265,400		618,006
		289,155
		289,155
		226,140
		226,140
		(11,805)
		0
		22,790
		52,030
		16,557
35,473		0
		0
		0
		35,473
		1.30
		1.27