

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

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1995

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 (X) NO ()

As of November 6, 1995, there were 29,647,278 Common Shares of the Registrant
outstanding.

RAYONIER INC.
TABLE OF CONTENTS

	PAGE	

PART I.	FINANCIAL INFORMATION	
Item 1.	Financial Statements	
	Statements of Consolidated Income for the Three Months and Nine Months Ended September 30, 1995 and 1994	1
	Consolidated Balance Sheets as of September 30, 1995 and December 31, 1994	2
	Statements of Consolidated Cash Flows for the Nine Months Ended September 30, 1995 and 1994	3
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	4-6
Item 3.	Selected Operating Data	7
PART II.	OTHER INFORMATION	
Item 1.	Legal Proceedings	8
Item 6.	Exhibits and Reports on Form 8-K	8
	Signature	8
	Exhibit Index	9

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The following unaudited financial statements reflect, in the opinion of Rayonier Inc. (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, see Notes to Consolidated Financial Statements in the 1994 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,	
	1995	1994	1995	1994
SALES	\$ 333,913	\$ 286,006	\$ 933,309	\$ 794,503
COSTS AND EXPENSES				
Cost of sales	264,558	239,672	740,815	649,026
Selling and general expenses	9,124	7,667	26,937	21,920
Other operating income, net	(1,126)	(1,408)	(4,335)	(2,921)
	272,556	245,931	763,417	668,025
OPERATING INCOME	61,357	40,075	169,892	126,478
Interest expense	(8,746)	(8,290)	(26,054)	(22,881)
Non-recurring gain (See Item 2 - Other Items)	34,763	--	34,763	--
Interest and miscellaneous income, net	654	418	2,321	1,702
Minority interest	(4,467)	(7,490)	(21,039)	(24,861)
INCOME BEFORE INCOME TAXES	83,561	24,713	159,883	80,438
Income taxes	(26,523)	(8,308)	(51,358)	(28,200)
NET INCOME	\$ 57,038	\$ 16,405	\$ 108,525	\$ 52,238
NET INCOME PER COMMON SHARE	\$ 1.90	\$ 0.55	\$ 3.62	\$ 1.76
Weighted average Common Shares outstanding	30,071,300	29,757,506	29,963,590	29,686,693

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

ASSETS

	September 30, 1995	December 31, 1994
	-----	-----
CURRENT ASSETS		
Cash	\$ 10,781	\$ 9,178
Accounts receivable, net of allowance for doubtful accounts of \$4,367 and \$4,358	145,084	103,892
Inventories		
Finished goods	66,826	39,929
Work in process	23,204	18,221
Raw materials	49,471	34,022
Manufacturing and maintenance supplies	30,637	27,567
	-----	-----
	170,138	119,739
Deferred income taxes	8,146	4,382
Prepaid timber stumpage	49,060	47,338
Other current assets	16,889	12,692
	-----	-----
Total current assets	400,098	297,221
OTHER ASSETS		
	35,226	29,439
TIMBER STUMPAGE		
	34,084	36,756
TIMBER, TIMBERLANDS AND LOGGING ROADS, NET OF DEPLETION AND AMORTIZATION		
	472,133	476,132
PROPERTY, PLANT AND EQUIPMENT		
Land, buildings, machinery and equipment	1,266,770	1,202,484
Less - accumulated depreciation	578,940	530,857
	-----	-----
	687,830	671,627
	-----	-----
	\$1,629,371	\$1,511,175
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 93,398	\$ 83,658
Bank loans and current maturities of long-term debt	400	302
Accrued taxes	19,550	7,676
Accrued payroll and benefits	24,500	20,043
Other current liabilities	43,172	41,831
Current reserves for dispositions and discontinued operations	17,189	25,370
	-----	-----
Total current liabilities	198,209	178,880
DEFERRED INCOME TAXES		
	149,466	127,638
LONG-TERM DEBT		
	483,208	482,920
NONCURRENT RESERVES FOR DISPOSITIONS AND DISCONTINUED OPERATIONS (Net of discontinued operations' assets of \$12,742 and \$13,023)		
	13,473	20,325
OTHER NONCURRENT LIABILITIES		
	24,319	23,695
MINORITY INTEREST		
	17,951	22,516
SHAREHOLDERS' EQUITY		
Common Shares, 60 million shares authorized, 29,638,611 and 29,574,807 shares issued and outstanding	158,818	157,581
Retained earnings	583,927	497,620
	-----	-----
Total shareholders' equity	742,745	655,201
	-----	-----
	\$1,629,371	\$1,511,175
	=====	=====

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

Nine Months
 Ended September 30,

	1995 -----	1994 -----
OPERATING ACTIVITIES		
Net income	\$ 108,525	\$ 52,238
Non-cash items included in income:		
Depreciation, depletion and amortization	72,186	69,610
Deferred income taxes	13,859	11,893
Increase in other noncurrent liabilities	624	1,946
Change in accounts receivable, inventories and accounts payable	(81,851)	(25,204)
Increase in prepaid timber stumpage	(1,722)	(4,133)
Increase (decrease) in accrued taxes	11,874	(871)
Change in reserves for dispositions and discontinued operations	(3,733)	(2,252)
Other changes	1,601	1,481
	-----	-----
Cash provided by operating activities	121,363	104,708
	-----	-----
INVESTING ACTIVITIES		
Capital expenditures	(95,590)	(67,502)
Sales and retirements of fixed assets, timber and timberlands	11,200	300
Expenditures for dispositions and discontinued operations, net of tax benefits of \$4,205 and \$3,229	(7,095)	(5,449)
Change in timber stumpage and other assets	(3,115)	(14,951)
	-----	-----
Cash used for investing activities	(94,600)	(87,602)
	-----	-----
FINANCING ACTIVITIES		
Issuance of debt	50,587	285,403
Repayments of debt	(50,201)	(267,981)
Dividends	(22,218)	(15,966)
Issuance of Common Shares	1,237	72
Decrease in minority interest	(4,565)	(15,113)
	-----	-----
Cash used for financing activities	(25,160)	(13,585)
	-----	-----
CASH		
Net increase in cash	1,603	3,521
Balance at beginning of period	9,178	5,989
	-----	-----
Balance at end of period	\$ 10,781	\$ 9,510
	=====	=====
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest	\$ 22,468	\$ 19,958
	=====	=====
Income taxes, net of refunds	\$ 26,894	\$ 18,815
	=====	=====

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

The sales and operating income of Rayonier's business segments for the three months and nine months ended September 30, 1995 and 1994 were as follows (thousands of dollars):

	Three Months Ended September 30, -----		Nine Months Ended September 30, -----	
	1995 -----	1994 -----	1995 -----	1994 -----
SALES				
TIMBER AND WOOD PRODUCTS:				
Log Trading and Merchandising	\$ 108,025	\$ 100,348	\$ 309,327	\$ 261,057
Timberlands Management and Stumpage	29,130	40,038	116,791	130,324
Wood Products	22,548	19,380	57,080	59,763
	-----	-----	-----	-----
Total Before Intra-segment Eliminations	159,703	159,766	483,198	451,144
Intra-segment Eliminations	(5,562)	(3,511)	(15,310)	(13,341)
	-----	-----	-----	-----
TOTAL TIMBER AND WOOD PRODUCTS	154,141	156,255	467,888	437,803
	-----	-----	-----	-----
SPECIALTY PULP PRODUCTS:				
Chemical Cellulose	103,471	81,398	269,500	226,519
Fluff and Specialty Paper Pulps	82,024	50,671	214,117	134,237
	-----	-----	-----	-----
TOTAL SPECIALTY PULP PRODUCTS	185,495	132,069	483,617	360,756
	-----	-----	-----	-----
Intersegment Eliminations	(5,723)	(2,318)	(18,196)	(4,056)
	-----	-----	-----	-----
TOTAL SALES	\$ 333,913	\$ 286,006	\$ 933,309	\$ 794,503
	=====	=====	=====	=====
OPERATING INCOME				
Timber and Wood Products	\$ 25,514	\$ 39,213	\$ 104,015	\$ 130,640
Specialty Pulp Products	38,737	3,383	74,384	2,915
Corporate and Other	(2,916)	(3,153)	(8,417)	(7,805)
Intersegment Eliminations	22	632	(90)	728
	-----	-----	-----	-----
TOTAL OPERATING INCOME	\$ 61,357	\$ 40,075	\$ 169,892	\$ 126,478
	=====	=====	=====	=====

RESULTS OF OPERATIONS

SALES AND OPERATING INCOME

Sales of \$334 million for the third quarter of 1995 were \$48 million or 17 percent higher than third quarter of 1994 reflecting continued improvement in pricing for Specialty Pulp Products. Operating income for the quarter of \$61 million was \$21 million or 53 percent higher than last year's level due to higher pulp prices, partially offset by lower Timberlands Management and Stumpage sales volume. Sales for the nine months ended September 30, 1995 of \$933 million were \$139 million or 17 percent higher than the prior year, and operating income of \$170 million increased \$43 million or 34 percent from the prior year.

Timber and Wood Products

Sales of Timber and Wood Products in the third quarter were \$154 million, down \$2 million from the third quarter of 1994. Operating income was \$26 million, compared to \$39 million in the 1994 third quarter. The decline in operating results was primarily driven by reduced stumpage harvests in both the Northwest and Southeast regions of the United States. In the Northwest, customers delayed harvesting timber under contract due to weak export log markets. In the Southeast, increased demand from the pulp and paper industry has resulted in improved stumpage prices. However, dry weather led to improved logging conditions, increasing the overall timber supply in the Southeast region. As a result, customers delayed harvesting on Rayonier's typically drier and higher-priced timber tracts.

Log trading and merchandising sales, which include the Company's New Zealand log sales, improved from the 1994 third quarter due to increased export log volume. However, margins were flat as improved volume and lower log costs were offset by lower selling prices. Wood products sales in the 1995 quarter were up over 1994 reflecting increased sales volume. Operating margins for wood products were down from the prior year due to lower sales prices caused by weak domestic lumber markets and higher log costs.

Sales for the nine month period were \$468 million, up \$30 million from the same period of 1994 reflecting increased log export volume and improved timber stumpage pricing in the Southeast. Operating income declined \$27 million to \$104 million due to lower stumpage harvest volumes in the Northwest and Southeast U.S. and lower wood products margins.

Specialty Pulp Products

Third quarter results for Specialty Pulp Products benefited from strong specialty pulp markets as mid-year price increases for chemical cellulose and fluff pulps took hold. Sales in the 1995 third quarter were \$185 million, \$53 million more than last year's third quarter. Operating income rose to \$39 million as compared to \$3 million in 1994.

Sales for the nine month period increased \$123 million to \$484 million and operating income improved from \$3 million in 1994 to \$74 million in 1995. Stronger pulp pricing and improved operating rates were partially offset by higher wood and chemical costs. Pricing for Rayonier's specialty pulps generally lag commodity paper grades by six to twelve months and further gains in specialty pulp pricing are expected in 1996.

Intersegment

Nine months intersegment sales of \$18 million in 1995 were greater than the comparable 1994 amount due to higher stumpage sales from the Timber and Wood Products segment to the Specialty Pulp Products segment.

OTHER ITEMS

In September 1995, the Company completed the sale of a 75 percent interest in a portion of its New Zealand timber holdings to a timber investment fund. The transaction resulted in a non-recurring pretax gain of \$35 million, \$24 million after-tax or \$0.80 per common share. The net proceeds from the sale were used to reduce debt. Rayonier will manage the joint venture, which involves 23,000 acres of timber on New Zealand's North Island and accounted for approximately seven percent of the Company's 1994 New Zealand harvest volume. The timber in the joint venture is located apart from most of the Company's forests and the Company believes that it can be better managed as a separate unit.

Interest expense of \$26 million for the first nine months of 1995 increased \$3 million over 1994 primarily due to higher short term interest rates.

Minority interest in the earnings of Rayonier's subsidiary, Rayonier Timberlands, L.P. (RTLPL), decreased \$4 million to \$21 million in the first nine months, due to decreased partnership earnings resulting from reduced stumpage harvests in both the Northwest and Southeast regions of the United States. The minority participation in the earnings of RTLPL will change from approximately 25 percent to approximately 1 percent effective January 1, 2001.

INCOME TAXES

The effective income tax rate for the first nine months of 1995 was 32 percent versus 35 percent during the same period of 1994. This decrease reflects benefits from tax reorganizations made following the spin-off from ITT as well as tax benefits on increased pulp export sales.

NET INCOME

Net income for the third quarter was \$57 million or \$1.90 per common share. Excluding the one-time gain on the New Zealand timberland sale, net income for the quarter was \$33 million or \$1.10 per common share, up \$17 million or \$.55 per common share from the 1994 level. Net income for the nine months ended September 30, 1995 was \$109 million or \$3.62 per common share, compared to \$52 million or \$1.76 per common share for the 1994 nine month period. Excluding the New Zealand sale, nine-month net income was \$85 million, or \$2.82 per share.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operating activities was \$121 million in the first nine months of 1995. Cash from operating activities financed capital expenditures of \$96 million, common dividends of \$22 million and environmental remediation and other costs relating to discontinued operations and units held for disposition. Rayonier's total debt outstanding was \$484 million as of September 30, 1995, approximately equal to the Company's debt balance at the beginning of the year. However, the Company's debt/capital ratio improved from 43 percent as of December 31, 1994 to 39 percent as of September 30, 1995.

EBITDA (defined as earnings before non-recurring items, interest expense, income taxes and depreciation, depletion and amortization) for the first nine months of 1995 was \$223 million, or \$7.45 per common share, an increase of \$50 million over the comparable period of 1994.

As of September 30, 1995, the Company had \$150 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 \$141 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,	
	1995	1994	1995	1994
TIMBER AND WOOD PRODUCTS				
Log Sales Volume				
North America - millions of board feet	107	94	273	219
New Zealand - thousands of cubic meters	403	405	1,255	1,232
Other - millions of board feet	6	2	15	7
Timber Harvest Volume				
Northwest U.S. - millions of board feet	27	39	115	143
Southeast U.S. - thousands of short green tons	449	726	1,597	1,679
New Zealand - thousands of cubic meters	312	277	916	844
Lumber Sold - millions of board feet	63	50	157	147
Intercompany Sales				
Logs - millions of board feet	10	7	21	8
Northwest U.S. Timber Stumpage - millions of board feet	10	8	26	22
Southeast U.S. Timber Stumpage - thousands of short green tons	34	27	236	73
SPECIALTY PULP PRODUCTS				
Pulp Sales Volume				
Chemical Cellulose - thousands of metric tons	115	116	323	320
Fluff and Specialty Paper Pulps - thousands of metric tons	93	93	267	269
Production as a Percentage of Capacity	103%	100%	98%	94%
SELECTED SUPPLEMENTAL INFORMATION (thousands of dollars)				
New Zealand - Sales	\$26,261	\$ 24,945	\$79,337	\$ 75,793
	=====	=====	=====	=====
New Zealand - Operating Income	\$ 3,901	\$ 2,751	\$11,308	\$ 9,928
	=====	=====	=====	=====

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company's Form 10-K for 1994 reported seven civil cases pending in the U.S. District Court for the Southern District of Georgia against the Company and its wholly owned subsidiary, Southern Wood Piedmont Company ("SWP"). The Company's Form 10-Q for the second quarter of 1995 reported the settlement of one of these cases and the consolidation of two others into one action. On September 29, 1995, the Court granted summary judgment in favor of the Company and SWP in two of the remaining cases; one of these decisions is being appealed by the plaintiffs to the U.S. Court of Appeals for the 11th Circuit. Three actions (including the Ernest Jordan case specifically referred to in the 1994 10-K) remain pending in the District Court.

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 13, 1995

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
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,	
	----- 1995 -----	----- 1994 -----
Earnings:		
Net Income	\$108,525	\$ 52,238
Add:		
Income Taxes	51,358	28,200
Minority Interest	21,039	24,861
Amortization of Capitalized Interest	1,233	1,059
	----- 182,155	----- 106,358
Adjustments to Earnings for Fixed Charges:		
Interest and Other Financial Charges	26,054	22,881
Interest Factor Attributable to Rentals	1,107	1,320
	----- 27,161	----- 24,201
EARNINGS AS ADJUSTED	----- \$209,316 =====	----- \$130,559 =====
Fixed Charges:		
Fixed Charges above Capitalized Interest	\$ 27,161 857	\$ 24,201 33
TOTAL FIXED CHARGES	----- \$ 28,018 =====	----- \$ 24,234 =====
RATIO OF EARNINGS AS ADJUSTED TO TOTAL FIXED CHARGES	7.47 =====	5.39 =====

5
1,000

9-MOS

	DEC-31-1995	
	JAN-01-1995	
	SEP-30-1995	
		10,781
		0
		149,451
		4,367
		170,138
	400,098	
		1,266,770
	578,940	
	1,629,371	
198,209		
		483,208
		158,818
	0	
		0
		583,927
1,629,371		
		933,309
	933,309	
		740,815
		740,815
		6,557
		0
	26,054	
	159,883	
		51,358
108,525		
		0
		0
		0
	108,525	
		3.62
		3.62